Medium Term Financial Strategy
2019/20 – 2023/24

Contents

Introduction, Financial and Corporate Planning

This document provides details of the Council's medium term financial plans and projected financial position up to and including the financial year 2023/24.

The document includes the Council's strategy to address the challenge of financial sustainability that is to be provided in the medium term including the ceasing of Revenue Support Grant, reductions in New Homes Bonus funding and the move to 75% business rates retention within local government by 2020/21.

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.

It follows that the 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 financial challenges may arise and the level of resources likely to be 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.

Efficiency Board

An Efficiency Board, a working group under the auspices of the cabinet, has been established to ensure that the budget setting process consults all interested parties in a transparent manner. The Council Leader and the Cabinet Portfolio Holder for Finance and Efficiency are members of the group, together with the Acting Chief Executive and Executive Director of Resources and Support Services. Other portfolio holders and officers attend as and when necessary.

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 *(Subject to Cabinet approval at their meeting on 19 September)*

The Council Plan for 2018-2022 details the Council's plans for the next four years. Foremost in the plan, is the delivery of key services to everyone by working with partners and local organisations to support and grow our communities, despite reducing finances for the Council. This means there is a need for changes to the way we work, do business and deliver our services. There is thus a clear and direct link to the Medium Term Financial Strategy (MTFS) from the Council Plan.

The plan informs how we will be working together to make the borough an even better place for everyone who lives, works, studies or visits here. The aims of the Council can only be achieved by taking advantage of every opportunity available and developing new ones through innovation and a more collaborative approach.

The Council wishes to strive for excellence in everything we do, and the plan sets out how we will work to achieve our aims and vision, to ensure the borough is in a strong position for the future of all who live, work, study and visit.

The Council's Role

The vision for Newcastle-under-Lyme is for it to be a place that provides good local services and is a prosperous and safe Borough, welcoming to all. To deliver this vision the Council's outcomes are:

- ***More available housing.***
- ***Improved job opportunities.***
- ***Strong and positive relations between our communities.***
- ***Clean streets, parks and open spaces.***
- ***A more vibrant town centre.***
- ***Reduction in crime.***
- ***Increased investment in the borough with strong economical growth.***

The Council's role is seen as providing strong, strategic leadership, and being able to work towards a new future for the borough and equipping others whether a resident or visitor, to share this vision.

Priorities

The vision sets 2 challenges – about the place that the Council wants Newcastle-under-Lyme to be and about the sort of organisation that the Council wants to be in order to make the vision a reality.

In order to provide the right framework and direction for the organisation to deliver this vision, and in order to deliver the planned outcomes, the Council has developed 4 new priorities which clearly represent its main areas of focus and reflect clearly what the Council wants to achieve:

- ***Local services that work for local people.***

  This is the Council's key priority which influences everything it does. The aim is to be a Council that listens to its local residents and communities by being responsive to their needs, and to work with them to deliver first class services.

- ***Growing our people and place.***

  The Council aims to build a strong and sustainable economy to ensure opportunities and support are available to everyone to improve their lives.

- ***A healthy, active and safe borough.***

  The Council will ensure everyone enjoys a safe environment, and access to a wide range of facilities and activities to support residents and visitors to improve their health and quality of life.

- ***A Town centre for all.***

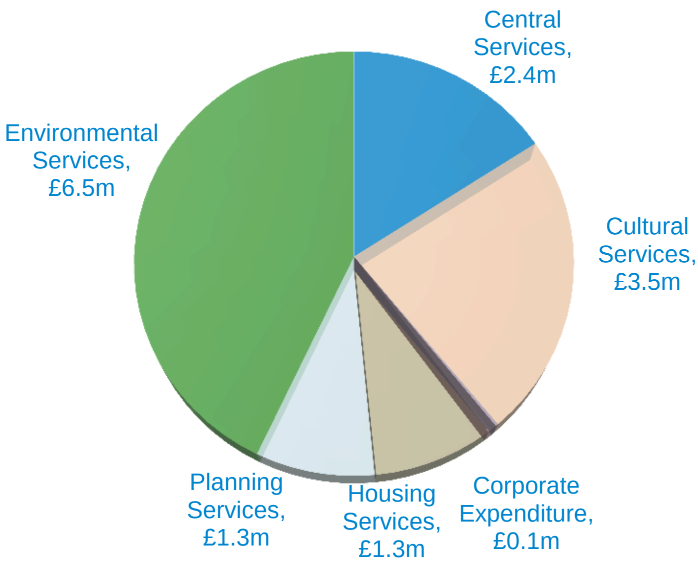
  Creating two vibrant Town Centres in Newcastle and Kidsgrove where everyone can live, work, study and spend their leisure time.

These priorities and outcomes are regularly reviewed and monitored. Progress against targets is reported to Cabinet.

The full Council Plan can be accessed at [www.newcastle-staffs.gov.uk.](http://www.newcastle-staffs.gov.uk)

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 on which the Council should prioritise its resources and the Council's budgetary plans reflect this. The net operating expenditure budget for 2018/19 has been allocated across services provided as shown in the chart alongside.



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, they are reflected in the MTFS. Those with a 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 2018. This programme provides for £2.549 million of investment during 2018/19 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, the Council has committed to borrowing for Castle House.

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.

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 corporate objectives and priorities.

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. 2014/15 to 2018/19) efficiency savings in excess of £10.4 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 financial sustainability of the Council was reviewed by the Council's external auditors, Grant Thornton during July 2018. Grant Thornton concluded that:

"The Council has appropriate arrangements for delivering economy, efficiency and effectiveness. The Council has continued to deliver services broadly in line with its budget plan, in line with its past record of sound financial control. The Council has set a balanced budget and has identified funding gaps in its medium term financial strategy. The Council has already identified actions to address around 50% of these funding gaps and has an efficiency and savings programme in place to identify further savings"

The Council has recently moved premises to a new public sector hub, Castle House, based within the town centre 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 delivering high quality services including joint working, agile working and collaboration with public sector organisations including Staffordshire County Council, the Police and the NHS.

Castle House has been 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 recent move to Castle House will save taxpayers significant sums through public sector organisations working together to deliver a wide range of public services under one roof. Additionally it will enable the redevelopment of the site of the former Civic Offices and the surrounding area (known as Ryecroft). It is hoped that this development will bring significant investment into the town centre, along with construction jobs, to create a long term benefit to the overall town centre economy.

Officers and Members of the Council are continually open to new ideas and new ways of doing things and as such new electoral arrangements have been introduced. The Council previously had 60 elected Councillors representing 24 wards and elections took place by thirds, i.e. elections 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 was no Borough election.

The number of elected Members has reduced from 60 to 44. This has enabled cost savings to be delivered in terms of the allowance that is paid to each Member. Moving from the previous arrangement of elections taking place by thirds to an all-out cycle of elections, which means that all seats of the Council are elected at the same time, once every four years, was 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.

The National Context

Revenue Support Grant

Similar to other areas of the Public Sector, local authorities have had to lower costs as their central government funding has reduced. This is a result of the Government’s Policy to address the national budget deficit and 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, giving increased certainty for this funding (Revenue Support Grant will cease for the Council in 2020/21). The four year settlement offer, which was accepted by the Council, was offered in return for the publishing of an efficiency plan.

Business Rates Retention

The Local Government Finance Act 2012 introduced 50% 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.

The Finance Settlement for 2018/19 announced that by 2020/21 local government will retain 75% 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).

For the purposes of the Medium Term Financial Strategy is has been assumed that the Council will be in a cost neutral position once the new system is implemented, again, this cannot be guaranteed.

The most recent business rates revaluation took effect from 1 April 2017. This created change in business rates revenues outside the control of local authorities. When the Government introduced the 50% business rate retention scheme it signalled that it would adjust each authority's tariff or top-up following a revaluation to ensure, as far as is practicable, that their retained income is the same after revaluation as immediately before.

In the 2016/17 Local Government Finance Settlement technical consultation the Government detailed the method by which the impact of the 2017 business rates revaluation would be neutralised in the rates retention scheme. The Government committed to making the revaluation adjustment in three stages. The final stage of adjustment will occur in 2019/20 where the one-off reconciliation adjustment for 2018/19 adjustments to tariffs and top-ups will be cancelled.

New Homes Bonus

The New Homes Bonus (the 'Bonus') was introduced in 2011 to provide an incentive for local authorities to encourage housing growth in their areas. Over £7 billion has been allocated to local authorities through the scheme to reward additional housing supply.

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

Following the outcome of the 2015 Spending Review Central Government 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. Following the consultation:

- The Bonus was adjusted to reflect estimates of deadweight (i.e. Bonus is now only paid above a higher baseline);

- Proposals for reductions in the number of years for which the Bonus is paid from 6 years to 4 years were introduced.

The Government has retained the option of making adjustments to the baseline in future years to reflect significant additional housing growth and to remain within spending limits set at Spending Review 2015.

Due to the continued upward trend for house building, the Government expects to increase the baseline in 2019/20. New Homes Bonus calculations are based on additional housing stock reported through the council tax base and decisions on the baseline for 2019/20 will be made following a review of the data when it is published in November. Any changes intended for the baseline in 2019/20 will be detailed at the time of the provisional settlement. Any funding intended for New Homes Bonus payments that is not used for this purpose will be returned to local government.

2019/20 represents the final year of funding agreed through the Spending Review 2015. In light of this, it is the Government's intention to explore how to incentivise housing growth most effectively, for example by using the Housing Delivery Test results to reward delivery or incentivising plans that meet or exceed local housing need. Government will consult widely on any changes prior to implementation.

Council Tax Referendum

The 2018/19 Settlement gave shire district councils the opportunity to increase Council Tax by up to 3%, or up to and including £5, whichever is the higher. The Government is currently consulting local authorities concerning the 2019/20 finance settlement and propose that the same principles should apply for 2019/20.

2019 Spending Review

The 2019 Spending Review will confirm overall local government resourcing from 2020/21. The Government is working towards significant reform in the local government finance system in 2020/21, including an updated, more robust and transparent distribution methodology to set baseline funding levels, and resetting business rates baselines. Prior to these reforms in 2020/21, the Government is committed to testing aspects of the new system, and will be implementing a further round of Business Rates Retention pilots in 2019/20.

Funding baselines for local authorities, as determined by the local government finance settlement, are based on an assessment of local authorities' relative needs and resources. The methodology behind this assessment was introduced over ten years ago, and has not been updated since the introduction of the 50% business rates retention system in 2013/14.

Since that time, demographic pressures have affected local areas in different ways, as has the cost of providing particular services. In recognition of these pressures, the Government last year announced a review to address concerns about the fairness of current funding distributions. The outcome of this review will enable the Government to reconsider how the relative needs and resources of local authorities should be assessed in a world in which they will continue to have greater control over the money that they raise.

There have been widespread calls for a thorough, evidence-based review, based on effective collaboration with local government. Many have argued that the current four year settlement should run its course to 2019/20. The Government believes that working towards an implementation date for the review of 2020/21, while keeping this under review as work progresses, offers the best opportunity to achieve these objectives, alongside wider policy developments in local government finance and adult social care.

Local government is the frontline of our democracy and accounts for almost a quarter of public spending. It delivers a wide range of important services used by residents on a daily basis, and provides essential support for the most vulnerable people in our society. The local government funding system must therefore offer appropriate levels of stability and assurance to councils to support financial planning, along with greater control over the money they raise and strong incentives to deliver services efficiently and in a way that promotes local economic growth

No two local authorities are the same. Changes in demography and the cost of service delivery will affect areas differently across the range of services, while the challenge of growing local economies varies. The review will address concerns about the fairness of the current distribution of funding to local authorities, ensuring that funding allocations reflect the relative 'need to spend', and taking into account the capacity of authorities to fund local services through local income.

The current local government funding system is often criticised for its complexity. The Government is also working towards a system that is, as far as is practicable, more simple and transparent whilst providing as much discretion as possible to local councils over the use of resources so as to empower the transformation of local services and ensure that councillors are accountable for deciding how funding is used locally.

The fair funding review will set new baseline funding allocations for local authorities by delivering an up-to-date assessment of their relative needs and resources.

Brexit

The vote to leave the European Union (EU) has significant structural and financial implications for local government and the wider public sector, at the current time these cannot be quantified. For the UK to leave the EU it had to invoke Article 50 of the Lisbon Treaty which gives the two sides two years to agree the terms of the split. This process was triggered on 29 March 2017, meaning the UK is scheduled to leave on Friday, 29 March 2019. It can be extended if all 28 EU members agree, but at the moment all sides are focusing on that date as being the key one, and Theresa May has now put it into British law.

A transition period of time, up to 31 December 2020, is allowed to get everything in place and allow businesses and others to prepare for the moment when the new post-Brexit rules between the UK and the EU begin.

Compilation of the MTFS

Principles

The MTFS considers changes to the 2018/19 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 2018/19 base budget through to 2023/24, 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 19), 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 as part of the 2019 spending review;

- A position of financial neutrality has been assumed for the introduction of the revised spending baselines in 2020/21, after the removal of all remaining Revenue Support Grant;

- New Homes Bonus funding will continue at 4 years rolling funding, no assumptions for any change to the deadweight have been allowed for;

- Business Rates baseline funding retained by the Council is to increase in line with inflation forecasts provided by Central Government for 2019/20 as per the four-year funding settlement and by inflation in future years;

- The impact of 75% Business Rates Retention will be cost neutral;

- Full provision for known pay increases from incremental progression;

- A 2 per cent pay award in 2019/20 and 1 per cent for each year thereafter (an increase of 1 per cent from this would result in a further £119,000);

- 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;

Assessment of what the MTFS means

The implications of the MTFS forecast will be taken into consideration in the preparation of detailed budgets for 2019/20 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.

- £1.891m in 2019/20

- £1.064m in 2020/21

- £764,000 in 2021/22

- £644,000 in 2022/23

- £508,000 in 2023/24

As a percentage of the net budget, the potential shortfall in 2019/20 represents 14 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 etc. The continued 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.

Budget Strategy and Savings

The Council continues to look at how its decreasing resource base over the medium term can be best used to meet the needs of the population of the Borough and to produce a balanced budget.

A number of work streams, all of which provide a perspective on the future role and funding of the Council have been undertaken, are currently being undertaken or are planned to be undertaken in the medium term, these include:

- 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.

- 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.

- Work continues to be undertaken to ease the burden of carrying out administration tasks across the Council.

- 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 staff and a number of flexible retirements.

- 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.

- Use of alternative sources of funding and reserves, e.g. New Homes Bonus contributions, Business Rates Retention Scheme.

- 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.

- 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.

Timetable and Procedure

As mentioned earlier, an Efficiency Board has been established 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.

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

Event	Body Affected	Date
Scrutiny of MTFS	Finance, Assets and Performance Scrutiny Committee (FAPSC)	20 September
Consideration of MTFS and feedback from FAPSC	Cabinet	17 October
Initial budget strategy and savings options	Finance, Assets and Performance Scrutiny Committee	17 December
Draft Budget proposals including options approved	Cabinet	16 January
Budget proposals recommended for approval by Full Council	Cabinet	6 February
Full Council to approve Budget	Full Council	20 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 Efficiency Board 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 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 (2019/20) 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 2019/20 to 2023/24. 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 2019/20 budget process. The assumptions about future costs and income together with those relating to investment and efficiency savings will be incorporated in the 2019/20 budget and will account for the majority of the change in net spending between the 2019/20 budget and that for 2018/19. 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 2019/20 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.

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:

Medium Term Financial Strategy and Efficiency Plan	This document sets out the medium term financial plans of the Council.
Treasury Management Strategy	Setting out how cash and investments are managed. This is designed to ensure the security and liquidity of any council money invested.
Financial Regulations	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.
Internal Audit Plan	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 Standards Committee.
Capital Strategy and Capital Programme	Setting out how major investment is planned and managed and helps to deliver the Council's priorities.
Asset Management Strategy	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 2018/19 the tax base was calculated at 36,812 properties.

The collection fund is the account 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 2018/19 at Band D level is;

Overall Band D Council Tax	**£:p**
Newcastle-under-Lyme Borough Council	190.45
Staffordshire County Council	1,210.52
Office of the Police and Crime Commissioner Staffordshire	192.56
Staffordshire Fire and Rescue Service	73.53
Sub-total	**1,667.06**
Parish Council (Average)	29.24
Total	**1,696.30**

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 2018/19 at Band D ranges from £15.28 to £55.73.

MTFS Summary

	2019/20	2020/21	2021/22	2022/23	2023/24	Notes
Changes to Base Budget	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	
Employee Incremental Increases	80	60	37	5	0	As per Salaries Estimates
Pay Awards	237	121	122	123	125	2% increase in 2019/20 and 1% per year thereafter
Superannuation Increases	335	402	308	303	303	Includes lump sum increases
National Insurance	44	25	22	18	17	Per incremental increases & pay awards
Premises (e.g. Business Rates)	35	28	24	25	25	Increases as per settlement inflation forecasts
Transport (e.g. Fuel)	16	17	17	18	19	Increases as per Department for Business, Energy and Industrial Strategy forecasts
Other Costs (e.g. Inflation, Uplifts)	38	5	5	5	0	General inflation on energy and housing advice contract and increases in insurance premium tax
One Off Budget Items Removed	66	0	0	0	0	Expenditure taken from/income added to budget
New Homes Bonus	519	347	237	158	103	
Government Grants	526	63	0	0	0	Per settlement indications (RSG)
Business Rates Baseline Funding	(80)	(77)	(79)	(80)	(82)	Per settlement indications (Business Rates Baseline)
Waste	69	69	69	69	0	Reductions in recycling credits awarded
New Pressures	100	100	100	100	100	To meet new pressures
Fees & Charges & other Income	(94)	(96)	(98)	(100)	(102)	Increases as per settlement inflation forecasts
TOTAL MTFS SHORTFALLS	**1,891**	**1,064**	**764**	**644**	**508**	