



MEDIUM TERM FINANCIAL PLAN

UPDATE – June 2017

2017/18 – 2020/21

FINANCIAL PLAN 2017/18 – 2020/21 WAVERLEY BOROUGH COUNCIL

Introduction

The Medium Term Financial Plan is Waverley's key financial planning document which takes account of all the various factors and influences that may impact on Waverley for the next few years. These factors include economic conditions, Government spending plans, current expenditure patterns, inflation, planned changes to service delivery, changing demand for services, sources of income etc. It also includes an assessment of the risks faced by Waverley.

The Plan includes a forward look over the next four years to anticipate the spending pressures faced by Waverley. Planning now to meet known changes in the future provides greater opportunity to phase in the impact of the changes. Planning for the future will mean that Waverley can ensure sufficient funds are held in balances to be in a position to react swiftly to changing demands and emergencies as priorities or policy demands changes. Anticipating forward pressures at an early stage, helps ensure that limited financial resources are targeted to Waverley's residents' highest priorities.

Strategic Objectives

The objectives of this plan are to:

- Provide a framework for managing resources in medium term.
- Ensure that sufficient resources will be available to meet Waverley's objectives and priorities, particularly in the delivery of value for money.
- Look ahead to the longer term to protect and help plan sustainable services within an extremely challenging external economic and funding environment.
- Strengthen Waverley's financial resilience and manage volatility and risk, including maintaining an adequate level of reserves.
- Secure, maintain and develop Waverley's capital assets consistent with the Asset Management Plan.
- Anticipate financial pressures and identify potential ways to balance Waverley's budget including through efficiency measures and increased income

Delivering The Council's Priorities

The Council's Vision for 2016 -19 is:

To make Waverley a better place to live and work

The role of the council's financial planning process is to support the achievement of Waverley's Strategic Priorities and Corporate Plan.

Waverley has four main priorities that respond to residents' concerns and to ensure the delivery of high quality, cost effective services:

- Customer Service
- Community and Wellbeing
- Environment
- Value for Money

National Context

The problems of demography and caring for an increasing elderly population are well known as are increasing costs of pensions. Further significant reductions in public spending means that this period will continue to be extremely challenging for Waverley. Now, more than ever, Waverley needs to be clear about the priorities and focus on them to guide its decision making process.

Financial Plan - Context

- Continued Government grant cuts – 52% reduction in Revenue Support Grant in 2016/17 and almost complete withdrawal in 2017/18 with negative grant beyond this.
- Funding uncertainty and impact of Comprehensive Spending Review – Waverley's core resource of business rates is being reviewed – early indications are that Waverley's resources will be cut further and additional risk transferred. New Homes Bonus has been significantly reduced under Government reforms
- Government proposals for Housing – 1% rent cut for 4 years and high value forced home sell offs has taken £300million from original forecast resources.
- Challenge to focus resources on Corporate Plan objectives and priorities without impacting on other services.
- Responding to service demands, residents' and tenants' needs and Government legislation eg Homelessness.
- How to achieve further efficiency gains and generate additional income..
- Government restrictions on council tax levels and key income streams.

Financial Projection – General Fund

The latest financial projections for the General Fund are shown in the table at Annexe 3 which show a projected cumulative budget shortfall of £2.8m over the next 3 years after 2017/18.

Reserves and Balances

Waverley holds a number of balances and reserves for a range of specific and general purposes. These amounts must be used for their intended purpose and support Waverley's key objectives.

General Fund and HRA Balance – These balances are to cover variations in budgeted income & spending due to:

- Unexpected price increases
- Unbudgeted calls for spending e.g. major one-off inquiry
- Loss of income if offsetting savings can't be found
- Increased demand for services e.g. homelessness

In the light of major changes to the HRA by the Government which have a significant financial impact on Waverley's business plan, a comprehensive review was undertaken in 2016. The Council agreed a range of measures to balance the HRA revenue and capital budgets in the medium term and these have now been incorporated in the Business Plan.

Key policies are as follows:

- General Fund balances will be maintained at a prudent level of at least £ 3.2 million – This represents approximately 10% of running costs.
- The Housing Revenue Account balance will be maintained at a prudent level of at least £2.0 million.
- Investment Fund to support the Investment Advisory Board to bring forward and oversee property investment opportunities to generate ongoing income.
- Business rate equalisation fund to mitigate the impact of fluctuations and between-year adjustments on the General Fund.
- The Revenue Reserve will be the principal funding source for the General Fund Capital programme, invest to save schemes and one-off items of revenue and capital expenditure including appeal and litigation costs.
- No dependency on reserves or one off uncertain funding sources to fund ongoing services.
- New Homes Bonus will be used to fund one off revenue projects and to support invest-to-save projects.

- Not to consider replacing repaid HRA borrowing until the Government has removed its 1% rent reduction policy.
- Implement and maintain Community Infrastructure Levy in conjunction with the new Local Plan to provide capital infrastructure funding.

Key Financial Plan Actions to address budget shortfall

- Continue the budget challenge process and the Foresight Programme to ensure budgets deliver good value for money and are aligned to Corporate Plan priorities.
- Cross cutting efficiency programme to be developed.
- Deliver the Brightwells regeneration scheme and realise the significant financial, economic and social value of Waverley's asset.
- Maximise income from fees and charges and property
- Develop Waverley's borrowing strategy further for General Fund Capital to enable more investment.
- Optimising return on cash surplus in times of low interest rates, balancing security, liquidity and return.
- Utilise General Fund and HRA asset strategies including disposals and acquisitions, including the Investment Advisory Board programme.
- Review the outcome of the Economic Strategy alongside the emerging Local Plan in relation to Waverley's business rate income.
- Maximise invest to save opportunities to generate income, improve processes and/or make savings.
- Identify further efficiencies under the 'Foresight' Efficiency Plan.
- Secure new funding opportunities to help deliver priority services and projects.
- Model and monitor sensitivities on key budget areas e.g. inflation and interest, council tax and business rates.
- Rigorously test all capital proposals for relevance, timeliness and deliverability.
- Review procurement methods and contracts to identify efficiencies and cost savings including agency staff.
- Achieve social inclusion and providing accessible, affordable services for the Borough's most vulnerable residents.

- Support Service Managers to manage finances effectively.
- Do not progress capital schemes that are not high priority or make an ongoing return.

Equality Impact Assessment

Waverley's Medium Term Financial Plan aims to ensure that the Council can deliver all its services and target its resources on priority areas. These priorities were developed having regard to the Council's approved Equality and Diversity policy. This Strategy recognises Waverley's diverse population and its unique geography and is intended to have a positive impact on the most disadvantaged and vulnerable citizens by focusing resources on providing affordable and accessible services throughout the Borough. It is important that any future service change proposed to support the Financial Plan objectives is considered against Waverley's equality impact assessment.