



**DRAFT
MEDIUM TERM
FINANCIAL PLAN**

2020 - 2024

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<i>Council Approval date:</i>	<i>February 2020</i>
<i>Date for review:</i>	<i>February 2021</i>

FINANCIAL PLAN 2020 – 2024 WAVERLEY BOROUGH COUNCIL

Introduction

The Medium Term Financial Plan (MTFP) 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 restrictions, 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 MTFP 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 mitigate the impact. Good preparation will mean that Waverley has sufficient funds to meet unexpected costs and that limited financial resources are targeted to Waverley's residents' highest priorities.

Purpose

The purpose of this Medium Term Financial Plan is to:

- Provide a framework for managing resources in medium term to deliver the corporate plan.
- Demonstrate 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.
- Anticipate financial pressures and identify potential ways to balance Waverley's budget including through efficiency measures.

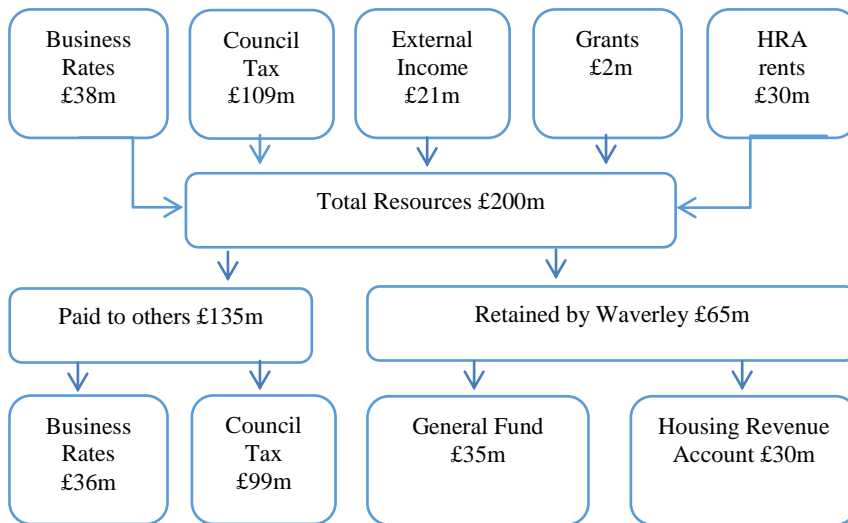
Delivering The Council's Priorities

Waverley will promote and sustain a financially sound council, with infrastructure and services fit for the future.

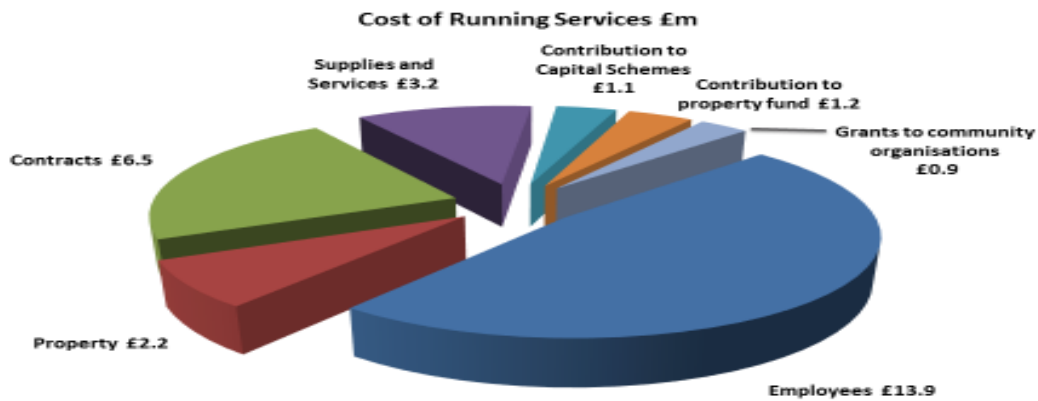
Waverley's Corporate Strategy sets out the following priorities for the next four years:

- develop a more open, inclusive approach to communications and decision-making;
- protect, support and empower Waverley's communities by changing the way that the council is organised and operates, seeking the delivery or devolution of responsibilities from Surrey County Council to Waverley and to Waverley's towns and parishes;
- encourage the development of small businesses and support for local employment;
- review charging policies to ensure that they are consistent with our vision;
- encourage affordable access to sports and leisure facilities and the arts for all, improving services across the borough, focusing on health inequalities ensuring that no area is disadvantaged;
- ensure local residents have access to local countryside and are not excluded through high parking charges;
- improve facilities for young people;
- work to maximise the availability of housing that meets the needs of local people at all income levels, as well as reviewing arrangements for preventing homelessness and providing accommodation for vulnerable people, such as those experiencing domestic abuse;
- take steps towards our aim of becoming a net zero-carbon council by 2030 encouraging carbon reduction and carbon offsetting and the promotion of biodiversity and sustainable homes, businesses and transport;
- promote reduction and re-use as well as recycling;
- work with partners to promote a pedestrian-friendly and cycle-friendly road system taking action on air quality especially those caused by vehicle emissions, and encouraging an improved "clean" bus service;
- tighten planning guidance so that it is consistent with meeting local needs and protecting the Green Belt, engaging with government to promote rebalancing the planning system in favour of localism; implement the Community Infrastructure Levy fully and allocate funds fairly and transparently;
- engage with all stakeholders to better control crime and anti-social behaviour;
- Press the government for appropriate funding to meet local needs as reflected in our vision for Waverley, and reverse cuts to local government funding to enable us to intelligently deal with the looming budget shortfall.

Waverley's budgets 2019/2020

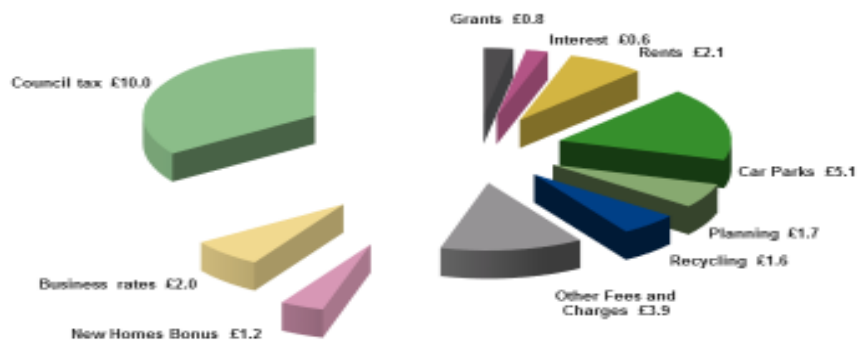


General Fund budget



General Fund budget

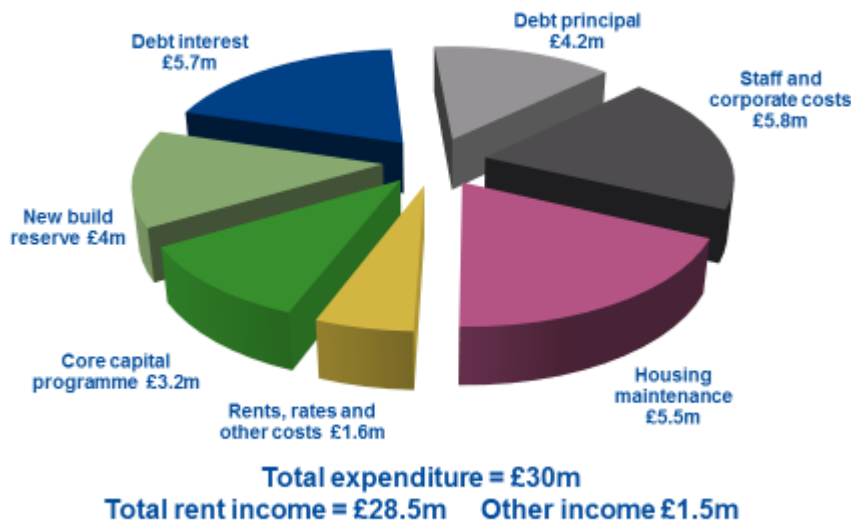
Proportional Income £m



Tax based income £13.2m

Service based Income £15.8m

HRA Business Plan – Annual Expenditure



Key Risks

- Achieving savings targets:
 - Significant investment in commercial property needed, to be funded from borrowing
 - Major change programmes underway including transformation of customer services across the council.
- We don't have significant non earmarked reserves:
 - Limited ability to fund change in the Corporate plan, zero carbon, structural deficit
 - One off adverse impacts such as planning appeals, judicial reviews
- Adequacy of provisions:
 - Business rates – under the current retention system we carry some of the cost of appeals, impact of 100% retention, plus reducing total rateable value in the Borough
 - Impact of Government's business rate funding review and Fair Funding review is likely to reduced retained business rates and increase risk
 - Housing benefit overpayment recovery – will be limited in future due to Universal Credit
 - Investment property voids – this is an increasingly important revenue stream
- Negative government grant:
 - Still on the agenda – decision deferred to 2021 Finance Settlement
- Further constraints on income:
 - Reliance on Council Tax increase, Planning and Building Control income – affected by government policy, economy and local political decision making
- The unknown economic impact of Brexit on inflation and interest rates, mitigated by scenario planning as the transition is implemented

General Fund Budget Strategy



The indicative targets for each work stream in the budget strategy for the 4-year MTFP period, to be reviewed following the budget setting for 2020/21, are:

	Original Savings Target in MTFP £000	Included in Draft 2020/21 Budget £000	Target for 2021/22 to 2023/24 £000
Business Transformation	1,000	102	898
Commercial Strategy	700	231	469
Property Strategy	1,200	300	900
Procurement	200	43	157
Cost review	1,000	699	301
Council Tax increase – assuming 2%	790	194	610
Other		306	195
Total	4,890	1,875	3,530

Commercial Strategy

- Car park review
- Other new/increased income
- Use of existing assets including leisure centres
- Waverley Training Services

Cost Review

- Housing keeping on service budgets
- Review service expenditure e.g. Community Organisations

Business Transformation Strategy

- Customer services project
- Planning and building control process review
- Office accommodation project
- Staff travel and remote working

Financial Projection – General Fund

The following table shows the main budget pressures projected over the MTFP period

	Latest Estimate			
	2020/2021	2021/22	2022/23	2023/24
Anticipated Major Budget Variations	Change from 2019/2020 Base	Change from 2020/2021 Base	Change from 2021/2022 Base	Change from 2022/2023 Base
	£000	£000	£000	£000
Inflation - including pay	590	550	550	550
Waste funding SCC reduction	468			
Housing benefit admin grant	10	20	30	30
Business Rate Retained Income	150	700	700	400
Planning Income Pressure	200			
Other Major Budget Variations	457			
Budget Shortfall	1,875	1,270	1,280	980

£5.4m of recurring savings needed over MTFP period

National Context

- Comprehensive Spending Review delayed
- Fair Funding review put back to 2021/22
- Business rates funding review put back to 2021/21
- 'Negative grant' delayed by a year to 2021/22 – Waverley's indicative amount £800k pa
- New Homes Bonus future years' amounts uncertain
- Limit on council tax increase in 2020/21 of £5 Band D or up to 2% whichever is higher

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, Judicial Review
- Loss of income if offsetting savings can't be found
- Increased demand for services e.g. homelessness
- Impact of Government policy e.g. Universal Credit

Key policies are as follows:

- General Fund balances will be maintained at a prudent level of at least £3.2 million – This represents approximately 25% of net running costs.
- The Housing Revenue Account balance will be maintained at a prudent level of at least £2.0 million.
- Business rate equalisation fund to balance the impact of fluctuations in funding, increased appeals risk, reductions in total rateable value and between-year adjustments on the General Fund.
- The revenue contribution to the Revenue Reserve Fund will be the principal funding source for the General Fund Capital programme.
- No dependency on reserves or one off uncertain funding sources to fund ongoing services.
- New Homes Bonus will be used to fund property investment, one off revenue projects and risk mitigation for the budget strategy.
- Maximise the use of Community Infrastructure to provide capital infrastructure funding.

Annexe 5 to the General fund budget report and Annexe 4 to the HRA budget report show the latest projections.

Budget Pressures in the medium-term

- Inflation including Pay - 1% pay increase = £140k on General Fund. CPI currently 1.4%:
 - How do we stop inflation out growing council tax and parking income increases?
- Key income streams under pressure:
 - Reduced number of Major planning schemes coming through
 - Investment income from property is a long term game but carries risks
- Homeless costs are escalating:
 - Adequacy and continuity of government funding supporting the change in legislation?
- MTFP must underpin the Corporate Plan:
 - What spending plans can be changed within the MTFP time frame?
- Funding Waverley's Carbon neutral commitment:
 - Review current spending plans to stop/change service delivery?
- Continue to invest in assets – leisure, car parks, IT
 - How do we fund the necessary investment in asset maintenance?
 - Developing further partnership working to deliver public services at lower cost