

REPORT TITLE: MEDIUM TERM FINANCIAL PLANNING

26 NOVEMBER 2018

REPORT OF PORTFOLIO HOLDER: CLLR GUY ASHTON (PORTFOLIO HOLDER FOR FINANCE)

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WARD(S): ALL

PURPOSE

The current four year central government settlement funding ends in 2019/20 with a fundamental review of funding levels and distribution mechanisms currently underway.

This paper provides an update on the latest medium term financial projections and outcome based budgeting planning process, with a variety of proposals to inform the final budget and Medium Term Financial Strategy ready for approval at Council in February.

RECOMMENDATIONS:

That the Overview and Scrutiny Committee raises with the Leader or other relevant Portfolio Holder any issues arising from the information in this report and considers whether there are any items of significance to be drawn to the attention of Cabinet.

## IMPLICATIONS:

### 1 COUNCIL STRATEGY OUTCOME

- 1.1 The Council Strategy is the core strategic document, helping to guide and inform budget planning work and the options around delivery.

### 2 FINANCIAL IMPLICATIONS

- 2.1 As detailed in the main body of the report.

### 3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 Any implications arising from budget options contained within this report will be dealt with in the individual business cases and committee papers relating to those specific decisions and Council will approve the final budget in February 2019.

### 4 WORKFORCE IMPLICATIONS

- 4.1 None directly relating to this paper, which sets out the strategic budget planning direction.

### 5 PROPERTY AND ASSET IMPLICATIONS

- 5.1 A key strand of the Council's financial and treasury strategies is to maximise income from its assets and seek to manage risk by achieving a balanced portfolio of assets. Options considered during the budget planning process may therefore involve either the acquisition or disposal of assets, requiring a full business justification case.

### 6 CONSULTATION AND COMMUNICATION

- 6.1 This paper is a key part of the budget consultation process. Views will be sought from local businesses, parish council's, and local residents as part of this exercise.

### 7 ENVIRONMENTAL CONSIDERATIONS

- 7.1 Environmental considerations will be part of the business case supporting any budget proposals.

### 8 EQUALITY IMPACT ASSESSEMENT

- 8.1 This document is part of the budget consultation process and equality impact assessments will be considered alongside any relevant budget options.

### 9 DATA PROTECTION IMPACT ASSESSMENT

- 9.1 None required

10 RISK MANAGEMENT

<b>Risk</b>	<b>Mitigation</b>	<b>Opportunities</b>
<i>Significant reductions in government funding over the medium term</i>	<i>Financial projections are shown over the medium term and the scenario planning highlights the potential sensitivities.</i>	<i>Development of locally generated income streams with less reliance on government funding</i>
<i>Councils service priorities are not reflected in the budget</i>	<i>The use of Outcome Based Budgeting as a method of delivering the budget.</i>	<i>Ensure the prioritisation of resources to best meet the outcomes of the authority</i>
<i>Delays to or failure to deliver major capital schemes leaving future years forecast deficits</i>	<i>Ensure robust business cases are taken forward and sufficient resources are available to deliver the projects.</i>	<i>Consideration of a wide base of potential capital / investment schemes to enable a balanced risk portfolio and options for other schemes to be chosen should any existing schemes not progress</i>
<i>An optimism bias over the capacity and capabilities of the organisation to deliver major projects with a positive financial contribution to the authority</i>	<i>Ensure all major projects are considered in the wider context of the council's financial position and MTFS.</i>  <i>Effective project planning to ensure that sufficient resources and expertise is available to support all major projects at the outset.</i>	
<i>One-off resources such as earmarked reserves are fully utilised leaving no funding available for future plans</i>	<i>Effective and transparent prioritisation of the use of reserves to ensure the council does not overcommit itself.</i>  <i>A clear and robust plan for the delivery of savings, particularly if reserves are used to mitigate any short term budget shortfalls.</i>	<i>Clear and transparent plans for the use of reserves ensures that effective prioritisation can take place</i>

## 11 SUPPORTING INFORMATION:

### **Background**

- 11.1 The Council has responded well to the financial challenge since 2010. Over this period, there has been a substantial reduction in overall central government funding to the extent that in 2019-20 the council will receive no core government grant (the Revenue Support Grant or RSG). There is a forecast stepped reduction in funding from 2020/21 due to an anticipated redistribution of funding to high need services such as adult social care.
- 11.2 The 2019/20 funding settlement is the fourth and final year of the current multi-year settlement. A fundamental review of local government funding is currently underway, with a new multi-year settlement expected to commence from 2020/21. The 2018 Budget highlighted a spending review that would consider the five year period from 2020. Though the budget included some one-off funding for local government's social care functions, it is not expected for any additional revenue funding to come to the Winchester City Council.
- 11.3 Significant changes are expected to commence from 2020/21 with a strong risk of material reductions to current funding (over £7m in total is due to be received in 2018/19).
- I. **Retained business rates**, totalling £4.6m, is made up of:
    - a) The 'baseline funding level' of £2.1m which is calculated based on the needs assessment of the authority. A fair funding review is currently underway in order to review and update the mechanisms for calculating and distributing this assessment of 'need'.
    - b) The 'retained growth' of £2.5m which is the share of business growth retained by the council since the current scheme was implemented in 2013/14. Government have given strong indications that a 'reset of growth' will take place from 2020/21, which potentially places all of this funding at risk.

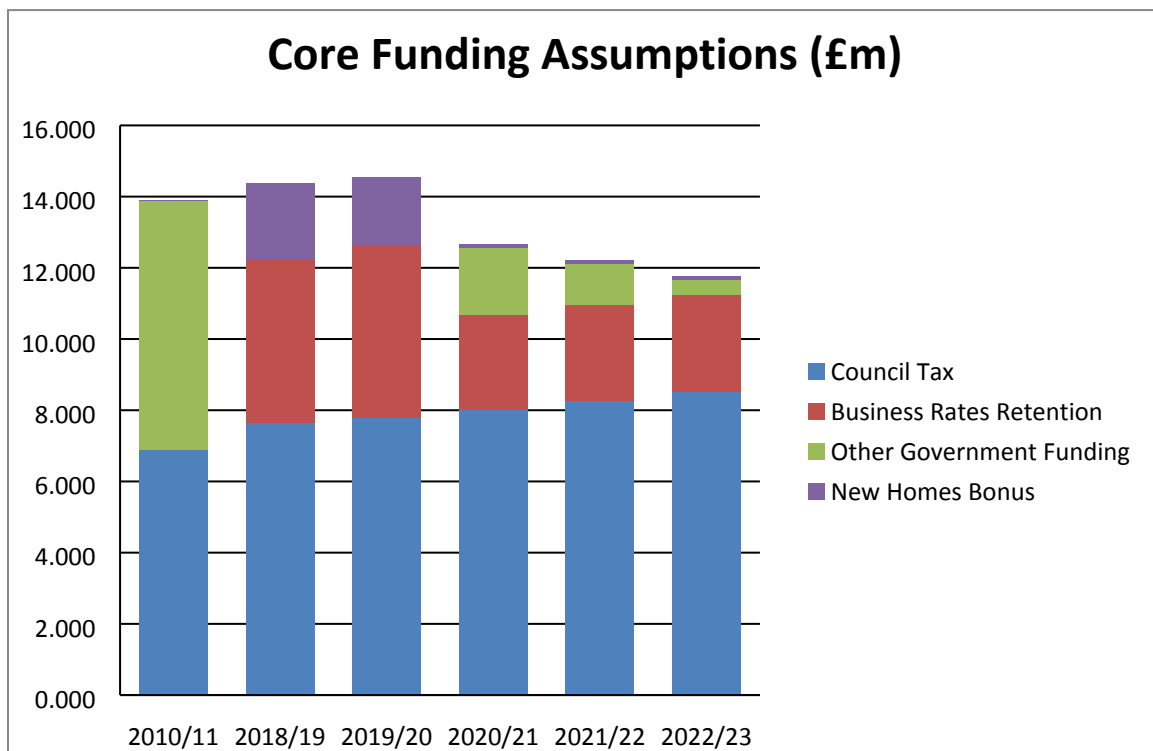
Government have also announced plans to move to a 75% retention system, up from the current 50% retention. There is still uncertainty around the mechanics of this; for example will the current tier splits change (currently 40:9:1 between district:county:fire), will the current 'levy' of 50% change, and will the scheme be significantly simplified. The Council has led a Hampshire wide application to be part of the Business Rates pilot for 2018-19 and is expecting to be notified of the outcome of this bid during November or early December.

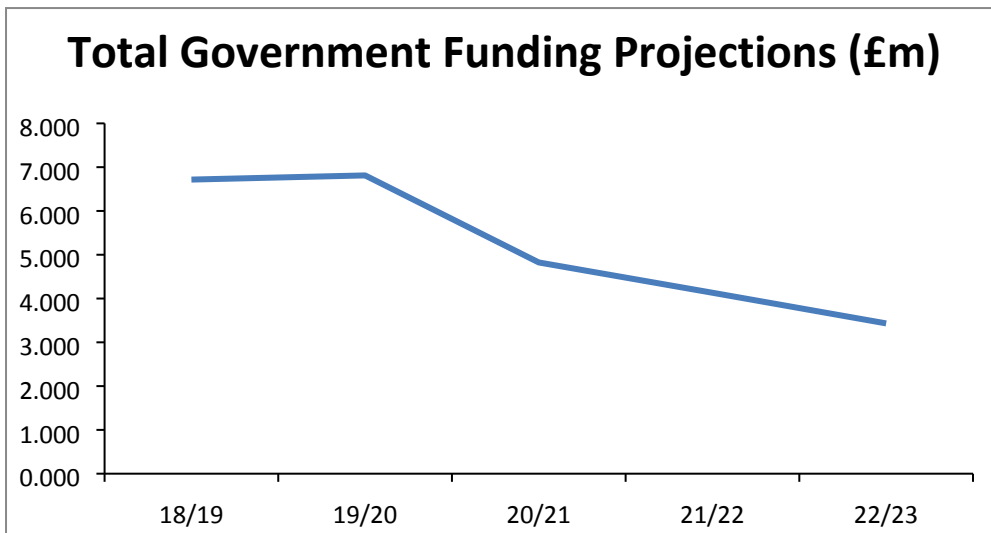
- II. **New homes bonus**, totalling c£2m, has rewarded growth in housing through a reward grant equivalent to the council tax of a band d property (split 80:20 district:county), originally over a period of six years and subsequently reduced to the current four year reward. Government have announced that the current scheme will end in 2019/20 with no

indications whether it will be replaced with a new reward scheme. If the current funding is distributed on the basis of 'need' then it is likely that the majority of this grant will be lost. This has been factored into future financial forecasts

- III. The **Revenue Support Grant** will cease to exist post 2019/20, however the negative grant of c£0.4m announced for 2019/20 is not now expected in the final 2019/20 settlement. Other smaller grants relating to Homelessness are expected to continue, and new burdens grants are expected to continue on a one-off basis to match the extra burdens placed on local authorities.

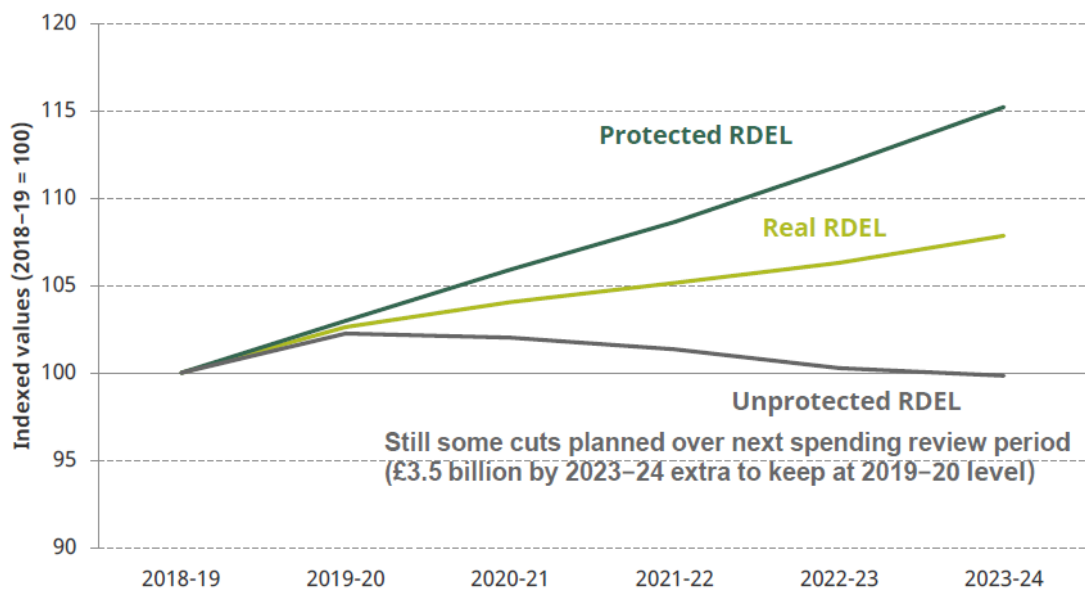
11.4 These changes in local government funding from 2020/21 are expected to have a significant impact on authorities that have seen strong growth in housing and business, such as Winchester. This will also create a significant shift in the balance of funding, with council tax making up a much larger share of overall funding.





- 11.5 The graph below from the Institute for Fiscal Studies shows that for local government, as an unprotected department, the pressure on funding is expected to continue into the medium term.

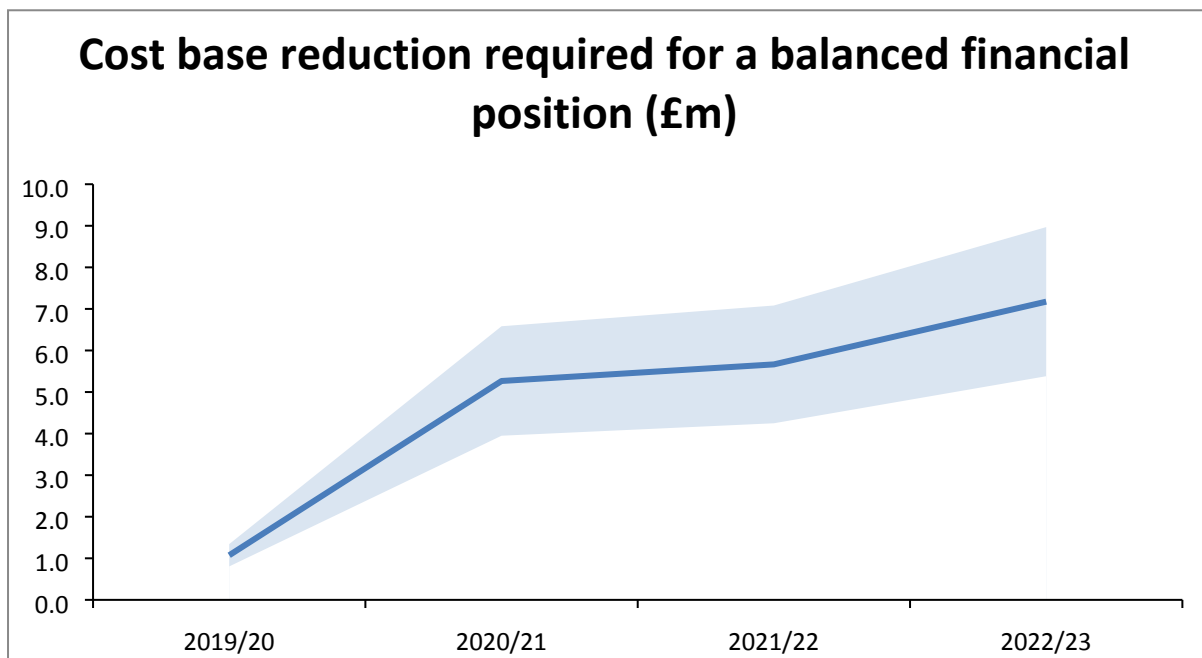
### Real freeze for unprotected departments between now and 2023–24



Note: RDEL refers to Public Sector Current Expenditure in Resource Departmental Expenditure Limits (PSCE in RDEL).  
Source: Author's calculations using OBR Economic and Fiscal Outlook, October 2018

- 11.6 Alongside funding pressures, the council has other cost pressures such as contractual inflation, rising costs for infrastructure schemes and other unavoidable financial pressures such as the national pay award. These are factored into the model with an assumed inflation level around 2.5% for 2019/20 and subsequently 2% per annum.

- 11.7 The following 'central case' estimates set the scene for the rolling outcome based budgeting process. The shaded area indicates a forecasting deviation of 25%. A marked increase in deficit is shown from 2020/21 and relates to government controlled funding reductions highlighted above.



**Cost base reduction required for a balanced financial position**

	2019/20	2020/21	2021/22	2022/23
In year (£m)	1.073	4.193	0.399	1.510
Cumulative (£m)	1.073	5.266	5.665	7.175

- 11.8 The outcome based budgeting proposals for 2018/19, totalling £1.1m, have been reviewed in the quarterly performance monitoring reports, which shows that overall the council is on track to deliver the 2018/19 savings target.

**Budget Pressures**

- 11.9 A number of expenditure budget pressures have been identified from 2019/20:

- I. The current eight year **Environmental Services Contract** expires in September 2019 and the costs of waste and recycling collection are expected to increase. Employee and vehicle costs have been running at levels above CPI inflation, so it is necessary to forecast an increase in contract costs from October 2019. A proposal to introduce kerbside glass collection is also under consideration and would further increase the expenditure requirement from 2019/20.

- II. The council has a number of land holdings. There is a cost associated with holding land for regeneration, this cost usually relates to interest and a minimum revenue provision.
- III. **Contractual inflation** is applied to the majority of the council's contracts on an annual basis. CPI inflation is currently running at 2.4% (September 2018) and a forecast of an additional £0.25m of expenditure has been applied for 2019/20, based on contractual expenditure of c£10m.
- IV. **Employee pay and pension costs** are due to increase in 2019/20. Allowance has been made in the budget projections for an overall increase of £0.7m, which includes transition to the new njc pay scales.

## Council Tax

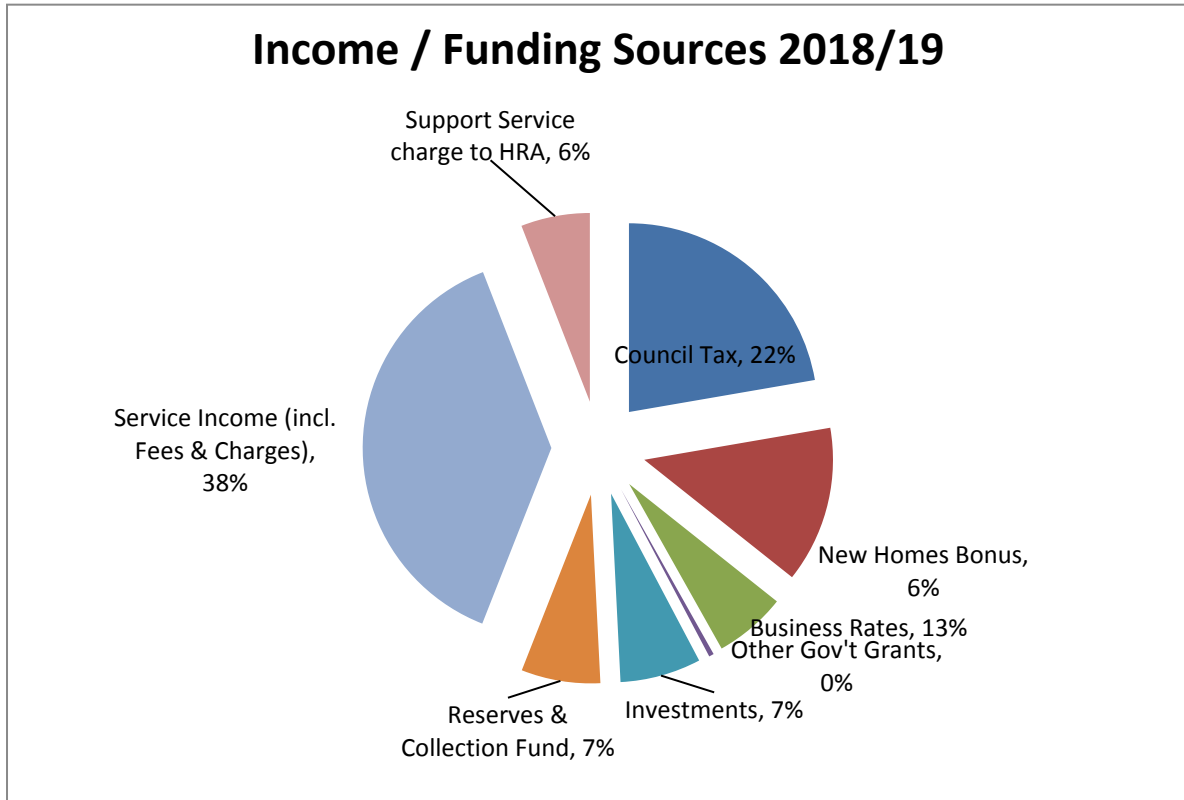
- 11.10 The Winchester district 2018/19 council tax charge of £138.92 (per band d equiv.) is below the average charge levied by district council's across England.
- 11.11 Central government have assumed in funding calculations that councils will increase council tax by the maximum allowed, which is currently up to 3% or £5. Recent reports have indicated that at least 95% of local authorities plan to increase council tax in 2019/20.
- 11.12 Using the latest council tax base estimate approximately £6.85m would be raised at the existing charge of £138.92. The maximum district increase (assuming an equivalent increase to the town precept) to £143.31 (+3.16%) would generate an additional £0.217m of funding.

% Increase	Precept - Band D (£)	Precept Income £000	Increase £000
0%	138.92	6,853	0
1%	140.31	6,922	69
2%	141.70	6,990	137
3%	143.09	7,059	206
3.16%	143.31	7,070	217

- 11.13 The current projections in Appendix A are based on a freeze in council tax for 2019/20. This does not include the town precept which will consider its plans for recommendation in January 2019.



## Funding Summary & Graphs



## Outcome Based Budgeting Proposals 2019/20

11.14 The council has adopted an outcomes based budgeting approach to the financial challenge. This approach seeks to align cost base reductions and service investment in line with council strategy. The proposals included below have been aligned to the council strategy wherever possible to try and enable those activities that deliver outcome measures in the strategy. These are summarised using the four themes of Efficiency / Asset Management / Transformation / Income Generation.

Efficiency		2019/20 £000	Full Year £000
1	Guildhall	150	150
2	Internal Catering	20	20
3	Employee Benefits	21.5	21.5
4	Business Travel	100	269
5	Public Conveniences	25	25
6	Occupational Health	10	10
7	Training Hub	17	17
8	Other minor efficiencies	20	20
9	Restructure	100	100

<b>Asset Management</b>			2019/20 £000	Full Year £000
10	Property Acquisition	The Council will seek to identify suitable property acquisitions which meet its objectives whilst, where possible, also provide a positive net return.	<i>TBC</i>	
11	Rent Reviews	A number of rent reviews are due in 2019 and are expected to yield an additional £100k per annum of rental income.	100	100
12	Energy Efficiency	Projects are underway to improve the energy efficiency of council property, e.g. the Brooks car park, which should reduce costs by at least £20k per annum.	20	20
13	Transfer of HRA Garages	Transfer of HRA garages to the general fund – this will be second year of this transfer and it is estimated that this will yield up to £156k	within existing forecasts	

**Transformation**

14	Transformation programme	The council is commencing a corporate transformation programme focussed on improving the customer service we provide, whilst streamlining processes to drive efficiency. This will have a financial impact, though quantifying this is more relevant for the second year and beyond of the medium term financial plan.	<i>TBC</i>	
15	Digitalisation of services	The council is exploring the possibilities of enhanced digital services through its digital strategy. Savings of c£30k are expected through the Citizens Advice Bureau moving into the city offices site where the cash office previous was sited with an enhanced kiosk service in the new reception area. This delivers accommodation and staff savings and means that customers can access council services from one hub, as well as located the CAB close to the council.	30	30

<b>Income Generation</b>			2019/20 £000	Full Year £000
16	Pest Control	Significant progress has been made by the in-house team to move this service to a better financial position. It is expected that additional income of £25k will be generated from 2018/19, as well as expenditure reductions of £20k. Further work will be progressed to continue to move towards an overall cost neutral position, including overheads.	45	45
17	Concessions at car parks	Investigate introducing concessions across council car parks e.g. car washing, catering etc. It is expected this could raise a further £50k of revenue for the council.	50	50
18	Street naming and numbering	Reviewing the charge to developers for new homes through benchmarking and cost recovery has highlighted a further £12k of income.	12	12
19	Fees & Charges	A review of fees and charges is expected to yield additional income for 2019/20 through inflationary uplifts and ensuring that costs of providing services are covered wherever possible.	<i>TBC</i>	
20	Car Parking Income	Additional income forecast for 2019/20, based on current car parking usage	100	100
21	New Funding Sources	Utilising new funding sources to generate additional income. There are a number of government and public sector bidding grants and awards. The council will more pro-actively target these for additional income. The council has recently been successful in bidding for £7k for a productivity expert from the LGA to support digital transformation. In the next financial year, it is expect to utilise £25k of new funds.	25	25
<b>TOTAL</b>			<b>846</b>	<b>1,015</b>

## **Proposals for the medium term financial position**

The Council has grouped its medium term financial challenge options around four different areas; efficiency, asset management, transformation and income generation.

### **EFFICIENCY**

- 11.15 Efficiency review and planning plays a critical role in the continuing provision of high quality services by the most efficient and value for money method of delivery. This strand of the OBB process is aimed at looking in detail at internal processes and ensuring these support the Council in delivering excellent services in the most effective way.
- 11.16 Contract review and management is a key element in this strand, with total third party payments budgeted at almost £7m. The Council operates a number of significant ongoing contracts such as: leisure centre management, environmental services contract, and the park and ride bus contract. Ensuring that both current and future contracts offer the best possible value to the Council is of high importance.
- 11.17 The council will also need to consider how much funding it provides to a range of discretionary services. The council has a very buoyant grants and commissioned service budget that has been protected from funding reductions. This funding programme will need to be kept under review to ensure that it contributes to the council strategy and that it remains affordable within the overall financial context.

### **ASSET MANAGEMENT**

- 11.18 The Council operates an extensive portfolio of property assets which are either used in the delivery of services or generate an income to the Council which in turn provides the resources to deliver services. With the significant reductions in government funding it is important to ensure that existing assets are used in the most effective way.
- 11.19 The Council operates a significant property portfolio which generates rental income in excess of £3m per annum. Properties are let at commercial rates with rent review periods built in as standard. A number of existing leases are due for review within the next few years and overall rental income is expected to increase significantly as a number of rent reviews are due in the life of the MTFs. There are substantial known rent reviews due that are expected to raise at least an additional £300k of income to the council.
- 11.20 The council has commenced an asset challenge programme. This process is reviewing all of the councils assets on a rolling basis to establish why the council holds assets, what options the council has e.g. to increase income, dispose, hold or develop, and when these can be realised. Initial progress has

been positive and has highlighted three assets that the council is considering disposing of. It is expected that these assets will generate capital receipts of over £1m.

- 11.21 It is recognised that making the best use of existing assets can provide significant savings as well as increasing collaboration with other organisations and complimenting existing skills within the Council with relatively little risk exposure. The Council has let office space in the Guildhall to South East Employers (SEE) which will provide an assured income and increase occupancy in the Guildhall. The council is reviewing the operation of the Guildhall overall and is seeking to make a substantial reduction to the cost of the Guildhall that is currently paid for by taxpayers. This longer term review will consider all options available and will also look at the wider Colebrook street asset holdings including the existing council offices.
- 11.22 An extensive programme of refurbishment works have been completed at the Council's City Offices recently in order to extend the life of the building in the short term, provide environmental enhancements in the form of lower energy consumption, and to ensure the offices remain fit for purpose. A further minor programme of works is planned for the West Wing offices to ensure the offices remain fit for purpose and any opportunities for efficiency and environmental improvements can be taken.
- 11.23 The capital strategy provides the opportunity for investment in new or existing assets should they meet the aims of the council strategy and generate a financial return to the Council. A review of existing assets is underway to determine what opportunities are available and any new opportunities will be considered and developed as they come forward.
- 11.24 In order to ensure that expenditure is accurately allocated to the creation of assets it is proposed that employee costs are capitalised when an employees' activities have 'contributed directly to bringing an asset to a location and into a condition so that it is capable of operating as intended'. This will enable those costs to be spread over the useful life of the asset rather than taken as an up-front cost. A strict regime of timesheet recording and review of activity will be implemented in order to ensure that eligible expenditure is identified and evidenced.

## TRANSFORMATION

- 11.25 The council continues to explore ways of transforming both operations and service delivery in order to generate efficiencies wherever possible. The core principle is delivering services in the most efficient way in order to achieve value for money. The council has a good track record of exploring opportunities for transforming services, with the shared IT services with Test Valley Borough Council a good example of this. Pooling resources has helped to make revenue savings to both councils, has helped to mitigate against increases in infrastructure costs, and helps to ensure there is sufficient resilience built into the service to meet the needs of both authorities. The

potential to expand this service further in order to generate additional savings is currently being explored.

- 11.26 As highlighted above, the council is undertaking a transformation programme. This is expected to yield financial savings to the council through greater efficiencies. Though it is premature to set out the exact savings amount, similar council programmes have delivered substantial savings of in excess of £250k. Aligned closely with work to improve digitalisation of services, this programme will be a key part of the medium term financial strategy.
- 11.27 Digitalisation is one particular area for review. As technologic advances continue to be made and the use of technology (particularly portable technology) increases, it is important that the Council takes advantage of these digital channels. The potential benefits are a reduction in costs through the automation of internal processes, and increased customer satisfaction through simple interaction which is available whenever the customer needs it. This approach also has the opportunity to deliver new revenue and services, for example through exploring a new mobile app for Winchester.
- 11.28 It is also important that the Council is reviewing other options to transform services and offer different solutions. One area under consideration is setting up a housing company to provide a different housing offer to residents and that also provides a financial benefit to the Council (see **Housing Company Options** CAB2990 (HSG)).

## INCOME GENERATION

- 11.29 Opportunities to invest which also generate a financial return, either through reductions in cost or income generation, are assessed on a case by case basis. The roll out of LED lighting across car parks, the Guildhall, and offices, is a good example of capital investment which has generated a recurring cost saving.
- 11.30 The Council Strategy guides the budget requirements and prioritisation of resources across the Council. The introduction of outcome based budgeting, and not focusing purely on cost reductions, will play a key role in helping to ensure that priority investment continues to take place.
- 11.31 Treasury management plays a key role in the delivery of projects and services. The Council currently has cash resources in excess of £50m which are invested on the basis of minimising exposure to risk whilst also generating a return. The current average return in 2018/19 of >1% has exceeded targets and is expected to generate a revenue income of around £0.55m. As the council continues to invest in its capital programme, cash balances are expected to reduce; however, some of those new assets are expected to generate a revenue return instead.
- 11.32 The projections in 11.33 below are based on the existing capital programme estimates. Any changes to timescales and/or investments will have revenue

implications which will feed into the final budget recommendation in February. In particular, large capital projects are likely to have material revenue implications and a financial lead in period where significant borrowing and other implementation costs are incurred before any income generation commences.

## Medium Term Financial Projections

11.33 The table below shows the latest general fund revenue forecast until 2022/23, before any of the Outcome Based Budgeting proposals. 'Government Damping' funding is based on a high level assumption that individual local authority funding will not be reduced beyond a certain level in any one financial year.

General Fund Revenue (£m)	Budget 2018/19	Forecast 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23
<b>Funding</b>					
Council Tax (excluding Parish Precepts)	7.650	7.792	8.024	8.264	8.511
Retained Business Rates	4.601	4.831	2.859	2.905	2.942
New Homes Bonus	2.116	1.919	0.088	0.088	0.088
Government Damping			1.877	1.139	0.402
Revenue Support Grant & Other Grants	0.144	0.144	0.000	0.000	0.000
	<b>14.511</b>	<b>14.686</b>	<b>12.848</b>	<b>12.396</b>	<b>11.943</b>
<b>Investment Activity</b>					
Interest (Payable) / Receivable	0.225	-0.224	-1.039	-1.257	-1.720
Minimum Revenue Provision	-0.225	-0.287	-0.359	-0.399	-0.843
Net Investment Property Income	2.380	2.538	2.622	2.625	2.628
<b>Resources available</b>	<b>16.890</b>	<b>16.713</b>	<b>14.072</b>	<b>13.365</b>	<b>12.009</b>
<b>Baseline Net Expenditure</b>					
Gross Income	13.089	13.243	13.421	14.338	14.742
Gross Expenditure	-28.645	-30.520	-32.046	-32.640	-33.166
<b>Baseline resource requirements</b>	<b>-15.556</b>	<b>-17.278</b>	<b>-18.625</b>	<b>-18.301</b>	<b>-18.424</b>
<b>One-off budgets &amp; Reserve Related Movements</b>	<b>-1.335</b>	<b>-0.508</b>	<b>-0.713</b>	<b>-0.729</b>	<b>-0.759</b>
<b>Total net resource requirements</b>	<b>-16.890</b>	<b>-17.786</b>	<b>-19.338</b>	<b>-19.030</b>	<b>-19.183</b>
<b>Budget Surplus / (Shortfall)</b>	<b>0.000</b>	<b>-1.073</b>	<b>-5.266</b>	<b>-5.665</b>	<b>-7.175</b>
<i>% of Gross Expenditure</i>	<i>0.0%</i>	<i>3.5%</i>	<i>16.4%</i>	<i>17.4%</i>	<i>21.6%</i>



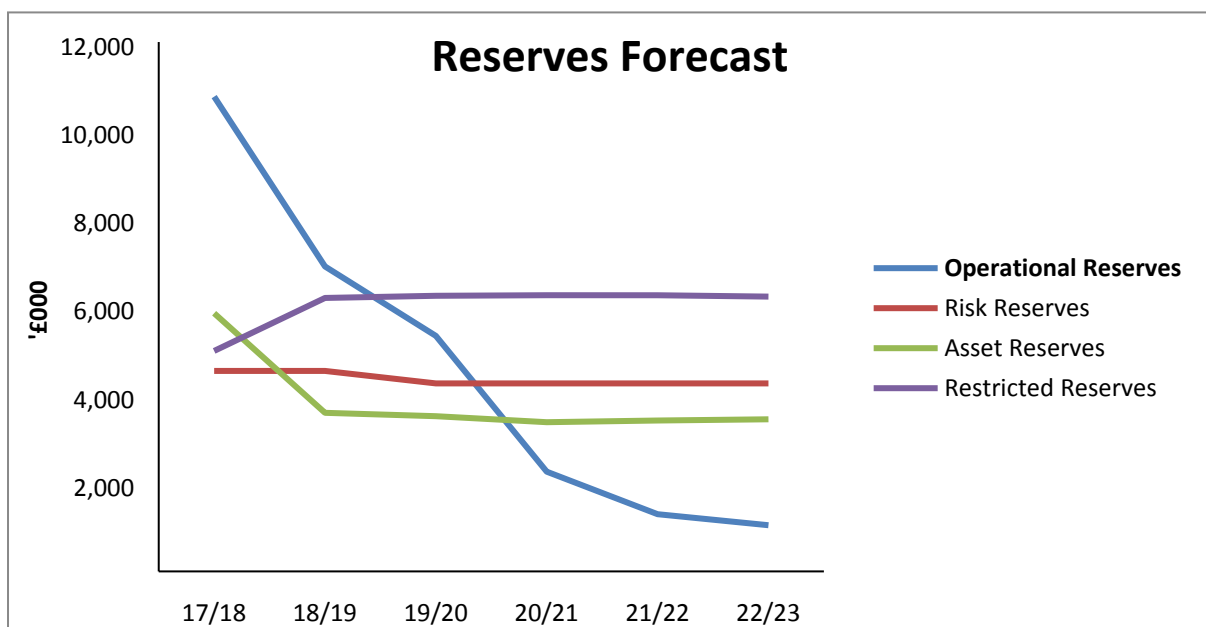
## Managed Reserves

- 11.34 The total of General Fund reserves 2018/19 opening balance stood at just over £23m (plus the non allocated general fund balance of £2.8m).
- 11.35 Reserves are a key factor which underpin the Council's ability to fund Asset Management Plans, the IT Strategy, Car Parking Strategy, and Service Plans. They are also critical to our ability to fund the transformation of services and ability to invest in order to generate the necessary savings to balance the budget over future years.
- 11.36 In summary, reserves are used to support:
- I. Funding of the Capital Programme
  - II. Investment in transformation
  - III. Providing one-off support for service budgets (such as the local plan)
  - IV. Community Infrastructure plans
  - V. Council Strategy Support
  - VI. Asset Management Plans, IT Strategy, Car Parking Strategy
  - VII. Winchester Town Account (notably major play area refurbishment and replacements)
  - VIII. Short term budget deficits, if supported by a robust medium term savings plan
- 11.37 It is important to appreciate that reserves are finite and their use must therefore be managed and prioritised effectively in order to ensure that resources are available to support expenditure requirements including those which are potentially urgent and unexpected.
- 11.38 The Major Investment Reserve is the key revenue reserve used to support investment in major projects such as the new leisure centre, Central Winchester Regeneration, Station Approach, as well as other smaller projects. This is particularly crucial in the early stages of projects (such as consultation and feasibility studies), as these costs cannot usually be capitalised. Whilst the opening 2018/19 balance of £7.4m is deemed a healthy level, there are already significant commitments against this balance and therefore any future plans will require close scrutiny and prioritisation in order to ensure resources remain available to support new high priority projects.
- 11.39 Under Section 25 of the Local Government Act 2003 the S151 officer is required to state in the budget report their view of the robustness of estimates for the coming year, the medium term financial strategy, and the adequacy of proposed reserves and balances. The council is required to take this into account when making its budget and taxation decisions.
- 11.40 It is proposed that an allocation of reserves is made available to dampen the impact of funding reductions in the medium term financial strategy. As there are so many uncertainties over the medium term position, e.g. the future of new homes bonus, business rates retention etc, strategically it is very difficult for the council to execute a plan for the very worse scenario and deliver this, if it does not occur. That could leave the council with declining services at a

time when this would not be required. It is also important to recognise that some savings take a longer timeframe to deliver and so the ability to, in the short-term only, dampen the savings requirement can assist with long term financial stability.

- 11.41 The review proposes to create a new reserve: “Medium Term Financial Planning Reserve”, with an allocation of at least £2.5m to cover the period from 2020/21 to 2022/23.
- 11.42 A review of reserves has been undertaken during the year which has highlighted the need to reduce the number of separately identified reserves and also has introduced four high level reserve ‘categories’:
- Operational Reserves, significantly the Major Investment Reserve, are revenue reserves which can be used to support revenue or capital expenditure, for example major projects.
  - Risk Reserves, such as the General Fund Balance, are available to mitigate risks faced by the council. The overall levels are reviewed each year in line with the medium term financial strategy.
  - Asset Reserves, such as the Asset Management Reserve, are used to maintain existing council assets and are supported by spending plans such as the asset management plan.
  - Restricted Reserves, such as the Community Infrastructure Levy, can only be used for restricted purposes and therefore must be considered separately to other reserves which can be used for wider purposes.

11.43 The graph below shows that operational reserves will be almost fully exhausted during the four year planning period.



## 12 OTHER OPTIONS CONSIDERED AND REJECTED

- 12.1 There are a variety of options open the council over the medium term, and included in the above are a range of achievable options that fit within the council strategy.
- 12.2 Other council's have focussed on different approaches. Some have purely focussed on what is the legal minimum services to provide. This has been rejected as though the council has many statutory services to provide, *how* these are delivered can take many different shapes and associated costs. The financial position for the forthcoming year is not in such a position that the council needs to remove all discretionary related services so this would be premature, especially with a major Government review of finance expected for 2020.
- 12.3 Another option is take a much more aggressive approach to income generation, especially in respect of commercial property acquisition. If the Council spent £250m on acquiring commercial property, it could expect a net return (assuming gross yield of 6%) of up to £5m. This option has been rejected. There are a number of risks in commercial property investment, especially outside of the local economic areas, due a lack of a secondary plan for the properties. Yields are also very 'tight' at present meaning there is little room for losses due to voids. The council has a policy of achieving a double-win at present through any commercial property investment and it is not proposed to move from this approach. There has been recent guidance issued by CIPFA also warning authorities who borrow in advance of need for certain acquisitions.

### BACKGROUND DOCUMENTS:-

#### Previous Committee Reports:-

CAB3060 Q4 Performance and Financial Outturn – July 2018

CAB3011 General Fund Budget 2018/19 – February 2018

CAB3012 Medium Term Financial Strategy – February 2018

#### Other Background Documents:-

None

### APPENDICES:

None