BOROUGH COUNCIL

APPENDIX A: MEDIUM TERM FINANCIAL STRATEGY

2014/15 – 2018/19

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Working in partnership, to create a Borough which enables the communities of Dacorum to thrive and prosper

Affordable Housing ♦ Regeneration ♦ Building Community Capacity ♦ Safe and Clean Environment ♦ Dacorum Delivers

DACORUM BOROUGH COUNCIL'S MEDIUM TERM FINANCIAL STRATEGY 2014/15 – 2018/19

SEPTEMBER 2014

CONTENTS **PAGE**

1. Introduction

The financial strategy to deliver the Council's plans:

The Medium Term Financial Strategy shows, at a high level, how the Council intends to address the financial challenges it faces in delivering its priorities.

Through corporate and service planning the strategy will be developed into a four year financial plan. Both the Corporate Plan and the Medium Term Financial Strategy have a time frame of four years but they are updated annually and approved at Council in February of each year, at the same time that the budget and Council Tax are agreed for the coming year.

The financial plans for the first year of the strategy (i.e. 2014/15) are set out in detail in the suite of reports agreed by Council in February 2014. The remainder of this document sets out the Council's Medium Term Financial Strategy (MTFS) to cover the remainder of the planning period (2015/16 to 2018/19). It shows, at a high level, how the Council intends to address the corporate and service challenges identified in its Corporate Plan and the financial challenges identified in the Medium Term Financial Forecast (MTFF).

The MTFS presents the financial position captured at a point in time and therefore provides a reference point for corporate decisions and allows key messages regarding financial strategy to be communicated to staff and stakeholders. It does this by showing how the Council intends to align its financial resources to national and local priorities while balancing spending with available funding. The strategy assists the Council in setting financial targets and a direction of travel in performance for services over the three year planning period. This means that annual revenue budgets and capital investment plans are linked to, and informed by, the MTFS. This document looks to build on the assumptions of last year's MTFS and to reiterate the commitment to robust, prudent and sustainable financial management to meet the current and future needs of Dacorum.

The further the MTFS looks to the future, the more uncertainties there are. For instance, whereas when Spending Round 2010 was announced in October 2010, it set out the Government's priorities and spending plans for the four years 2011/12 to 2104/15, Spending Round 2013 only updates those plans to the end of the current parliament in 2015. Therefore the final three years of the MTFS will be in the next Spending Review period and a new parliament, and accordingly forecasts of funding cannot be estimated with a great degree of certainty.

1.1 The national financial context

(i) The overall position

1.1.1 Over the planning period, local government faces a period of significant change driven by budget cuts and rising demand for public services. By 2015, central government funding for local authorities will have fallen by £20 billion (43%) compared to 2010.

1.1.2 The Council's financial and service planning takes place within the context of the national economic and public expenditure plans and the MTFS has been formulated within the context of the current UK economic position.

1.1.3 The Chancellor of the Exchequer made his Autumn Statement on 5 December 2013. This showed that the economy had been growing at a faster rate than previously estimated (1.4% for 2013 against an original forecast of 0.6%).

1.1.4 The latest growth forecasts for GDP over the period of the MTFS are as follows:

- 2015: 2.3%
- 2016: 2.6%
- 2017: 2.6%
- 2018: 2.5%

1.1.5 The forecast for Government borrowing was also revised, estimating a fall from £111 billion in 2013/14 to showing a small surplus by 2018/19. To achieve this, further reductions in public spending would be required. However, the Chancellor announced that local government would be exempt from the additional cuts to government department budgets of £1 billion planned for 2014 to 2016. At the same time he confirmed that future grant settlements would set out over several years to allow better medium-to-long-term financial planning within councils. The first such settlement will be announced in November/December of this year.

1.1.6 The UK base interest rate remains at an historic low of 0.5% and the Governor of the Bank of England has indicated that the rate will remain at this level until at least the first quarter of 2015. Any increases after that date would be small and incremental, to support the economy and encourage further growth.

1.1.7 The target rate for CPI inflation remains at 2.0% for the entire period of the MTFS.

(ii) Business rates

1.1.8 The increase in business rates for 2014/15 was capped at 2.0%. It would otherwise have risen by 3.2% in line with the increase in the September 2013 RPI.

1.1.9 The temporary extension of small business rate relief which was due to expire in March 2014 has been extended until March 2015. In addition, a new discount of up to £1,000 for both 2014/15 and 2015/16 has been introduced against business rates for retail premises such as pubs, cafes, restaurants and charity shops that have a rateable value of less than £50,000. The government has also announced a new ‘temporary reoccupation relief grant’, effectively a 50% discount from business rates for new occupants of previously occupied retail premises for 18 months.

1.1.10 Councils will be fully compensated for the loss of income arising from the business rate measures, which the Treasury estimates to be £1.1 billion.

(iii) Welfare reform

1.1.11 The planned roll-out of Universal Credit has been subject to some delays and will not be fully operational until at least 2016, with claimant cases currently handled by local authorities not migrating to the new arrangements until financial year 2016/17 at the earliest. The government will however press ahead with its plans to create a single National Fraud Investigation Service to address benefit fraud, and further information on how this will operate, and the implications for anti-fraud staff currently employed in local government, will be forthcoming during the latter part of 2014. The Council’s ‘go live’ date for the new arrangements is May 2015.

(iv) Funding reorganisation

1.1.12 The Chancellor announced in February that Councils may be able to use receipts from the sale of capital assets to fund the revenue costs of service reforms (e.g., redundancies). However, the total amount of receipts to which this flexibility will apply is limited to £200 million across 2015/16 and 2016/17. It is unlikely that the Council will need to make use of this facility.

(v) Stimulating growth

1.1.13 The composition and size of the Local Growth Fund (LGF) will be maintained over the planning period, with a commitment that annual funds available to Local Enterprise Partnerships will be at least £2 billion. However, £330 million of New Homes Bonus funding will be removed from the LGF for 2015/16 and 2016/17. The 'shortfall' in the LGF will be addressed largely through: increasing the Housing Revenue Account borrowing limits (£150 million); providing additional Regional Growth Funds (£110 million); and through additional Large Sites funding (£50 million).

1.1.14 In addition, £800 million of borrowing at the Public Works Loans Board project rate announced in the 2012 Autumn Statement will be made available in 2014/15 and 2015/16 to Local Enterprise Partnerships, allocated on a competitive basis alongside the LGF as part of combined 'Growth Deals'.

(vi) Housing

1.1.15 As stated above (see (v)), the Government has removed New Homes Bonus (NHB) from the Local Growth Fund (with the exception of London Councils). However, it was announced in February that the operation of the scheme is to be reviewed with a proposal that NHB will be withheld where houses are built only after a successful appeal against the Local Planning Authority.

1.1.16 Borrowing limits for the Housing Revenue Account have been increased by £150 million per annum for 2015/16 and 2016/17, and Councils can apply for additional borrowing via their LEP. It is unlikely that the Council will need to make use of this facility.

1.2 The local financial context

1.2.1 As shown above, the Council's finances are influenced significantly by the national economy and Government policy on the share of public spending for local government and how that is then distributed to individual Councils in formula grant.

1.2.2 Local factors that influence available finance include:

- Council Tax and Business Rates levels.
- Council Tax and Business Rates collection.
- Movements in Council Tax and Business Rates Base.
- Spending decisions.
- Levels of fees and charges.
- Revenue consequences of capital investment.

At a high level, Dacorum:

- Has the third lowest Council Tax in Hertfordshire in 2014/15 (including precepts from parishes and town councils).
- Has broadly average funding per head from Government compared to other District Councils.
- Spends slightly more per head of population on services than most District Councils – the Audit Commission value for money indicators (based on 2012/13 spending, the latest comparative data available) suggest that Dacorum spends about £2 million per annum more than similar Councils in providing services (£441.62 per head of population compared to an average of £427.80).

1.2.3 Some of the cost pressures facing the Council over the next three years are the same as most other Councils. These include:

- The need to find ongoing savings and the implications of the Chancellor's Autumn Statement in 2013.
- Interest rate rises once the Council needs to borrow to fund its capital programme.
- Possible shortfall against the expected value of assets identified for disposal.
- The adequacy of contingency funds to meet demographic and economic pressures.
- The impact of the new funding regime for the Housing Revenue Account.
- Price increases in energy and other costs.

1.2.4 Some cost pressures affecting the Council are related to Dacorum being a major area for regeneration. These include:

- Regeneration in Hemel Hempstead through the Town Centre and Maylands Masterplans.
- Application of assets and powers that the Council has to promote economic growth.
- The investment required to maintain vibrancy in town centres and neighbourhood shopping centres.
- Increases to the supply of affordable housing, building homes for local people and also creating jobs.
- Costs associated with ensuring that economic growth is supported with good services and facilities such as schools, transport, health and leisure.

1.2.5 Significant savings in the costs of the day-to-day services will be required over the planning period and this will require a focus on new ways of working (e.g., accommodation strategy, home working, electronic document management systems, procurement, enhanced internet capabilities, etc.). A number of these projects will require upfront investment in order to achieve ongoing savings.

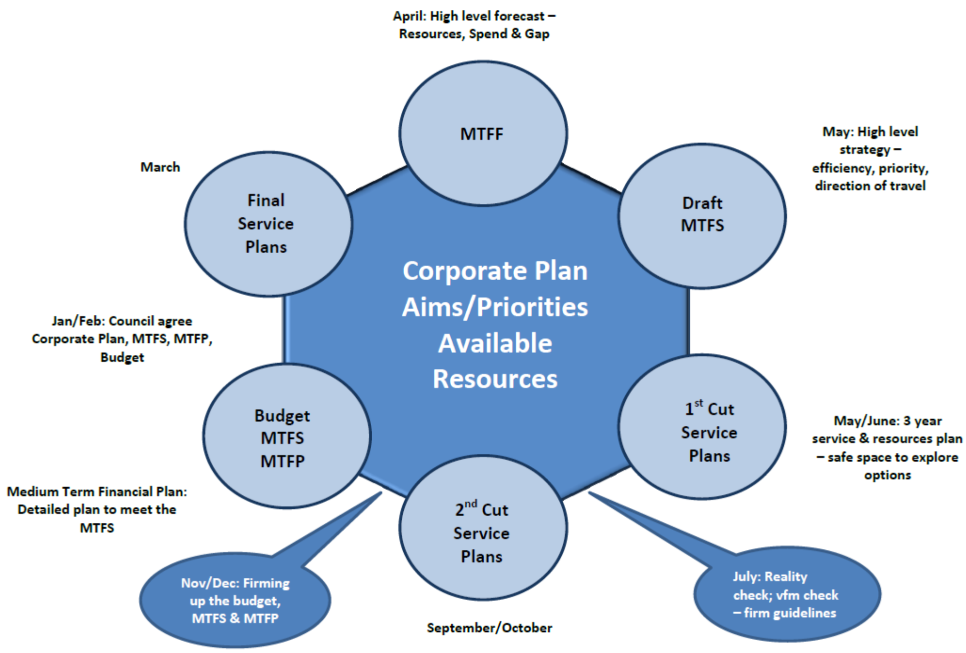
1.2.6 The Government also introduced major changes in 2013 that increase the financial risk environment for the Council. Council Tax Benefit became a localised scheme from April 2013. However, at the point of transfer, local authorities were provided with only 90% of the current costs of the national scheme. The Council therefore had to introduce a local scheme that reduces the benefit payable to working age claimants. The Council carries the financial risk of any growth in claimant numbers and the risk of non-collection. At the same time, business rates have been localised, although local authorities have no control over the 'poundage' (the sums by which the rateable value of individual premises are multiplied to determine their tax liability). Local government funding is now intrinsically linked to the performance of the local economy, since reductions in business activity will lead to a fall in business rates collected. In addition, successful appeals against the current rateable value of businesses could lead to a shortfall in income against what has been assumed.

1.2.7 While the current economic outlook is improving, there is still a great deal of uncertainty and it remains important that the Council has a level of reserves that allows it to withstand any unanticipated financial impacts of future developments at a local and national level. These issues have been reflected in the

Medium Term Financial Forecast and the Medium Term Financial Strategy.

2. The corporate, service and resource planning framework

The Medium Term Financial Strategy is an integral part of the Council's Corporate Service and Resources Planning Framework and is reviewed annually. As part of the roll forward of the MTFS, a review of the links between the Council's financial plans, its Corporate Plan and other key strategic documents (i.e., Asset Management Strategy, Fees & Charges Strategy, Treasury Management Strategy, Strategic Risk Register, Reserves Strategy) has been undertaken to ensure that these are synchronised and support each other. The recommended timetable for the future annual updating of the MTFS is shown below:



The Service and Resource Planning framework and the planning cycle deliver:

- Council aims and priorities in the medium to long term.
- Council priorities in the short term.
- Improved efficiency.
- Improved value for money
- Effective use of available resources.

The MTFS provides the framework to set Service and Council-wide financial strategy targets and a direction of travel for performance over the three years 2015/16 to 2017/18. Targets for 2014/15 (in terms of treasury management, asset management, fees, charges and reserves) have already been agreed as part of the annual budget exercise.

Financial strategy targets for 2015/16 have been developed over summer 2014 and are based on the available resources and unavoidable cost pressures identified in the Medium Term Financial Forecast (MTFF). They also reflect the identified aims and priorities in the medium/longer term and tempered in some cases by a short to medium term direction of travel for individual services. These medium/longer term aims and priorities of the Council will be reflected in the Corporate Plan. Of course, all of the Council's services make up the overall impact of the Council's work in the community and in creating a better Dacorum. For example:

- The Council has a community leadership and enabling role in addition to providing or commissioning services. Therefore, some of the functions and costs of the Council may be for partnership activities such as economic development and regeneration rather than direct service delivery.

- The Council's support services and service management capacity are a vital part of service delivery to the community. Insufficient capacity or poor performance will eventually have an impact on service delivery and the future improvement and development of those services.

The MTFS optimises resource allocation by balancing spending on services, community leadership and the management/professional capacity to improve services, efficiency and governance.

Each year (in June) the financial strategy targets are updated for inflation and for other changes in circumstances (e.g., to reflect the previous year's outturn). The allocation of capital resources is considered at the same time, although specific targets are not allocated to services. The General Fund forecast is attached at Appendix A and the Housing Revenue Account forecast is attached at Appendix B. The Reserves forecast is attached at Appendix C.

For the General Fund, there is a funding gap of £0.9 million in 2015/16 and net savings required over the planning period of £4.7 million.

As regards the Housing Revenue Account, the MTFS forecasts that sufficient revenue will be generated in 2014/15 to contribute £16.5 million towards capital expenditure, and a total revenue contribution to capital outlay of £84.1 million over the planning period.

The Council's General Fund Reserves are forecast to increase from £17 million at the beginning of financial year 2014/15 to just over £25 million by the end of financial year 2018/19. However, this is before decisions are made about utilising some of these reserves to fund long-term investment in infrastructure, which would have the effect of reducing the need to borrow to fund the Council's capital programme. The Housing Revenue Account will maintain a revenue reserve of 5% of turnover throughout the planning period.

The Services and Resource Planning Framework then requires Group Managers, Assistant Directors, Corporate Directors and Portfolio Holders to put forward revenue and capital investment proposals within these planning guidelines. There is some latitude for Corporate Directors and Portfolio Holders to vary individual service guidelines as long as their own financial strategy targets are met.

In future, the implications of the financial targets and direction of travel will also be subject to a number of checks and balances throughout the process. For example:

(i) Corporate Directors in consultation with the relevant Portfolio Holder will be able to refine the targets between their services to reflect deliverability and priorities within their services.

(ii) A high-level value for money check for major services will be carried out each July, using best available comparative data from other local authorities. This may change the financial targets. For example, where a service is high cost, high priority and needs to be driven to higher performance, this may have to be within a lower budget over the three year period. Conversely, there may be lower priority services (in the longer term) whose performance needs to be driven up over the short-to-medium-term but whose costs are significantly lower than other Councils.

(iii) A reality check will be carried out each July after the first cut service plans and further checks will be made in October when the coming year's General Fund, Housing Revenue Account and Capital Programme begin to be drafted.

(iv) A final check will be carried out in December when the Council's financial settlement for the coming year is confirmed.

2.1 Corporate Plan

2.1.1 The Council's corporate vision is that we are working in partnership to create a borough which enables the communities of Dacorum to thrive and prosper. This requires us to play a leadership role in bringing together a range of organisations and individuals to support and sustain good conditions for local growth. Our vision is supported by five priorities:

- Clean and safe environment: a tidy and safe place for people to live, work and visit
- Community capacity: enabling self-help and volunteering to build communities
- Regeneration: supporting the growth of businesses, jobs and investment in the area
- Affordable housing: improving and increasing affordable homes for local people
- Dacorum delivers: an efficient, effective and modern council

2.1.2 Whilst all of these are important for our communities, and to us, the focus on affordable homes, regeneration and the local economy is vitally important. Only by enabling a supply of local jobs, with skills to match, can people enjoy other aspects of their lives. We know that our own housing stock is ageing but we are proud to be keeping the management of these homes in-house, investing heavily in improvements, and supporting the development of affordable housing for the future.

2.1.3 Growth in the number of affordable homes, and accessible jobs, has to be accompanied by investment in the local infrastructure (such as transport, education, and health service provision). We will build strong relationships with local, regional and national agencies, to get the best deal for Dacorum. We will work to ensure that our day to day work to keep the place tidy and safe will be delivered to a high standard and attention to detail.

2.1.4 We are very proud of our relationship with the voluntary and community sector. In these difficult times, and with public resources under significant strain, we will aim to maintain and build on these relationships. We will do this by promoting self-help and volunteering to build ‘community capacity’ so that the people of our communities can achieve the quality of life that they aspire to.

2.1.5 The ‘Dacorum Delivers’ priority is our way of capturing a wide range of activities to ensure that the Council is efficient, effective and modern. This builds upon a reduction in the size of the organisation over recent years. We will continue to work towards building a flexible organisation with flexible services tailored around the needs of our community.

3. Financial Planning 2014/15 to 2018/19

3.1 General Fund Services

3.1.1 The Council's corporate priorities were reflected in the 2014/15 budget agreed by Council in February 2014. It included proposals for savings, efficiencies and increased income totalling £1.3m to balance the budget. These are summarised below:

Savings & Increased Income	**£'000**
Staffing - Top Tier Review	61
Staffing - Other Reviews	64
Business Rates	150
Utilities and Water	33
Premises Insurance	40
Discretionary Rate Relief	150
Members Allowances	40
Equipment - Regulatory Services	38
Containers - Clean, Safe & Green	35
Car Parking Income	180
Planning Fees	100
Leys Road Hostel - (Housing Benefit)	50
Bed & Breakfast (Housing Benefit)	100
Crematorium Dividend	50
Investment Properties (Transfer from HRA)	180
TOTAL	**1,271**

3.1.2 The General Fund Financial Plan shown at Appendix A takes account of all the factors highlighted throughout this strategy that lead to cost pressures and restrictions on income and funding. The resulting gap for 2014/15 was closed when the annual budget and Council Tax was set last February. The budget gaps remaining for the financial years 2015/16 to 2018/19 are set out below:

	2015/16	2016/17	2017/18	2018/19	Total
Remaining budget gap	£0.9m	£1.9m	£1.3m	£0.6m	£4.7m
Budget gap as % of the 2014/15 budget requirement	5.8	11.1	7.8	3.4	28.1

3.1.3 The budget gap of £0.9 million for 2015/16 assumes the following savings can be achieved:

Potential savings	**£000**
Salaries – Reduction of pensions back-funding based on latest advice from actuaries	273
Cash limiting supplies & services (i.e., no inflationary uplift for non-contractual supplies/services)	196
Adjustment to the recharge between the HRA and the General Fund for garage services	200
Procurement savings	200
Reduced borrowing costs – slippage in capital programme and increased capital receipts reducing the need to borrow	617
Demolition of Block B of the Civic Centre and the court in preparation for the development of the new Public Sector Quarter– savings on running costs and NNDR	200
Housing Benefits Administration Grant not now being reduced by as much as previously forecast	160
TOTAL	**1,846**

3.1.4 Of course, not all of these proposals may prove to be viable or deliverable in full for 2015/16.

3.2 Housing Revenue Account

3.2.1 The Housing Revenue Account (HRA) is a ring-fenced account which stands separate from the General Fund, although there are charges between the two funds to reflect work carried out by one on behalf of the other.

3.2.2 Under the provisions of the Localism Act 2011, the HRA became ‘self-financing’ on 1 April 2012. This means that in the return for the payment of a lump sum, funded by borrowing, to HM Treasury, the HRA no longer has to pay negative subsidy each year to the Government. The HRA is the statutory ‘landlord’ account for Dacorum Borough Council. The Council is obliged by law to set rents and other charges at a level to avoid a deficit on the HRA balance. Changes to regulations over recent years, and in particular the introduction of rent restructuring in 2002, meant that the Council had little room for manoeuvre in influencing the size of the revenue income it could expect from its tenants. The approach in recent years has been to work within the guidelines set by the Government. Since the introduction of ‘self-financing’, the Government has relaxed the requirements to follow national guidance on rent restructuring. However, for the purposes of the Council's MTFS, the policy of rent convergence has been continued, given that the settlement underpinning 'self-financing' assumed its continuance until 2015/16 at the earliest.

3.2.3 For 2014/15 an average rent of £101.83 was agreed, along with a local policy for rent convergence to formula rents.

3.2.4 The MTFS for the HRA is set out in Appendix B and is summarised below:

	2015/16	2016/17	2017/18	2018/19
	£'000	£'000	£'000	£'000
Net Operating Income	14,528	15,957	17,871	19,570
Reserve Adjustment	-5,190	6,000	500	-500
Revenue Contribution to Capital	-8,916	-22,170	-18,052	-18,484
Opening Balance	3,008	3,430	3,217	3,536
Closing Balance	3,430	3,217	3,536	4,122

3.2.5 These projections demonstrate that the HRA is financially robust, provided we continue to make efficiencies and achieve value for money in the management and maintenance of the stock. It also means that the Council has a secure financial basis on which to bring forward its strategic housing development plans dealing with the opportunities to both support the need to re-invest in the existing stock and to allow for a more aggressive capital programme of new build.

4. Asset Management Strategy

4.1 The Council has an Asset Management Strategy (AMS) that sets out how we intend to use our property portfolio to support the priorities identified in the Corporate Plan, and how we plan to improve the performance of our assets. The AMS also informs and supports the MTFS.

4.2 The Council holds a substantial property portfolio with an estimated market value of £750 million (£627 million for housing stock; £123 million for other assets). The Council's plans for its housing stock are covered separately in our Housing Strategy document. As regards the £123 million of non-housing assets, these comprise:

- Operational assets – required to deliver Council services
- Community assets – supporting community well-being
- Garages – nearly 8,000 units in total for rent
- Investment assets – delivering an annual revenue stream for the Council

4.3 The AMS comprises four distinct sections, each of which covers key areas the Council must consider in order to manage its portfolio effectively.

1. How property supports corporate priorities

Economic growth is a key priority, as set out in the Economic Development strategy, as is delivering affordable housing. The Council is using its assets to support these goals by:

- Reducing the public sector footprint in Hemel Hempstead town centre, including property owned by the Council, and using surplus land to support regeneration;
- Using Council land in Maylands to support business growth and economic development;
- Freeing up garage sites and other under-utilized brownfield sites for potential housing or other development.

2. Performance of the current portfolio

The AMS requires the Council to maximise the financial benefits of its asset portfolio. Over half the portfolio is held for community assets and garages, reflecting the importance the Council places on community well-being. Investment properties, held to generate revenue, account for a further third of the portfolio. These commercial assets deliver an annual net income of over £2.9 million. Taking the portfolio as a whole, it accounts for about £4.0 million of annual expenditure and returns income of £7.8 million, so that the net benefit is about £3.8 million per annum, equivalent to 38% of income from Council tax payments. This level of return is vital to support the Council's day to day expenditure on services.

3. Improving financial performance

The AMS supports the Council's MTFS in a number of ways, but these may be analysed between those policies that reduce costs and those that increase income.

(i) Cost reduction plans

Proactive maintenance
Maximising commercial leverage in procurement
More efficient energy and waste strategies
Working with partners who may be better placed to operate assets

(ii) Income plans

Rent reviews to address poor returns
Full cost recovery from service charges
Disposal of assets that offer a poor return
Focussing the investment portfolio on income generation
Increasing income from business rate retention through economic growth

Where appropriate, the Council will also look to maximise value from changing the use of assets, including garage sites and redundant buildings.

4. Management framework

The AMS sets out the way in which the Council makes decisions on asset related matters and identifies procedures and governance arrangements to monitor and improve the use of its assets to increase efficiency and maximise returns. A Property Management Board, chaired by the Council's Corporate Director of Finance & Operations, co-ordinates the delivery of the AMS.

5. Capital Programme

5.1 Capital Expenditure

5.1.1 Capital expenditure is defined as expenditure incurred on the acquisition or creation of assets needed to provide services, such as houses, vehicles, public buildings, play areas, ICT, etc. This is in contrast to revenue expenditure, which is spending on the day to day running costs of services, such as wages, fuel, insurance, etc. Capital grants, borrowing and capital receipts can only be spent on capital items and cannot be used to support the revenue budgets (the HRA and the General Fund). However, it should be noted that revenue funds can be used to support capital expenditure. Under the Local Government Act 2003, each council can determine how much it can borrow within prudential limits. This is known as 'unsupported borrowing'. The Government does have powers to limit the aggregate of this sort of borrowing by councils for national economic reasons. Any unsupported borrowing undertaken is financed from the total available resources of the Council.

5.1.2 Spending Plans 2014/15 to 2018/19

The Council's proposed capital programme for the current and future years is summarised below:

Capital Expenditure	**2014/15 £m**	**2015/16 £m**	**2016/17 £m**	**2017/18 £m**	**2018/19 £m**
General Fund	17.81	28.25	8.39	3.34	1.82
Housing Revenue Account	36.05	21.33	24.55	24.97	25.55
Total	53.86	49.58	32.94	28.31	27.37

5.2 Funding the Capital Programme

5.2.1 The Council's capital programme is currently fully funded and has been prepared based on the level of borrowing the Council can support, notified capital grants, prudent assumptions regarding the level of other grants and the timing and valuation of property disposals.

5.2.2 The financing of the capital programme will continue to be supported where possible by the generation of capital receipts from the sale of Council assets. However, it must be noted that each potential disposal requires careful thought, since many assets (e.g. garages) generate an annual revenue stream of income. Our Asset Management Strategy requires the Council to balance the need to address increasing revenue pressures against the need to fund the capital programme without recourse to borrowing where this can be avoided. Over the planning period of the MTFS, the Council will need to borrow to fund the capital programme, and the costs of repaying this borrowing (principal and interest) will increase pressure on the Council's revenue budgets (Housing Revenue Account and General Fund). As an indicative guide to the consequences of borrowing, there would currently be an annual revenue cost of approximately £70k for every £1 million borrowed, and for the General Fund, borrowing of £1.3m would equate to a 1% increase in Council Tax.

5.2.3 The full impact of borrowing costs of the current capital programme on the Council's revenue budgets are reflected in the forecasts included in this strategy. However, at the time of writing (August 2014) the Council is examining the potential for further investment in leisure and recreation across the borough. This would provide additional quality of life infrastructure to support the additional housing and economic developments that will be taking place over the next few years. The costs of these proposals for leisure and recreation have not yet been assessed, and thus at this stage there is no provision for their funding within the MTFS.

6. Treasury Management Policy and Prudential Indicators

6.1 We define our treasury management activities as follows:

> The management of the organisation's investments, cash flows, banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

6.2 The Council is required to operate a balanced annual budget, which broadly means that cash raised during the year will meet cash expenditure. A primary function of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's risk appetite, prioritising adequate liquidity ahead of any potential investment return.

6.3 The second main function of treasury management is the funding of the Council's capital programme. These capital plans provide a guide to the borrowing needs of the Council, which feeds in to our longer term cash flow planning to ensure that the Council is always able to meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion, the Council may restructure its debt portfolio to meet current risk or cost objectives.

6.4 The Council adheres to the guidance set out in the CIPFA Prudential Code for Capital Finance in Local Authorities, which supports Councils in making capital investment decisions and ensures that these decisions are supported by a framework of affordability, prudence and sustainability.

6.5 The Council's planning horizon for treasury management is shorter than it is for the MTFS, so forecasts only extend to the end of financial year 2016/17.

6.6 Borrowing

6.6.1 The Council must set an operational boundary and authorised limit for external debt. The operational boundary is how much external debt the Council plans to take up, and reflects the forecast of the amount of borrowing required each year to fund the capital programme:

Operational Boundary	**2014/15 Estimate £m**	**2015/16 Estimate £m**	**2016/17 Estimate £m**
Debt	346.739	366.567	368.060
Other long term liabilities	0.188	0.188	0.188
Total	**346.927**	**366.755**	**368.248**

6.6.2 The authorised limit for external debt represents a limit beyond which external debt is prohibited, and this limit can only be set at a meeting of full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, even if such a level were not sustainable over the longer term:

Authorised Limit	**2014/15 Estimate £m**	**2015/16 Estimate £m**	**2016/17 Estimate £m**
Debt	361.000	363.000	365.000
Other long term liabilities	0.250	0.250	0.250
Total	**361.250**	**3363.250**	**365.250**

6.6.3 The Council is also limited to a maximum HRA Capital Financing Requirement (that is, the total of HRA capital expenditure which has not yet been paid for either from revenue or capital resources) as part of the self-financing regime we entered into in April 2012:

HRA Debt Limit	**2014/15 Estimate £m**	**2015/16 Estimate £m**	**2016/17 Estimate £m**
Total	**354.015**	**354.015**	**354.015**

6.6.4 The Council is only allowed to borrow long term to support its capital programme. It is not allowed to borrow long term (over one year) to support its day to day spending. Approved sources of long term borrowing include banks, building societies and the Public Works Loan Board (PWLB), which is a statutory body whose function is to lend money to local authorities and other prescribed bodies.

6.6.5 At the time of writing (August 2014), the Council has no debt in respect of its General Fund assets. However, the current MTFS General Fund forecast anticipates borrowing of £26.9 million over the planning period. The actual amounts and timing of this borrowing will have regard to the Council's capital cash flow, interest rates and any future adjustments to the capital programme. It is also likely that the Council will use some of its reserves (see Appendix C) to fund its capital expenditure, thus reducing the need and costs of borrowing compared to that currently forecast. Again, decisions will be made based on the prevalent financial and economic conditions at the time when funds are required.

6.7 Investments

6.7.1 The Council's investment priorities are clearly stated in its Treasury Management Strategy: Security first, liquidity second and then return. The strategy generates a list of creditworthy counterparties which allows for the diversification of investments, and this mitigates concentration risk.

6.7.2 The creditworthiness methodology used to create the counterparty list fully accounts for the ratings, watches and outlooks published by the three main ratings agencies (Fitch, Moody's and Standard & Poor's) with a full understanding of what these reflect in the eyes of each agency. These are monitored on a real time basis with knowledge of any changes notified electronically to the Council's treasury Management team.

6.7.3 The investment environment remains very challenging. Whilst counterparty risk has eased over the past two years, it remains at elevated levels.

6.7.4 Economic forecasts are uncertain. The Bank of England base rate remains at 0.50%, although many investors, along with the Council's Treasury Advisors (Capita) are beginning to factor in a rise in early 2015. The interest rate forecasts contained within this MTFS are indicative and should be viewed with caution.

7. Delivering Proposed Budget Savings

7.1 To become more efficient and effective the Council will need to ensure that it is budgeting for and spending on priorities; continuing to improve the management information available on productivity, quality and performance; considering alternative methods of service delivery and extending collaboration and joint working to deliver services; and identifying opportunities for generating income streams. Inevitably this will require difficult decisions to be taken and developing new approaches to find further ways to increase efficiency and reduce spending.

7.2 Most Councils will need to continue to increase significantly the level of savings made – this will not be unique to Dacorum. Strong leadership from both elected members and officers will be paramount in continuing to challenge, monitor and support the Council to deliver the on-going efficiency and productivity improvements required.

7.3 Corporate Management Team is of the view that Members and officers should continue to develop savings proposals for approval during the 2015/16 budget preparation cycle.

7.4 The issues that come under the remit of the Review Group include strategic cross cutting issues such as:

- Alternative service provision and delivery
- Options for shared services
- Review of staff-related costs
- Asset rationalisation
- Contract review and procurement improvements
- Fees and charges

The timetable for the savings options will be as follows:

Activity	Commencement	Responsibility
Medium Term	September 2014	Council

Financial Strategy approval		
Budget Review Group (BRG)consideration of savings proposals for inclusion in draft budgets	Commenced June 2014 and continuing until February 2015	Portfolio Holder Finance & resources and Corporate Director (Finance & Operations)
Assistant Directors (AD) work with Group Managers (GM) to develop draft service budget proposals and savings options based on principles agreed for discussion with individual Portfolio Holders	August 2014	Assistant Directors and Group Managers
BRG to consider AD and GM savings options plus review of development of cross cutting and corporate savings options for presentation and scrutiny by the combined Overview & Scrutiny meeting(s)	Mid-October 2014	Chief Officer Group
Combined Overview & Scrutiny review of savings package hosted by Finance &Resources OSC Chairman	December 2014	Overview & Scrutiny Chairmen
Consultation on draft budget proposals	January 2015	Members – OSC and Citizen's Forum
Cabinet recommendation on budget proposals	February 2015	Cabinet
Council approval of budget	February 2015	Council

incorporating savings and set Council Tax		

7.5 In addition, there will be a range of public consultation activities on the draft budget proposals, prior to submission to Council. This will provide taxpayer and resident input to the budget proposals.

7.6 The Council will also use social media to consult on the budget in addition to article in the Dacorum Digest. The Council's website will also continue to provide details of opportunities for involvement in the budget consultation process.

7.7 The Council is also committed to working with partners in the local business community, parish councils and voluntary organisations to ensure that they are fully involved and understand the Council's financial position. Our key partnerships will also be consulted.

7.8 The outline financial position of the Council and the savings targets required to achieve a sustainable budget for the Council will be discussed with Staff and the Trade Unions at the earliest opportunity.

8. Corporate Assurance and Risk Management

8.1 A review of the risks facing the revenue and capital budgets of the General Fund and HRA over the planning period has identified a number of issues that at the present time have unknown impacts on the Council's overall financial standing. The MTFS projections are therefore based on prudent assumptions, and include the Chief Finance Officer's best assessment of financial risk. There are also opportunities if any of the forecasts overstate actual expenditure or under-state actual income. In the event that any of the risks set out below crystallise the MTFS will be updated accordingly:

RISK	Risk Mitigation	Impact	Likelihood
Reductions in Government grants – As part of its public expenditure programme the Government frontloads reductions in local authority grants at a faster or higher rate than allowed for in the MTFS.	Annual reviews of both the levels of reserves and the reserves policy as regards earmarked sums. Assumptions beyond 2014/15 have been based on statements by the Chancellor in his Autumn statement in December 2013.	Negative	Medium
Pay – Assumptions about increases in salaries and wages are lower than agreed pay awards and other pay related costs.	Monitor progress on pay award negotiations and wider national settlements.	Negative	Low
Inflation – The MTFS assumes RPI inflation at 2.8% in 2015/16 rising to 3.9% by 2018/19	Balances for both the General Fund and the HRA are risk assessed to ensure that the levels set by the	Negative	Medium

(estimate July 2014). If the actual rate is different, then there will be an impact on our financial strategy in terms of both costs and potential income.	Council's Chief Finance Officer are sufficient to meet higher than anticipated inflation rates. Monitor/reduce energy consumption if the increase relates to fuel/power.		
Investment returns – Continue at current historically low levels.	Regular updates to Cabinet regarding progress against the Council's annual Treasury Management Strategy.	Negative	Medium/High
Economic recovery is slower than forecast – A number of key income streams could suffer in the event of a prolonged slow economic recovery. Also this is likely to result in further increased demands for services such as Housing Benefits or Homelessness.	Will be mitigated by annual review of earmarked reserves. Also CSR reserve created in 2011 to help smooth the impact of the CSR and prolonged slow economic recovery by a phased release of the earmarked reserve over the next four years.	Negative	Medium
Reductions in income streams - For example the proposed transfer of some of the Land Charge functions to Land Registry which would impact on the Council's net income position as we are still likely to have to carry out some statutory	Ensure that the Council's Fees & Charges Strategy is adhered to and that all sources of revenue are explored as part of the annual budget process.	Negative	Medium

functions, e.g maintaining records.			
Council Tax – Collection of Council Tax falls due to the difficult financial climate and failure to achieve higher target collection rates resulting in a deficit on the Collection Fund.	Close monitoring of the Collection Fund. Implement appropriate collection strategies to minimise impact and review effectiveness of debt policies.	Negative	Medium
Tax base – Council Tax base is lower than anticipated (lower number of new properties, more discounts, etc.) resulting in a deficit on the Collection Fund.	Close monitoring of the Collection Fund and checking validity of exemptions and discounts.	Negative	Medium
Costs of borrowing – Long term borrowing rates higher than anticipated.	Closely monitor long term borrowing rates and future borrowing requirements to help identify the best time to borrow.	Negative	Medium
Budget overspend – Services fail to operate within set budgets (capital or revenue) due to increased demand, price variations, unachieved income, unachieved savings, etc.	Monitor corporate critical budgets through Performance Board. Regular budget reports in-year to OSCs and Cabinet. Identify/agree actions to mitigate cost pressures including use of reserves.	Negative	Medium/High
Waste- Recycling performance not as	Publicity campaign and policies to support achievement of high	Negative	Medium

high as anticipated with new collection service, leading to a potential reduction in income; Market instability for recyclables leads to fluctuations in income.	recycling performance. Contract with Material recycling Facility operator to protect against fluctuations as far as possible.		
HRA business plan – The Council's rent policy does not comply with Government guidance issued in May 2014.	Adopt a strategy that optimises income whilst working to achieve parity of rents by retaining the Council's existing policy for tenants below target rent but implement the new guidance for those who have already achieved target rent.	Negative	Low
Asset management – Collection of commercial rents, garage rents, car park income falls due to difficult financial climate.	Will require separate action plans depending on source/cause of shortfall.	Negative	Low
Major civil incident – Storm, flooding, riot or other unpredictable significant event.	Test 'Bellwin' cover. Ensure adequate levels of reserves to cover unforeseen unbudgeted pressures. Ensure appropriate insurance cover is in place. Regular testing of the Council's Business Continuity Plans.	Negative	Low
Winter weather – Severe weather placing additional	Advance planning to minimise possible disruption.	Negative	Medium

spending pressures on winter maintenance and other budgets across the Council.	Ensure adequate levels of reserves to cover unforeseen unbudgeted pressures.		
Cost overruns – Cost overruns occur on schemes agreed in the capital programme.	Effective cost control and expenditure monitoring. Flexibility within agreed programme to re-profile overall expenditure if necessary. Reserves or other capital resources redirected to fund scheme overspend.	Negative	Low
Capital receipts – Capital receipts are lower than anticipated.	Flexible capital programme that allows plans to be reduced or re-profiled. Alternative site disposal plans capable of being accelerated.	Negative	Medium
Business rates – Income from business rates is lower than expected due to adverse changes in local economy, successful rating appeals and/or decline in collection performance.	Make appropriate provisions in resource forecasts. Close monitoring of business rate yield and collection. Consider measures to encourage growth in local businesses.	Negative	Low

8.2 Whilst the above points may seem like a long list, inevitably the Council's financial forecasts have many inherent risks attached to them. Clearly demand led activities are subject to market pressures; other areas of spending / income generation will be influenced by internal factors such as competing work pressures and standards of financial management. Also major capital schemes or developments bring with them financial (as well as other) risks that could have revenue implications. The Council's financial monitoring arrangements should help to counter these risks and individual services' performance management should provide additional support. The national economy and Government's other plans can have a marked impact on financial planning, however. Inevitably further changes to the financial projections will arise in producing detailed annual budgets.

8.3 The Council is presented with financial opportunities during the period covered by the MTFS. Specifically, New Homes Bonus grant could be increased above the level anticipated in the financial forecast if more housing comes on stream than estimated. Similarly, the level of retained business rates as a result of increased business activity might exceed what has been assumed for the purposes of the Council's financial plans.

9. Reserves Strategy

9.1 In relation to the adequacy of reserves, the Council's Chief Finance Officer (the Corporate Director of Finance & Operations) recommends the following Reserves Strategy based on an approach to evidence the requisite level of reserves by internal financial risk assessment:

- An absolute minimum level of unallocated General Fund reserves of £2.0m that is maintained throughout the period between 2014/15 to 2018/19.
- Unallocated reserves will remain within the optimal range of £2.5m - £4m over the period 2014/15 to 2018/19 to cover in-year risks, cash flow needs and unforeseen circumstances.
- In relation to the Housing Revenue Account (HRA), it is recommended that revenue reserves be maintained at 5% of turnover.

9.2 The level of unallocated General Fund reserves at 31 March 2014 was £2.697m. Therefore the absolute minimum level of reserves of £2.0m will be exceeded and the figure is within the optimal range, meaning that there is no need to either top-up the unallocated reserve (by adjusting other reserves) or move surplus unallocated funds into an earmarked reserve.

9.3 The level of unallocated HRA reserves at 31 March 2014 was £2.723m. This equate to 5% of the turnover which is in line with the reserves strategy.

9.4 The Reserves Strategy is reviewed annually and adjusted in the light of the prevailing circumstances.

9.5 A table of the Council's earmarked reserves and their forecast balances at March 2014 to March 2019 are shown in Appendix C. The future balances are indicative, based on the current assumptions in the MTFS, and do not necessarily represent the probable figures that will be disclosed in future Statements of Account. In particular, the application of New Homes Bonus to fund regeneration capital schemes, thus avoiding the revenue costs of borrowing, will have a significant impact on the General Fund budget. Similarly, future decisions on the amount of revenue income contributed each year to fund capital investment will also impact on the funding gap.

By way of illustration, the table below shows the effects on the General Fund budget forecast over the planning period if New Homes Bonus were applied to fund capital as and when it is forecast to be received, and if the revenue contribution to capital outlay were reduced to nil.

	2015/16	2016/17	2017/18	2018/19	Total
Forecast budget gap (see Appendix A)	£0.9m	£1.9m	£1.3m	£0.6m	£4.7m
Budget gap after applying NHB as and when received and reducing RCCO to nil	£0.3m	£1.0m	£0.9m	£0.4m	£2.6m

In this scenario, total General Fund reserves would be £15.7m at the end of the planning period, some £9.5m lower than currently forecast (see Appendix C).

At present, £325k of New Homes Bonus is used to fund annual revenue budgets, and this level of funding is assumed across the planning period of the MTFS. The remainder of NHB forecast to be received is put to the Dacorum Development Reserve (see Appendix C) in anticipation of its application to fund capital schemes designed to regenerate and develop the borough in line with the priorities set out in our Corporate Plan. The use of these bonus payments requires careful thought: the money is only paid over when new homes are delivered, and is thus subject to a wide range of risks, including economic downturn and failure to obtain planning permission. In addition, the New Homes Bonus scheme could be altered or cancelled by central government, in which case the forecast additional funds would not be available to the Council. For these reasons, the MTFS has been prepared on a prudent basis, and has not applied any forecast future NHB to the capital programme at this stage.

10. Fees and Charges Strategy

10.1 Raising revenue from charges for services is an important element in the overall financing of the Council's services and activities. The Council has a strategy that analyses our fees and charges between statutory, cost related or discretionary:

- Statutory charges are outside the Council's control
- Cost related charges are applied to those services which are statutory but where charges are not prescribed, and the relevant manager can recommend the level of charge in order to meet the cost of providing the service
- Discretionary services are defined as those the Council is authorised but not required to provide, and the Council has greater freedom to set charges, although in practice we always have regard to what other local authorities are charging

10.2 Our strategy requires that all fees and charges levied will have due regard to existing regulations and delegations of responsibility. In addition, the Council will:

- Undertake regular reviews of its approach to charging
- Engage service users and taxpayers in decisions about whether and at what level to charge for services
- Collect and use information on service usage and the take-up of concessions

11. Key Assumptions and Sensitivity Analysis

11.1 The key assumptions incorporated in the MTFS are as follows:

Key Assumptions	2015/16 %	2016/17 %	2017/18 %	2018/19 %
Retail Price Index	2.8	3.3	3.6	3.9
Salaries (excluding increments)	1.0	1.0	1.0	1.0
Fuel (Fixed until 2016/17 mid-year)	0.0	2.5	5.0	5.0
Council Tax	1.8	1.8	1.8	1.8
Interest Income	0.8	1.0	1.5	1.5
Interest Costs*	4.9	5.3	5.5	5.7
Revenue Support Grant	(31.9)	(28.8)	(33.0)	(19.4)

[*Source: Current (August 2014) 40-Year PWLB estimate provided by Sector, the Council's treasury advisers]

11.2 The effect of changes to these assumptions on the budget gap and the Council Tax are set out below:

Assumption in MTFS for 2015/16	Change in assumption	Effect on the budget gap for 2015/16	Effect on Council Tax
Council Tax increase of 1.8%	No Council Tax increase	Increase of £171k	-1.80%
Formula Grant as per provisional settlement (31.9% reduction on 2014/15)	Formula Grant decreased by 35%	Increase of £92k	+0.96%
1% pay award	2% pay award	Increase of £209k	+2.16%
Fees & Charges increased by 2.8%	Fees & Charges nil increase	Increase of £267k	+2.76%
Inflation for Goods & Services of 2.8%	Inflation for Goods & Services of 3.3%	Increase of £58k	+0.60%
Interest costs 4.9%	Interest costs 5.4%	Increase of £41k	+0.42%

All planned savings identified in the 2014/15 budget will be achieved	25% of savings are not achieved	Increase of £550k	+5.68%

12. 2015/16 and Beyond

12.1 In addressing the national economic situation the Government emphasised the need to look at an initial four year programme of public sector restraint and reconfiguration. This was reinforced in the Chancellor's annual autumn statement speech in December 2013 with further restriction placed on the Government's spending plans up to 2018. The Chancellor also announced at the beginning of 2014 that a further reduction in annual expenditure of £25 billion would be required after the election in 2015, with approximately half of this saving coming from changes to welfare. The tightening and reduction of Government funding contributions to local government funding means that the current financial challenges and for 2015/16 and beyond need to be seen as part of a much longer period of financial retrenchment. However, there are new sources of funding, such as New Homes Bonus and retained business rates, which may at least partly mitigate the planned reduction in Government spending plans.

12.2 It is unlikely that the budget savings agreed for 2014/15 can be repeated in successive years without the Council carefully considering how it delivers services across the borough to avoid duplication of overheads, achieve increased economic regeneration and make sure that the facilities and services it provides are valued by the communities it serves.

12.3 Over the next six months, to February 2015, it will be extremely important to consider future year potential savings proposals in anticipation of the known reductions required from our total budget. For the General Fund, there is a funding gap of £0.9 million in 2015/16 and aggregate savings required over the planning period of £4.7 million.

12.4 Given the financial challenges we are likely to face for a number of years, a continued programme of corporate work streams (e.g., procurement, new ways of working) will continue and help to support the identification of potential savings. This will allow us to have a programme that drives continuous improvement across the Council while also focussing very clearly on reducing costs.

12.5 It is also likely that the Council will adopt an increasing approach of working and delivering services in partnership with other agencies, the voluntary and commercial sector, and the community itself. The Council will also seek to address the critical issues identified in our Corporate Plan: A clean and safe environment; building community capacity; affordable housing; regeneration; and, making sure the Council delivers the best possible services within the financial constraints set out in this strategy.

APPENDIX A: General Fund Budget	2014/15	2015/16	2016/17	2017/18	2018/19
Service Expenditure & Direct Income					
Employees	22,239	21,844	21,888	22,603	23,118
Premises	2,987	2,856	2,948	3,058	3,181
Transport	1,505	1,739	1,818	1,901	1,990
Supplies & Services	7,544	6,810	7,001	7,251	7,532
Third-Parties	2,145	1,846	1,809	1,834	1,906
Transfer Payments	47,313	47,313	47,313	47,313	47,313
Capital Charges & Impairments (Including Bad Debts)	4,041	4,037	4,052	4,069	4,088
Income	(64,568)	(64,782)	(65,032)	(65,390)	(65,788)
Net Recharges to HRA	(2,352)	(2,622)	(2,701)	(2,782)	(2,865)
Net Cost Of Services	**20,855**	**19,042**	**19,095**	**19,857**	**20,473**
Cumulative Savings Requirement			(928)	(2,851)	(4,214)
Net Cost Of Services after Savings	**20,855**	**19,042**	**18,167**	**17,007**	**16,259**
Less:					
Interest Receipts	(187)	(143)	(192)	(309)	(332)
Interest Payments & Minimum Revenue Provision		483	1,385	1,895	2,025
Reversal of Capital Charges	(3,590)	(3,590)	(3,590)	(3,590)	(3,590)
Revenue Contributions to Capital	472	472	472	472	472
Net movement on Earmarked Reserves	(824)	1,708	2,486	2,516	2,516
Net Expenditure Prior to use of General Fund Balance	**16,726**	**17,918**	**18,728**	**17,991**	**17,351**
Contributions From Working Balance	0	(197)			0
Budget Requirement General Fund	**16,726**	**17,721**	**18,728**	**17,991**	**17,351**
Non Domestic Rates and RSG	(4,914)	(4,610)	(4,103)	(3,716)	(3,632)
New Homes Bonus	(2,196)	(2,486)	(2,811)	(2,811)	(2,811)
Collection Fund Surplus	(110)	0	0	0	0
Net Expenditure	**9,506**	**10,625**	**11,815**	**11,464**	**10,907**
Demand on the Collection Fund	**(9,506)**	**(9,716)**	**(9,929)**	**(10,128)**	**(10,331)**

General Fund Working Balance B/F	**(2,697)**	**(2,697)**	**(2,500)**	**(2,500)**	**(2,500)**
In year use	0	197	0	0	0
General Fund Working Balance C/F	**(2,697)**	**(2,500)**	**(2,500)**	**(2,500)**	**(2,500)**
Target Working Balance		(2,500)	(2,500)	(2,500)	(2,500)
In Year Savings Target to Meet Target Working Balance	**0**	**910**	**1,855**	**1,336**	**577**
[In Year Savings Target if NHB is applied to fund capital investment as and when received and RCCO is reduced to nil – see Section 9]	**[0]**	**[256]**	**[1,025]**	**[873]**	**[443]**

APPENDIX B – Housing Revenue Account 2014/15 – 2018/19 & 28/30 year totals

HOUSING REVENUE ACCOUNT PROJECTIONS
Dacorum BC

Year £'000	2014.15 1	2015.16 2	2016.17 3	2017.18 4	2018.19 5	2041.42 28	2043.44 30
INCOME:							
Dwelling Rents	54,882	57,631	60,031	62,828	65,611	144,473	154,209
Void Losses	-547	-864	-900	-942	-984	-2,167	-2,313
Service Charges	1,156	1,191	1,226	1,263	1,301	2,568	2,724
Non-Dwelling Rents	80	82	85	87	90	178	189
Contributions to Expenditure	460	474	488	503	518	1,022	1,084
Total Income	**56,031**	**58,514**	**60,930**	**63,739**	**66,536**	**146,073**	**155,893**
EXPENDITURE:							
General Management	-5,996	-6,218	-6,407	-6,637	-6,872	-14,479	-15,442
Special Management	-4,871	-5,470	-5,634	-5,803	-5,978	-11,797	-12,516
Rents, Rates & Taxes	-14	-14	-15	-15	-16	-31	-33
Bad Debt Provision	-216	-1,153	-1,200	-1,256	-1,312	-2,886	-3,080
Responsive & Cyclical Repairs	-11,928	-10,411	-10,713	-10,795	-11,127	-23,115	-24,610
Total Revenue Expenditure	**-23,025**	**-23,266**	**-23,970**	**-24,508**	**-25,305**	**-52,308**	**-55,681**
Interest Paid	-11,660	-11,658	-11,643	-11,603	-11,594	-2,249	-800
Interest and Investment Income	103	135	95	61	63	190	2,090
Depreciation	-8,908	-9,197	-9,456	-9,818	-10,130	-20,658	-21,960
Net Operating Income	**12,541**	**14,528**	**15,957**	**17,871**	**19,570**	**71,048**	**79,541**
APPROPRIATIONS:							
Reserve Adjustment	4,190	-5,190	6,000	500	-500	0	0
Revenue Contribution to Capital	-16,485	-8,916	-22,170	-18,052	-18,484	-70,870	-31,389
Total Appropriations	**-12,295**	**-14,106**	**-16,170**	**-17,552**	**-18,984**	**-70,870**	**-31,389**
ANNUAL CASHFLOW	**246**	**422**	**-213**	**319**	**586**	**178**	**48,152**
Opening Balance	2,762	3,008	3,430	3,217	3,536	6,337	46,636
Closing Balance	**3,008**	**3,430**	**3,217**	**3,536**	**4,123**	**6,516**	**94,787**
HRA New Build Reserve	**2,810**	**8,000**	**2,000**	**1,500**	**2,000**	**0**	**0**
HRA Borrowing	**0**	**0**	**0**	**0**	**0**	**-26,671**	**-26,671**

The above extract from the Business Plan Model shows the next 5 years of the HRA revenue projections, together with, for the benefit of comparison, the projections for Year 28, when the final repayment of the loan is completed, and Year 30. It should be noted that these figures are forecasts based on current best estimates, and are subject to change as time progresses and more information becomes available.

APPENDIX C: DACORUM BOROUGH COUNCIL – MTFS 2015/16 to 2017/18

General Fund Reserves Summary	Balance as at 31/03/2013	Net Reserve Movement 2013/14	Balance as at 31/03/2014	Net Reserve Movement 2014/15	Balance as at 31/03/2015	Net Reserve Movement 2015/16	Balance as at 31/03/2016	Net Reserve Movement 2016/17	Balance as at 31/03/2017	Net Reserve Movement 2017/18	Balance as at 31/03/2018	Net Reserve Movement 2018/19	Balance as at 31/03/2019
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Civic Centre Major Repairs Reserve	**348**	-348	**0**		**0**		**0**		**0**		**0**		**0**
Earmarked Grants Reserve	**328**	49	**377**		**377**		**377**		**377**		**377**		**377**
Redundancy Reserve	**1,125**	-1,125	**0**		**0**		**0**		**0**		**0**		**0**
Management of Change Reserve	**1,452**	43	**1,495**	-417	**1,078**	-54	**1,024**		**1,024**		**1,024**		**1,024**
Technology Reserve	**800**	-152	**648**	-50	**598**	-50	**548**		**548**		**548**		**548**
CSR Transitional Reserve	**550**	-550	**0**		**0**		**0**		**0**		**0**		**0**
Car Parks Commuted Sums Reserve	**266**	-266	**0**		**0**		**0**		**0**		**0**		**0**
On Street Car Parking Reserve	**218**	-37	**181**		**181**		**181**		**181**		**181**		**181**
Local Development Framework Reserve	**536**	130	**666**		**666**		**666**		**666**		**666**		**666**
Dacorum Development Reserve*	**374**	550	**924**	518	**1,442**	1,780	**3,222**	2,113	**5,335**	2,113	**7,448**	2,113	**9,561**
Planning Enforcement & Appeals Reserve	**125**		**125**		**125**		**125**		**125**		**125**		**125**
Planning & Regeneration Project Reserve	**185**	-7	**178**		**178**		**178**		**178**		**178**		**178**
Litigation Reserve	**214**		**214**		**214**		**214**		**214**		**214**		**214**
Vehicle Replacement Reserve	**1,018**	565	**1,583**	350	**1,933**	350	**2,283**	350	**2,633**	350	**2,983**	350	**3,333**
GAF Reserve	**5**	-5	**0**		**0**		**0**		**0**		**0**		**0**
Cemeteries Safety Reserve	**61**	-61	**0**		**0**		**0**		**0**		**0**		**0**
Longdean School Repairs Reserve	**7**		**7**		**7**		**7**		**7**		**7**		**7**
Tring Swimming Pool Repairs Reserve	**67**	8	**75**		**75**	16	**91**	8	**99**	8	**107**	8	**115**
Youth Club Reserve	**101**		**101**		**101**		**101**		**101**		**101**		**101**
Election Reserve	**99**	30	**129**	30	**159**	-159	**0**	30	**30**	30	**60**	30	**90**
Uninsured Loss Reserve	**700**	-114	**586**		**586**		**586**		**586**		**586**		**586**
VAT Reserve	**1,905**	-1,905	**0**		**0**		**0**		**0**		**0**		**0**
Training & Development Reserve	**150**	-7	**143**	-40	**103**	-40	**63**	-30	**33**		**33**		**33**
Housing Conditions Survey Reserve	**68**	15	**83**	-83	**0**	15	**15**	15	**30**	15	**45**	15	**60**
S106 Commuted Sums Reserve	**622**	-13	**609**		**609**		**609**		**609**		**609**		**609**
Dacorum Partnership Reserve	**91**	-10	**81**		**81**		**81**		**81**		**81**		**81**
Dacorum Rent Aid - Guarantee Scheme	**15**		**15**		**15**		**15**		**15**		**15**		**15**
Rent Guarantee Scheme Reserve	**15**		**15**		**15**		**15**		**15**		**15**		**15**
PSQ Reserve	**1,150**	533	**1,683**	367	**2,050**		**2,050**		**2,050**		**2,050**		**2,050**
LG Resource Review and Localisation of Council Tax Transition	**259**	-259	**0**		**0**		**0**		**0**		**0**		**0**
Funding Equalisation Reserve	**0**	2,871	**2,871**	-790	**2,081**	-150	**1,931**		**1,931**		**1,931**		**1,931**
Pensions Reserve	**1,500**	-36	**1,464**	-709	**755**		**755**		**755**		**755**		**755**
Maylands Plus Reserve	**56**	23	**79**		**79**		**79**		**79**		**79**		**79**
	0		**0**		**0**		**0**		**0**		**0**		**0**
Total Earmarked Reserves	**14,410**	**-78**	**14,332**	**-824**	**13,508**	**1,708**	**15,216**	**2,486**	**17,702**	**2,516**	**20,218**	**2,516**	**22,734**
Working Balance	**2,697**	**0**	**2,697**	**0**	**2,697**	**-197**	**2,500**	**0**	**2,500**	**0**	**2,500**	**0**	**2,500**
Total General Fund Reserves	**17,107**	**-78**	**17,029**	**-824**	**16,205**	**1,511**	**17,716**	**2,486**	**20,202**	**2,516**	**22,718**	**2,516**	**25,234**

* Includes NHB not yet applied to fund capital schemes.