

APPENDIX 3 - GRA MEDIUM TERM FINANCIAL FORECAST 2018-2021

	2018-19 £000	2019-20 £000	2020-21 £000	Total £000
GOVERNMENT GRANT FUNDING				
<p><u>1. Revenue Support Grant (RSG)</u> The Government will provide £870,000 of RSG funding to the Council in 2017-18. However the Finance Settlement published in February 2017 confirmed that RSG funding will halve in 2018-19 before ceasing entirely from 2019-20 onwards. This factor will have a significant impact on the service offer that the Council will be able to provide in future years.</p>	435	435	0	870
<p><u>2. Housing Benefit Administration grant</u> The admin grant for Housing Benefit has been continuously reduced in recent years, and its level fell by £34,000 in 2017-18 to £324,000. It is expected that this grant will continue to reduce in future years at broadly the same rate.</p> <p>It is not possible at this time to predict the financial impact that the roll out of Universal Credit will have on this service area and consequently this position will continue to be closely monitored going forward.</p>	35	35	35	105
<p><u>3. New Homes Bonus Grant</u> This is a performance reward grant that provides an incentive to stimulate new house building, bring empty homes back into use, and to increase the number of affordable homes. This grant is expected to reduce significantly in future years as a result of changes in the formula that the government use to calculate the grant.</p> <p>The numbers of new homes being built will play a key role in determining how much grant will be received from this source, and the estimates have been based on the latest 2 year average (around 300 per year).</p>	650	140	165	955

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CORPORATE FUNDING FROM COUNCIL TAX AND BUSINESS RATES				
<p><u>4. Increase in the Council Tax Base</u></p> <p>The main factors that can cause the council tax base to change are the number of new homes that are built in the borough and the number of council tax support claimants. It has been forecast that the tax base will increase by around 1.2% per year in the future, based on the average increase over the last 3 years.</p>	-80	-80	-80	-240
<p><u>5. Increases in the Council Tax Level</u></p> <p>For planning purposes it has been assumed that the council tax level will increase by £5 for a band D property, which is around a 2.6% average rise, in line with the actual increase in the Council tax which was made for 2017-18.</p>	-170	-170	-170	-510
<p><u>6. Increase in the Business Rates Base</u></p> <p>It is forecast that the amount of business rate income will grow in future years based on consideration of trend increases in the business rates base, known new developments and other relevant factors.</p>	-65	-65	-65	-195
<p><u>7. Increase in the level of the Business Rates NNDR Multiplier</u></p> <p>It is Government policy to increase the level of business rates in line with inflation. It is assumed that income will increase by 3% in 2018-19 and 2019-20, and then by 2% in 2020-21.</p>	-90	-95	-65	-250

	2018-19 £000	2019-20 £000	2020-21 £000	Total £000
SERVICE EXPENDITURE AND INCOME				
<p><u>8. Employee Pay Awards</u> For planning purposes it is assumed that the level of the general pay award will be 1% per year in line with government announcements on public sector pay. However this factor is determined by national pay bargaining and consequently is not within the Council's direct control.</p> <p>It has also been assumed that the level of the living wage will increase at a higher rate, which will affect a relatively low number of staff on the lowest spinal column points.</p>	145	145	145	435
<p><u>9. Contract inflation and other base budget uplift factors</u> Council contracts typically contain provisions to uplift costs in line with relevant inflationary factors. This heading also allows for other standard base budget uplift factors that are required to maintain agreed service levels.</p>	120	120	120	360
<p><u>10. Reduction in LCC Funding for the Lancashire Waste Partnership Agreement</u> The current agreement comes to an end at the end of the 2017-18 financial year and is currently worth £950,000 per year. Lancashire County Council have indicated that they will cease to provide this funding at this time, although discussions are taking place about what arrangements may be implemented to replace the current agreement. For planning purposes it is important to recognise this potential income loss given its significant adverse impact.</p>	950	0	0	950

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OTHER BUDGET FACTORS				
<p><u>11. New Budget issues</u> This factor is a provision for new and additional budget pressures. Past experience demonstrates that each year the Council will face new and unavoidable budget increases and consequently an allowance for this factor needs to be included in the financial forecasts although it cannot be estimated with certainty.</p>	125	125	125	375
<p><u>12. Previously agreed policy options that will have a further impact in 2018-19</u> There are a number of policy options that have already been approved which will have a further financial impact in 2018-19. Garden waste is the main factor under this heading, where it is expected that cost savings will be possible in 2018-19 as a result of changes in activity levels following the introduction of charging.</p>	-130	0	0	-130
BUDGET GAP	1,925	590	210	2,725

FACTORS CONSIDERED BUT NOT QUANTIFIED IN THE FORECAST INCLUDE

- Devolution of Business Rates from 2020 – it is not clear how this proposed new system will operate but from the information provided to date it is expected to have a net nil financial impact on local authorities (any extra funding that comes with the new system will be matched by new responsibilities)
- The potential impact of universal credit
- Potential future political changes at both national and local level
- The potential impact of the EU referendum result
- New legislative requirements
- Potential future capital financing requirements

KEY RISKS AND SENSITIVITIES IN THE FORECAST INCLUDE

- Government decisions on any further potential changes to the New Homes Bonus Grant system
- Numbers of new homes built in the Borough
- Changes in the business rate base
- Levels of economic activity
- General inflation rates
- Pay inflation rates
- Interest rates
- Changes in the number of council tax support claimants