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EAST STAFFORDSHIRE BOROUGH COUNCIL

REPORT COVER SHEET

Title of Report:	Medium Term Financial Strategy 2021/22 – 2023/24
Meeting of:	Council
Date:	22/2/2021
Is this an Executive Decision:	No
Is this a Key Decision:	Yes
Is the report Confidential:	No
If so, please state relevant paragraph from Schedule 12A LGA 1972:	n/a

Essential Signatories:

ALL REPORTS MUST BE IN THE NAME OF A HEAD OF SERVICE

Monitoring Officer

Date …………………. Signature ………………………..

Head of Service and Chief Finance Officer

Date …………………. Signature ………………………..

OPEN AGENDA

E A S T   S T A F F O R D S H I R E   B O R O U G H   C O U N C I L

Report to Council

Date: 22nd February 2021

TITLE:	Medium Term Financial Strategy 2021/22 – 2023/24
PORTFOLIO:	Finance
HEAD OF SERVICE:	Sal Khan - Head of Service
CONTACT OFFICER:	Lisa Turner – Chief Accountant ext. x1399
WARD(S) AFFECTED:	All

1. Purpose of the Report

1.1 The report sets out for members the Medium Term Financial Strategy (MTFS) for the period covering 2021/22 to 2023/24. This includes the Council's Capital Programme and the Asset Management and Capital Strategy, which is set out in Appendix C to this report.

1.2 Members should also note that there will be a further report elsewhere on the Council agenda relating to the Council's Treasury Management Strategy for 2021/22, which dovetails into both the Council's revenue and capital commitments. If members have any questions on the detailed estimates and papers it would be beneficial to advise the officers in advance so that answers can be available.

1.3 Members are also reminded that in accordance with Section 106 of the Local Government Finance Act 1992, any Member in council tax arrears is unable to participate in the debate and decision making in relation to the budget and council tax setting.

2. Executive Summary

2.1 The announcement of the provisional local government settlement for 2021/22 was made in late December 2020 and subsequently finalised in February 2021. This follows an unprecedented period of central funding reductions to local authorities. East Staffordshire Borough Council has seen a 78% or £6.4m reduction in main settlement funding on a like for like basis between 2010 and 2019. Key points from the settlement are as follows:

- For East Staffordshire the Settlement Funding Assessment has resulted in a cash freeze at £3.2m for 2021/22, although there has been a small increase in relation to the business rates multiplier compensation grant estimated to be £0.038m.
- New Homes Bonus (NHB) funding has reduced by £1m in 2021/22 due to the Government Policy change in relation to the legacy payments. This means a cumulative loss of funding to the Council of £4m in respect of the three years legacy payments that will not be received.
- Nationally published figures indicate a freeze in the Council's Core Spending Power compared to an average national increase for all types of authority of 4.5%. This includes the introduction of a new Lower Tier Support Grant of £0.6m.
- The Government also announced additional Covid-19 financial support for 2021/22, including a grant allocation to support associated cost pressures (£0.6m), a range of compensation schemes, including support for certain Covid-19 related fee and charge losses for the first quarter, a grant to support additional council tax support claimants (£0.13m) and some support towards taxation losses relating to 2020/21.

Further details of the settlement can be found at Section 5 of the report.

2.2 It is anticipated that the Covid-19 Pandemic will continue to have an extensive impact on local authority income and expenditure levels during 2021/22 with ongoing effects thereafter from the new norm. Due to this uncertainty we have modelled a number of scenarios within our financial planning which demonstrates that the position is extremely volatile. The budget has been based on the mid-case scenario, which shows the need to draw down £1.1m of windfall resources in 2021/22 to balance the budget. However more optimistic assumptions would result in a small surplus of £0.056m and more pessimistic assumptions indicate that there would be a need to draw down £1.8m from reserves, unless additional support was forthcoming from government. Despite the challenging circumstances the Council's underlying financial position in the medium term is robust and this provides a strong foundation of financial resilience during these unprecedented circumstances.

2.3 Our continued strategic approach to financial planning has enabled us to once again respond to the challenging environment positively, ensuring wherever possible that priority front line services are protected, whilst as the same time presenting a balanced budget. The budget has been balanced from 2021/22 onwards with the use of windfall business rates monies and reserves. The use of the reserves and windfall monies to balance the budget can only be on a temporary or short terms basis, as the nature of reserves are that they are one-off resources and should not normally be used to fund ongoing expenditure. This emphasises that there is an ongoing requirement to identify and deliver savings or generate additional income. Nevertheless, the Council has an effective track record of delivering savings, as demonstrated at Paragraph 8.5 alongside our efficiency strategy.

2.4 There is also a great deal of uncertainty surrounding funding levels from central government for the period 2022/23 onwards. The government is due to undertake a multi-year spending review during 2021, this will determine the overall quantum of funding available to the sector as a whole factoring in the impact of the Pandemic on national finances. In addition to this, the Government has previously announced significant changes to the local government finance system which were due to come into effect from April 2020 and have once again been postponed:

- The fair funding review announced in 2016 is due to determine a new mechanism for allocating resources within the sector;
- The Business Rates Retention Scheme is due to be reset and at the same time is due to move from 50% to 75% being retained locally, potentially resulting in some significant modifications to the scheme; and finally
- The New Homes Bonus Scheme will not continue in its current form beyond 2021/22.

2.5 The potential impact of these changes represents significant uncertainty in terms of the financial resources available from 2022/23 onwards. With this in mind, together with the impact of Covid-19 on national finances the proposals within this strategy scale back core funding levels towards funding settlement from 2021/22 onwards, removing the existing business rates growth. Whilst this is a prudent approach at this stage, the outcome of these reviews could potentially be more challenging than these assumptions. Paragraph 8.3 demonstrates the impact/sensitivity on the ongoing forecast savings requirement from alternative settlement scenarios.

2.6 The Council has benefitted from the allocation of New Homes Bonus Funding since the commencement of the scheme. However the future of the scheme has remained in doubt for a number of years and as such the Council as adopted a prudent approach to incorporating this into its budget. The Government have provided more clarity in relation to the current New Homes Bonus Scheme and whilst there is some limited protection for legacy payments this still means a loss of income of £1m in 2021/22 and a further loss of £0.9m in 2022/23. As set out above, the cumulative loss of income from lost legacy payments amounts to £4m. As a result of the clarification provided by Government we have been able to incorporate into the budget the full expected grant of £1.4m in 2021/22 and £0.5m in 2022/23 with nothing assumed for 2023/24. The Government are due to consult on a new or revised scheme to replace New Homes Bonus, the design and scale of the scheme and to what extent, if any, that the Council will benefit from this are unknown at this point in time.

2.7 In addition to the above pressures and uncertainties arising from central funding allocations, the authority also has significant ongoing local pressures amounting to approximately £3m in 2021/22. These pressures arise from a combination of issues, the most significant of which relate to estimated Covid-19 Income and expenditure pressures and increased demand for supported housing. As highlighted above, the ongoing impact of Covid-19 is difficult to predict and as such we have undertaken various scenarios and the budget is based on the mid-case scenario. Further details on budget pressures and growth are set out in paragraph 9.3.

2.8 The authority has a pro-active and rolling approach to financial planning and has identified a number of savings proposals for 2021/22. In addition to which, the deferral of the local government finance reforms has enabled additional Government resources to be built into the budget on a temporary basis alongside the one-off funding in relation Covid-19 Support. The total savings and additional funding amounts to £2.7m, with the details set out at paragraph 9.5 onwards.

2.9 This proposed Medium Term Financial Strategy incorporates the estimated impact of the business rates retention and local council tax support schemes that were introduced from 1st April 2013. These schemes continue to transfer significant risks to local authorities, as well as volatility. Within this environment we have been prudent in our estimates, setting aside sums to mitigate the risks and the establishment of a business rates reserve to manage the risks. There was a large surplus on the business rates retention scheme outturn for 2019/20 and as a consequence it is proposed to release £2.5m in total from this reserve. This will be used to top up capital resources (£1m) to provide funding for the capital programme, support the balancing of the MTFS for 2021/22 (£1m) and top up the debt repayment reserve (£0.5m) to support the budget until external borrowing matures. There is further detail in relation to the Business Rates Retention Scheme outlined in Section 7 of the report.

2.10 The Council undertakes budget consultations to enable residents' views to be at the forefront of our proposals. The key findings of our most recent consultation are outlined at paragraph 9.2 of the report, this includes 65% of those surveyed indicating that the Council should protect services, even if council tax and fees for service users' increase. The Borough Council's council tax is below the national average. In line with central government assumptions, this strategy assumes that Council Tax (Band D) will increase by £5 (or 50p over 10 monthly instalments) from 2021/22.

2.11 The Council's Capital Programme is included within the MTFS (Section 14), along with the supporting Asset Management and Capital Strategy (Appendix C). The Capital Programme makes provision for the replacement of our fleet, including the replacement of waste and street cleaning vehicles. It also includes our smaller vehicles being replaced with electric vehicles in line with our climate change action plan. There is also provision for replacement ICT equipment, Disabled Facility Grants, and funding towards the creation of additional space at the Cemetery. A number of projects in the current capital programme will continue into 2021/22, including enhancement at the Washlands. The Council, in accordance with CIPFA's Prudential Code, must consider the impact of the Capital Programme on the prudential indicators, this is set out within the Treasury Strategy.

2.12 Burton is one of a number of Towns across the Country that has submitted proposals to Government for up to £25m of funding for regeneration as part of the Stronger Towns Fund. The Council is the lead authority and subject to government approval, will continue to work closely with the Government, partners and the Board to develop and bring forward a business case. In addition to which the Council recently adopted the Uttoxeter Masterplan and is committed to supporting the implementation of the plan and will develop and bring forward plans and business cases at the appropriate time.

2.13 The Council's Chief Financial Officer is required annually to report on the robustness of reserves and of the budget in totality. The General Reserve is risk assessed at a minimum level of £1.3m. This is consistent with previous years and amounts to just 3% of gross spending. Further details in relation to reserves are set out at Section 15.

2.14 The report concludes that the Chief Financial Officer views both the revenue and capital budgets are prudent and affordable. Both budgets take account of external demands, service pressures and risks and leave the Council with a comfortable level of reserves in the short term. Looking ahead to 2022/23 and beyond, the scale of ongoing savings forecast in order to reduce the reliance on reserves is a significant challenge, in addition to which future levels of Government support are extremely uncertain. Members and officers will need to identify more effective or alternative ways of delivery in order to ensure the required savings or cost reductions are delivered.

2.15 In approving the MTFS the level of Council tax required will be £182.30 (Borough Council at Band D), a £5 or 2.8% increase on the 2020/21 level. A separate report will be on Council agenda for formal approval of the overall Council tax for 2021/22.

3. Contribution to Corporate Priorities

3.1 The Medium Term Financial Strategy contributes to and underpins all priorities.

4. Objectives of the MTFS

4.1 The MTFS has nine objectives, to:

- Show how resources support the corporate plan over the period,
- Provide a platform to support the decision making framework,
- Enable the Council to be proactive rather than reactive,
- Act as a barometer and give early indication of the need to revisit priorities,
- Support sustainable services and ensure reserves are sufficient,
- Hold a working balance to respond to unexpected events,
- Be responsive to changing risks, needs and legislation,
- Support the Council's service and core strategies, and
- Provide indications of future Council tax levels.

5. Central Government Funding Settlement

5.1 Since austerity measures began the Council has seen a reduction in settlement funding of 78% or £6.4m on a like for like basis between 2010 and 2019. It was originally anticipated that large scale reforms would be made to local government funding from 1st April 2021, which would incorporate the latest spending review. This has created a significant amount of uncertainty for local authorities and their ability to undertake robust medium term strategic and financial planning. However these proposed reforms have once again been delayed and the Spending Review and consequent Provisional Local Government Financial Settlement both cover only one year, resulting in high degrees of financial uncertainty beyond 2021/22.

5.2 The table below sets out the Settlement Funding Assessment (SFA), as announced in December 2020 - overall this results in no change in funding for 2021/22. Since 2019/20 the Council no longer receives any Core Revenue Support Grant from the Government, whilst it was originally due to be paying "negative RSG" (£97k) the government are once again proposing to fund this.

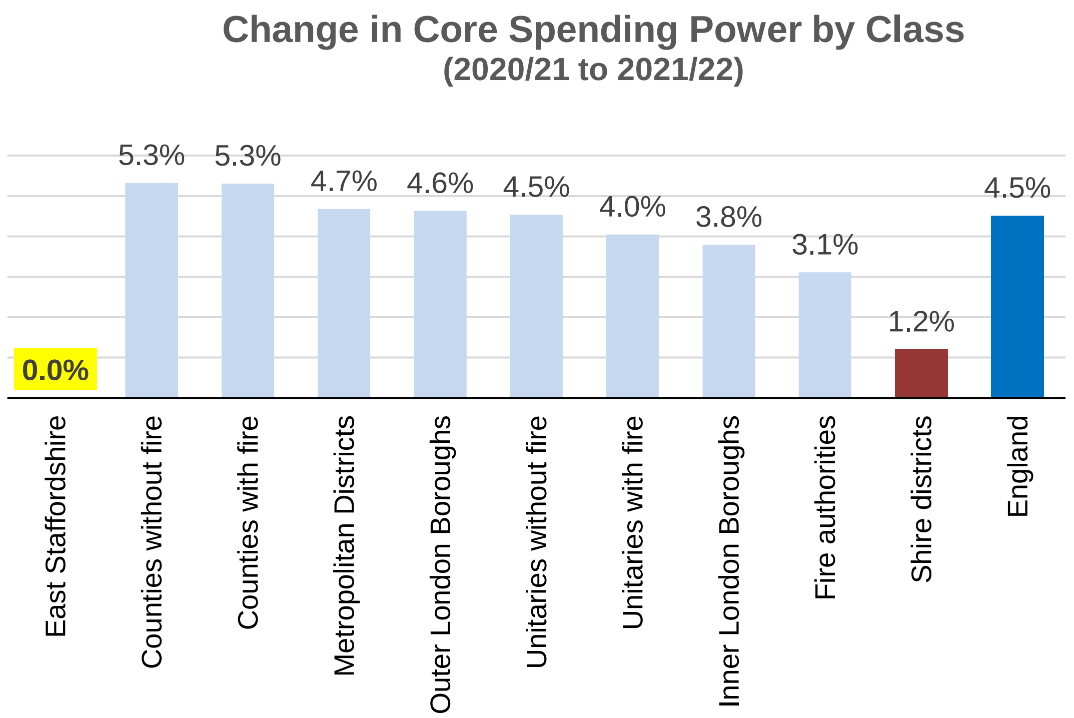
5.3 In addition to the SFA the Council will also receive:

- Compensation for the under-indexation of Business Rates income which is estimated to be in the region of £0.167m, an increase of £0.038m on the previous year;
- New Homes Bonus Funding of £1.439m a reduction of £1.011m on the previous year (detailed at Section 6);
- A newly introduced Lower Tier Support Grant (£0.615m), which includes a one-off exceptional amount of £0.479m minimum floor support to prevent a reduction in Core Spending Power.

5.4 For a number of years the Government have chosen to publish Core Spending Power (CSP) figures to represent key revenue resources available to local authorities, including an estimate of potential increased council tax income. The table below demonstrates the breakdown of CSP and the graph demonstrates the change between 2020/21 and 2021/22 for each class of authority. This demonstrates that the Council's Core Spending Power has not increased compared to the average increase across all authority types of 4.5%.

Table 1: Core Spending Power	2020/21	**2021/22**	Increase/ (Reduction)	
	£m	**£m**	£m	%
Settlement Funding Assessment	3.199	3.199	**-**	**-**
Business Rates Multiplier	0.128	0.167	0.038	30%
New Homes Bonus	2.450	1.439	(1.011)	-41%
Lower Tier Support Grant	-	0.615	0.615	-
Assumed Council Tax Income*	7.259	7.616	0.357	4.9%
Total	**13.036**	**13.036**	**0**	**0%**

*In calculating this figure Government Assume a £5 increase in Council Tax and a Tax base increase in line with the historical between 2016/17 and 2020/21 – the tax base as in fact reduced in 2021//22 due to Covid-19.



5.5 The Government have set the council tax referendum limit for lower tier authorities such as East Staffordshire at 2% or higher than £5 for a Band D Property. There is increased flexibility for upper-tier councils with responsibility for Social Care (2% plus a 3% Social Care Precept)

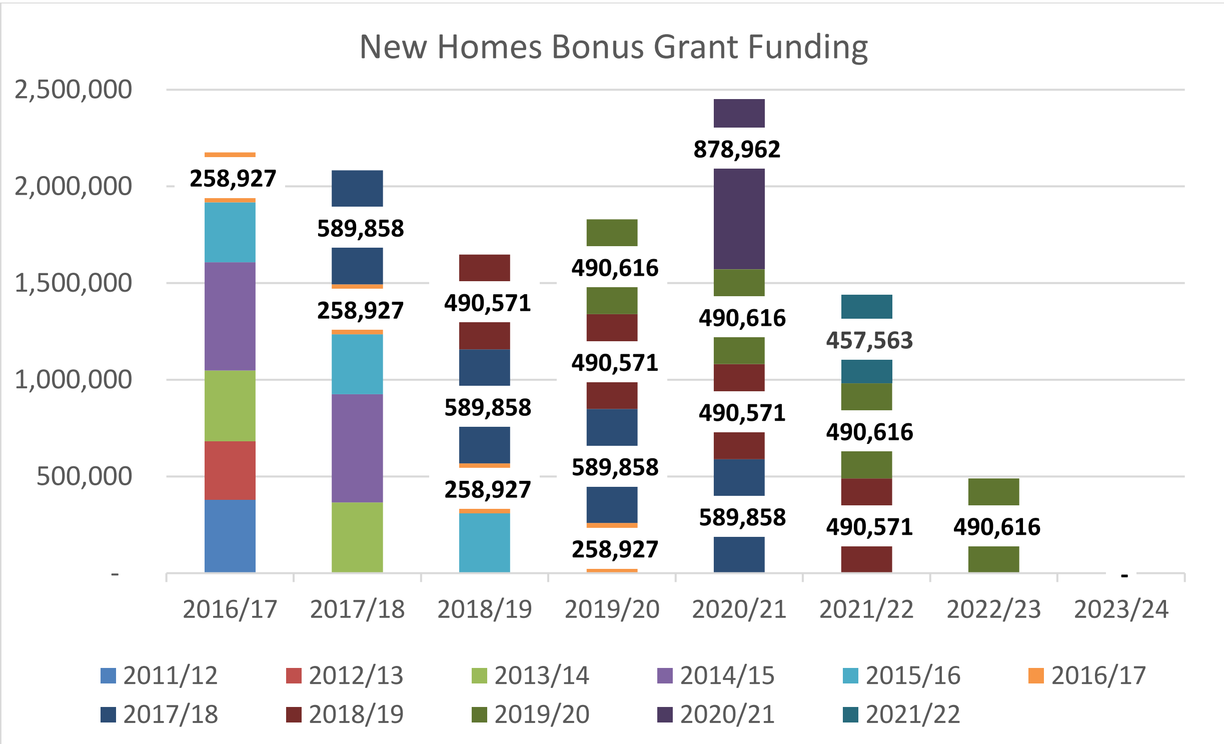
6. New Homes Bonus Scheme (NHB)

6.1 In addition to the formula funding, we also see the continuation of the New Homes Bonus Scheme. This is a non-ring fenced grant which is based on the number and type of housing properties brought on to the rating list each year. The amount of New Homes Bonus generated is split in two tier areas 80/20 in favour of District Councils.

6.2 The Government previously implemented changes designed to "sharpen" the scheme. These were ultimately aimed at reducing the cost of the scheme and therefore the level of funding to authorities, including scaling back the number of years that payments would be received from six to four by 2018/19, as well as the introduction of a baseline at 0.4%. The Government undertook further consultations in 2017 and 2018 in order to increase the baseline and reduce funding levels.

6.3 The Council's New Homes Bonus allocation for 2021/22 **is a cumulative payment of £1.4m in 2021/22,** compared with £2.4m in 2020/21. The Government has committed to reviewing the New Homes Bonus Scheme and as a result announced that no legacy payments would be attached to the 2020/21 allocations, meaning that the Grant for 2021/22 would only consist of three years' worth of payments. This is the main reason for the reduction in Grant for 2021/22. A similar announcement has been made in relation to the 2021/22 allocation, meaning that the 2022/23 Grant will only consist of one payment of £0.5m. **This means a cumulative loss of grant funding to the Council of £4m for the three years of legacy payments that will not be made.**

6.4 The graph below sets our forecast NHB Grant funding based on current information:



7. Business Rates Retention

7.1 The business rates retention (BRR) scheme came into effect from 1st April 2013 and forms a principal element of local government funding. This provides local authorities with a direct financial benefit from economic growth, but also exposure to financial risk as a consequence of economic contraction. As detailed above, the Council is no longer in receipt of Revenue Support Grant, therefore the settlement contains the baseline funding (£3.199m) for the BRR Scheme.

7.2 A key determinate of local government funding is the actual business rates collected. Income above or below the expected level of business rates impacts on locally retained income. Under the mainstream system there is a safety net built into the scheme to ensure that no authority's income falls below a set level, for East Staffordshire this would be set at £2.959m. Likewise there is levy payable on any business rate growth above the baseline, for East Staffordshire this is set at 50%. However, the Council has formed a Pool with Staffordshire Authorities and this is outlined in more detail at paragraph 7.7 below.

7.3 The Government has previously announced that it intends to move to a system based on 75% retention of business rates, which has once again been deferred, alongside the planned business rates reset. There will still need to be a system to re-allocate funding within the sector, with some existing grants rolled into business rates and potentially further responsibilities devolved in order to make this feasible. There have been a number of consultations and working groups taking place over several years of in order to develop the revised scheme, however due to the pandemic work has not progressed at a national level and hence the deferral. At this stage it is not clear what the design of the new scheme will look like and the consequential implications. Members will be updated as the proposals evolve.

7.4 The table below provides a breakdown of the forecast business rates income built into the MTFS for 2021/22*:*

Table 4 : Retained Business Rates	**2021/22 £000**
Forecast Net Business Rates	54,550
Central Government Share (50%)	(27,275)
Major Preceptors Share (10%)	(5,455)
ESBC Share (40%)	21,820
Section 31 Grants	1,501
Less Tariff	(18,913)
Retained business rates (pre levy)	4,408
Section 31 Grant	151
Levy to the Staffordshire Pool (Para. 7.8)	(604)
Volatility Provision	(590)
Retained Business Rates	**3,365**

Baseline	**3,199**
Safety Net	**2,959**

7.5 It is apparent that at both a local and national level there is a significant amount of volatility within the business rates scheme, largely arising from the level of reliefs and appeals which can have a significant impact on the business rates collected. The Covid-19 Pandemic has added significantly to the risks associated with this income stream. The Council has established a business rates reserve in order to manage this volatility. In previous years it has been possible to release funding from this reserve to support one-off initiatives, including the Improvements to Public Realm at Station Street. There was a large surplus on the business rates retention scheme outturn for 2019/20 and as a consequence it is proposed to release £2.5m in total from this reserve. This will be used to top up capital resources (£1m) to provide funding for the capital programme, support the balancing of the MTFS for 2021/22 (£1m) and top up the debt repayment reserve (£0.5m) which will be released to the revenue budget over a period of 9 years to partially offset borrowing costs until the external borrowing matures in 2030.

7.6 The Government announced 100% business rates relief for businesses in the retail, leisure and hospitality sectors for 2020/21 due to the Pandemic. The additional reliefs that were announced after the NNDR1 returns were made to Government in January 2020 are currently estimated to be £19.6m. This has created timing differences, with Section 31 Compensation Grants receivable in 2020/21 and the corresponding loss of business rates income via the Collection Fund (the Council's share estimated at £7.8m) falling upon the budget in 2021/22. The impact of these timing differences will be managed through the business rates volatility reserve in the usual manner.

7.7 As set out above, business rates was due to be "reset" in 2020, with any achieved growth above the baseline potentially being re-distributed across the sector. The Government is still committed to undertaking this, however the timing remains uncertain. Bearing this in mind and the unknown impact of the Covid-19 Pandemic, it is crucial that the authority takes a prudent approach and is not exposed to a "cliff edge" in relation to the forecast business rates income being built into our financial plans. With this in mind, the proposals within this strategy assume funding from 2021/22 in line with the settlement – excluding any growth but including compensation for the under-indexation of the business rates multiplier.

Business Rates Pooling 2021/22

7.8 The Council established a business rates pool with the other Staffordshire authorities in 2019/20 which also included a Pilot 75% retention scheme. In respect of 2020/21 and 2021/22 the pool has been rolled forward based on the 50% retention scheme. This allows the Pool to retain any levy payments that would otherwise be payable to Central Government. Under the Pooling arrangement 40% of the levy is retained by the authority with 60% treated as windfall and distributed back to the authorities. Under this arrangement the Pool must make its own arrangements for safety net. Should any of the authorities within the Pool be in a safety net position the Council would need to contribute its share towards this in line with the agreement.

7.9 It should be noted that the governance arrangements for the Staffordshire pool establish that the authority will be no worse off from membership of the pool than the previous pooling arrangement with the GBSLEP.

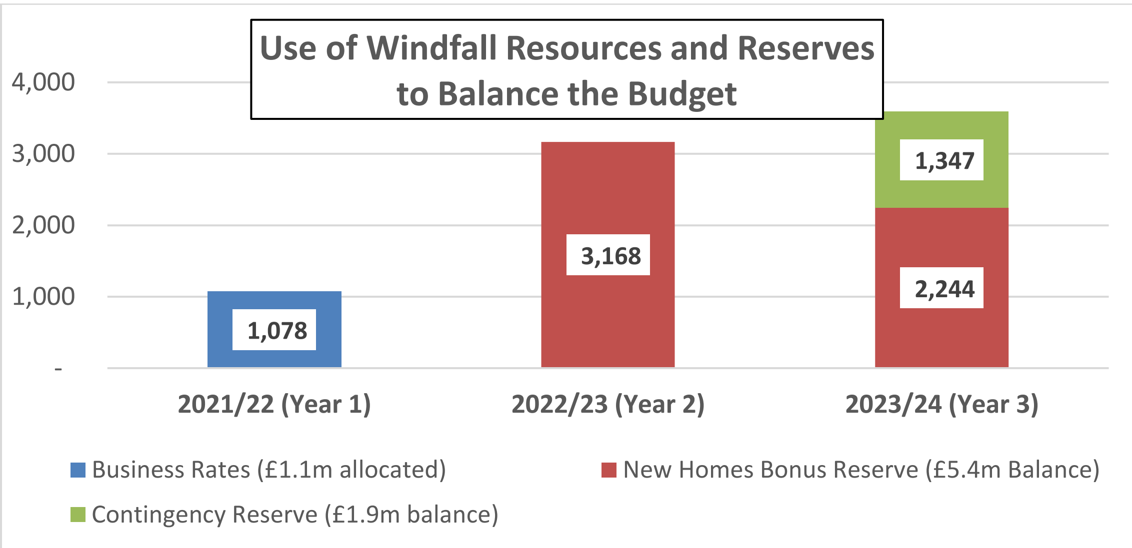
8. Revenue Budget

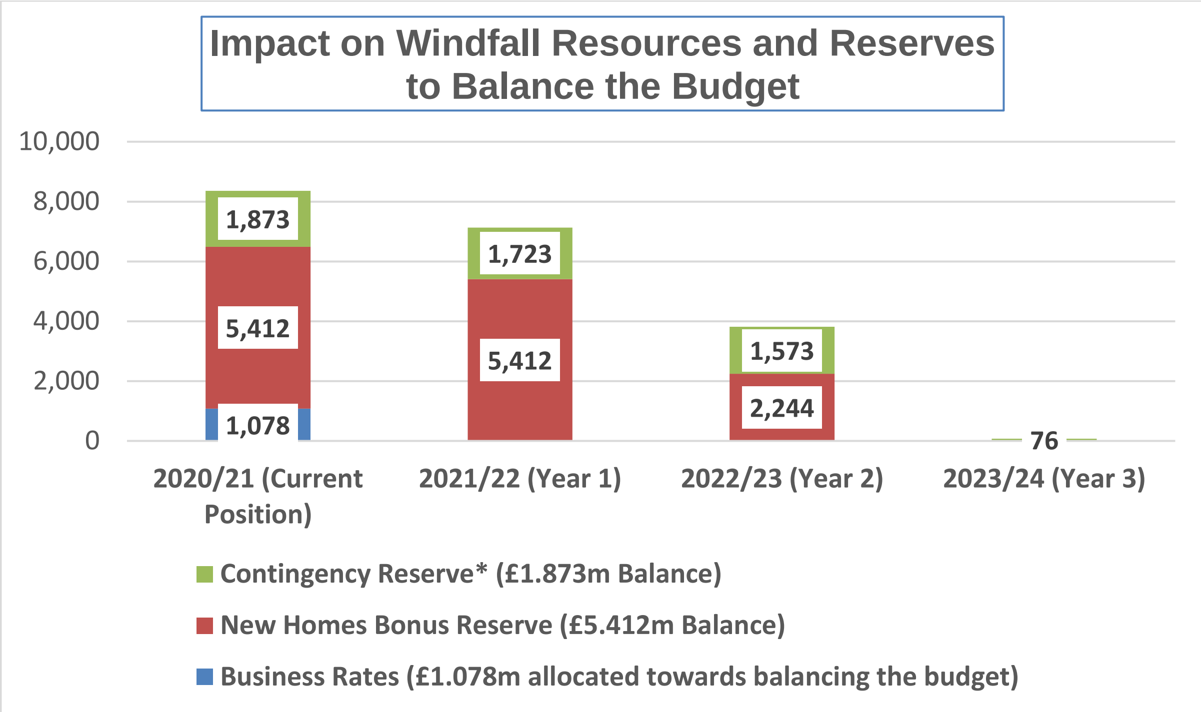
8.1 The revenue budget for the financial years 2021/22 to 2023/24 is summarised in the table below, with an expanded summary covering 2021/22 and 2022/23 at Appendix A. Further details of changes to individual service budgets can be found in the annual budget book. The budget takes into account the key assumptions set out in Section 10 and assumes a central or mid-case position. However, due to the level of uncertainty that currently exists in relation to the Covid-19 Pandemic the table also demonstrates the position if the budget was based on more optimistic or pessimistic assumptions:

Table 5 : Budget Summary	2021/22 Budget Mid Case £'000	2022/23 Budget £'000	2023/24 Budget £'000	2021/22 Budget Optimistic £'000	2021/22 Budget Pessimistic £'000
Total Revenue Budget	**13,371**	**14,215**	**15,080**	**12,721**	**14,175**
Retained Business Rates (Section 7)	(3,365)	(3,416)	(3,481)	(3,908)	(3,365)
Covid-19 Financial Support	(931)	(18)	(18)	(872)	(1,030)
Lower Tier Support Grant	(615)	-	-	(615)	(615)
Council Tax (Surplus)/ Deficit	(36)	18	18	(36)	(36)
Support (from)/to Reserves/ Windfall Business Rates	(1,078)	(3,168)	(3,591)	56	(1,783)
Special Expenses	(441)	(441)	(441)	(441)	(441)
Amount to be met from Council Tax*	**6,905**	**7,190**	**7,567**	**6,905**	**6,905**
Council Tax Increase (Band D)	£5	£5	£5	£5	£5

**also includes gradual tax base increases as the economy recovers from the Pandemic*

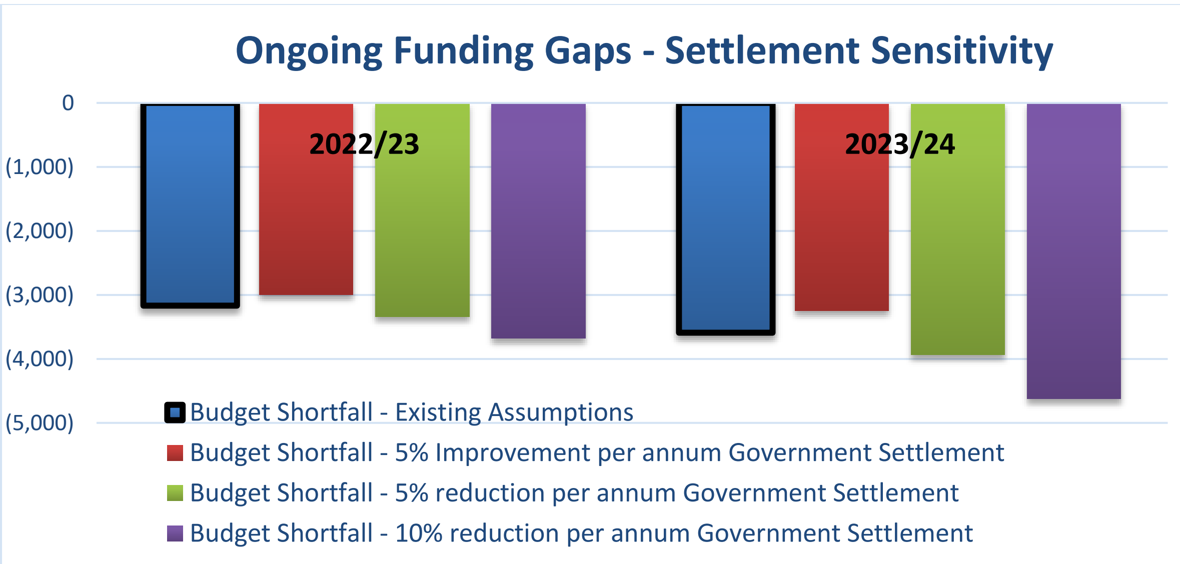
8.2 The table above and the graphs below demonstrate that the budget has been balanced over the three year period by the use of one-off monies, including windfall business rates income, the New Homes Bonus and Contingency Reserves for 2021/22 onwards. The resulting impact is a significant depletion of reserves, with the NHB Reserve fully utilised alongside the vast majority of the contingency reserve. This is outlined in Section 15 of the report which outlines reserves in more detail.





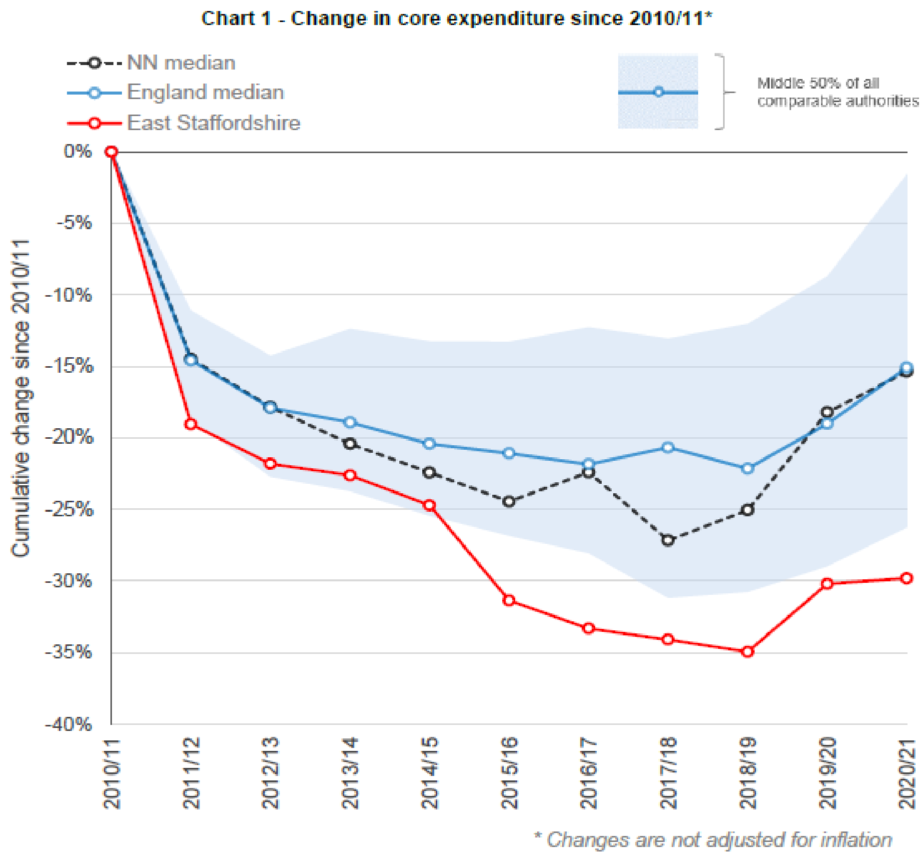
*This reserve is also utilised to set-aside £150k per annum to support the development of feasibility studies/business cases in relation to capital projects, economic development activities or spend to save initiatives (as outlined at Para. 15.6).

8.3 The use of the reserves and windfall monies to balance the budget can only be on a short term / temporary basis, as the nature of reserves are that they are one-off resources and should not normally be used to fund ongoing expenditure. There is a great deal of uncertainty in relation to future funding levels due to the proposals for a significantly revised local government finance system and the expectation of a multi-year spending review in 2021. It is possible the resource estimates within these forecasts for 2022/23 and beyond could be more challenging. The graph below demonstrates the estimated extent of the ongoing savings requirement, together with the sensitivity in relation to various central government settlement scenarios. This emphasises that there is an ongoing requirement to identify and deliver savings or generate additional income.



8.4 The Medium Term Financial Strategy sets out significant ongoing funding gaps that are being met from reserves on a short term basis. This is pending the delivery of cost reductions or the generation of additional income via the use of internal shared services, exploring opportunities for external shared services in relation to waste, additional income opportunities from ICT support and utilising potential opportunities/efficiencies through the Digital Strategy. We will continue to adopt a challenging and commissioning approach to procurement and keep under review discretionary fees and charges.

8.5 The Council has a successful track record of delivering savings, however opportunities for future cost reductions are limited. The graph below is drawn from national data sets and compares the Council's reduction in expenditure levels with comparable authorities since funding reductions began in 2020. This highlights that the Council has consistently delivered higher reductions than the vast majority of comparable authorities.



9. Changes to Budgets 2020/21 onwards

9.1 The Council has published priority themes and these have been at the forefront of the budget setting process. Whilst in the current economic conditions growth has been severely restricted, the priorities set out in the corporate plan have been at the forefront during the process of setting the budget:

9.2 The Council conducted a budget consultation during the autumn of 2018. This enabled residents to tell the authority what they saw as budget priorities. The key findings from this survey are summarised as follows:

- Approximately 65% of those surveyed said the Council should protect services, even if council tax and fees for service users' increase.

- Those services which scored the highest in terms of being a priority for residents included, Waste Collection, Parks/Open Spaces and Street Cleaning. This was also reflected in the responses to the question regarding improving quality of life for residents.

- In respect of the services that the Council provides on a discretionary basis, residents indicated that Town Centre Regeneration, Indoor Leisure and CCTV should be protected, whilst Tourism, Communication, Mayoral Activities and Markets were those that were least desirable to be protected.

- In terms of generating additional income to support the budget, residents indicated that fees to service users could be increased in relation to the Brewhouse, Leisure and Parking.

Once again these findings have been taken into account when reviewing the budget.

Revenue Growth/Pressures

9.3 In the current climate revenue budget growth has been restricted and to a large extent been limited to unavoidable areas. The most significant items of revenue budget growth/income reductions are set out in the table below:-

Table 6: Revenue Growth/Pressures – 2021/22

Portfolio	Description	£'000
Environment & Housing	Supported Housing Costs (net)	673
	Council Wide Fleet Renewal (subject to separate report) Full Year effect - £156k	95
	Fleet Transition to new vehicles (one-off)	30
	Net Recycling Income (price/tonnage forecasts)	20
Community and Regulatory Services	Climate Change Officer (Part Time)	18
	CCTV – Fixed Camera Survey	6
	Car Parking – Continue to absorb Parking App Charges	5
Leader	Investment Income – changes to the base rate	253
	Marketing – Supporting Recovery (One-off)	60
	Assets – Property Rentals	20
Regeneration and Planning Policy	Enterprise – New Towns Fund Support Officer	34
	Enterprise Staffing – Additional hours and loss of ERDF funding towards existing post	15
Corporate	Covid-19 Pressures / Contingency	1,330
	Volatility Provision (One-off)	150
	Council Tax – Impact of Covid-19 on Taxbase/Surplus	247
	Total	**2,957**

Growth/Pressures beyond 2021/22

9.4 In addition to the uncertainty in respect of central funding from 2022/23 onwards there are a number of cost pressures that have been incorporated into the budget for 2022/23 onwards, including:

- **Waste / Recycling Contract** – There have been a number of developments in the recycling industry since the current contract was awarded and there is a growing expectation of significant additional cost pressures in this area. Whilst significant growth has been incorporated within these proposals from 2022/23 this could potentially be significantly more challenging.

- **Pension Fund** – the triennial review has been undertaken as at March 2019 and resulted in increased pension contribution rates on average 2% per annum over the three year period. This is broadly in line with expectations within the current approved base budget. The Council made an upfront/advance lump sum payment in April 2020 of £4.5m covering the period 2020/21 to 2022/23, which means that contributions over the three year period are £0.3m lower than would have otherwise been the case.

- **Covid-19** – The budget incorporates a provisional estimate of the ongoing impact of the Pandemic and resulting economic impact beyond 2021/22, including the impact on income streams and potential cost pressures. There is a high degree of uncertainty in this regard and officers will continue to monitor developments and provide updates accordingly.

Revenue Savings / Cost Reductions and increased Funding

9.5 The Council has delivered considerable financial savings since funding reductions commence in 2010 predominately via a series of staff re-structuring exercises, a reduction of the senior management team, office accommodation reviews, external provision of leisure services, various procurement savings and internal shared services. These budget reductions were largely focused on ensuring that the Council's priority front line services were protected.

9.6 It is clearly good practice to provide the same or better service at a reduced cost, a principle which this Council has followed for many years. The table below is a list of savings initiatives (generally those £10k and above) and increased levels of income/funding which have affected 2021/22 revenue budgets. Opportunities to identify and deliver savings during the course of 2020/21 have been limited due to the management of the impact and recovery from the pandemic being a priority. In total approximately 1.2 full-time equivalent posts have been removed from the draft estimates for 2021/22 compared to 2020/21. This is offset by the increased staffing 1.7 full-time equivalent proposed in table 6 above.

Table 7: Savings/Additional Income – 2021/22 onwards	£'000
Items £50k and above	
Government Grant – Covid-19 (one-off)	645
Government Grant – Lower Tier Support Grant (Note A below)	615
New Homes Bonus Allocation – Clarification (One-off)	589
Business Rates – Delay to Reforms (One-off)	199
Spending Review – Pay Freeze Announcement	160
Covid-19 Income Compensation Scheme extended to June (estimate)	122
Covid-19 Local Council Tax Support Scheme Grant	134
Debt Repayment – Release of windfall resources from debt reserve	53
Items £20k to £49k	
Finance – Insurance Contract Re-tendered	48
Covid-19 – Estimated Council Tax Compensation	30
Revenues and Benefits – Staffing Reduction	22
Debt Repayment – re-alignment of statutory provision	19
Waste Management / Street Cleaning Staffing	18
Items £10k to £19k	
Inflation lower than expected (net)	11
Total	**2,665**

9.7 Other Savings included within the Base Budget: Leisure Provision

In addition to the savings listed above, during the course of 2018/19 the Council awarded the contract to an external provider in relation to the provision of its leisure services. This has already been reflected in the base budget (set in February 2020) and was originally contracted to generate savings of £0.9m on average per annum against the previous base budget, including indirect savings of £0.2m in relation to support services and corporate management.

9.8 Due to the Covid-19 Pandemic the Council has been working in partnership with the external leisure provider to maintain services in a sustainable way, including providing some additional financial support during 2020/21. The Covid-19 corporate contingency provision included within the budget incorporates an estimated sum to support the leisure service during 2021/22. Discussions will continue between the parties until such a time as agreement can be made to return to the original contracted position or a new agreement can be reached. It is therefore proposed that, subject to the budgetary provision, authority be delegated to the relevant Deputy Leader, Leader, Chief Executive and Chief Finance Officer, in consultation with the Leader of the Opposition and relevant Shadow Deputy Leader, to approve further interim arrangements with the leisure provider during the course of 2021/22.

10. Assumptions

10.1 Key assumptions made in drafting the Medium Term Financial Strategy are:-

- Pay awards - Freeze for 2021/22, with increases for those below £24k (still subject to national negotiations), CPI there afterwards.
- Pension increases following triennial revaluation,
- Staffing vacancy factor of 2% included.
- Formula funding as per settlement notification 2021/22, baseline funding level (including indexation) for 2021/22 onwards.
- A 97.5% council tax collection rate
- Reduced tax base of 1.3% for 2021/22 reflecting increased demand for council tax support, lower collection rate and increased exemptions.
- Interest rates on investments 0.1% rising to 0.25% by 2023/24.
- Council tax increases as per table 5 above.
- New Homes Bonus – only remaining legacy payments from existing scheme (£1.4m 2021/22, £0.5m 2022/23) assumed in the budget.
- Contingency - A one-off volatility provision of £150k for 2021-22 and Covid-19 Provision of £1.3m for 2021/22 reducing to £0.7m by 2022/23

11. Local Council Tax Support Scheme

11.1 The Council is required to decide whether to review or replace its existing Local Council Tax Support Scheme each year. The Council's scheme has worked well during its lifetime, supporting the most vulnerable residents (as described in the Council's Vulnerable Scheme policy). Since the Covid-19 lockdown announced in March 2020, there has been an increase in claimants due to the restrictions imposed, however that increase has not been unmanageable and claim processing performance remains within the corporate targets. There has nevertheless been a cost impact arising from this increase.

11.2 There is a significant risk that expenditure will continue to increase as a result of the impact of the Pandemic, particularly as Government support and interventions are eased or removed. The tax base for 2021/22 approved by Cabinet on 14th December 2020 made an allowance for a further increase in expenditure from additional claimants but at this stage it is difficult to predict the extent and how long it will effect expenditure levels. The Government have provided some additional funding (£134k) to support this additional pressure but it remains to be seen whether that will be sufficient to meet the actual increase. Given the degree of uncertainty and unpredictable circumstances it is proposed that the scheme remains unchanged for 2021/22.

12. Risk Assessment and Management

12.1 The Council is committed to managing its exposure to risk. A key component of this is identifying risks as part of service planning (operational risks) as well as considering more strategic and corporate risks. In mitigation against these risks there may be financial implications: the more fundamental financial risks over the medium term are as follows.

These have been highlighted Red/Amber/Green taking into account the scale of impact and the likelihood of occurrence.

- **Formula Central Government Funding**. The provisional settlement covering the next year provides only very short term certainty. There are a number of reforms to Local Government Finance that the Government is proposing to implement including a needs based review of funding levels alongside the implementation of the revised 75% locally retained business rates scheme and a business rates reset. The next spending review will also take place in 2021 and this will influence resource availability for the sector and take into account the impact of the Pandemic on national finances. When combined these factors represent a significant risk to the authority and the sustainability of existing services going forward. The Council has taken a prudent approach to forecasting funding levels within this uncertain environment.

- **Covid-19 and Brexit** There continues to be significant uncertainty surrounding the impact of Brexit and Covid-19 on the economy both in the long and short term. There are a number of risks associated with the uncertainty and outcome which could impact on the Medium Term Financial Strategy in both the short, medium and long term. These include a number of risks which are linked to the economy, interest rates, economic impact on local levels of income such as car parking, planning and business rates, together with demand for local council tax support and homeless support, as well as the long term impact on the pension fund and asset values. In the medium term the Council has set aside contingencies to deal with resulting financial pressures that may arise.

- **Business Rate Retention Scheme**. As set out within Section 7 of the report the Council is potentially exposed to the risk of reduced income levels as a consequence of business rates contraction. As well as economic growth or contraction, there are a number of other factors that can impact on the business rates collected, including the number and level of mandatory and discretionary reliefs and also valuation appeals. Due to the safety net built into the scheme these risks are limited to £0.6m for 2021/22, plus any contribution required to meet safety net payments within the Staffordshire Pool. This has been considered as part of the reserves strategy, with a specific reserve to deal with business rates volatility. The business rates revaluation came into effect from April 2017, together with a new system of appeals. The Covid-19 Pandemic has resulting in a large influx of appeals based on a material change of circumstance being lodged with the Valuation Office. The extent and degree to which these will be successful is unknown but the risk is substantial. Finally, the current business rates retention scheme is due to be reset potentially for April 2022, alongside the move to a scheme whereby 75% is retained by local government, as well as a new valuation list from April 2023. With these changes and risks in mind, the level of business rates assumed in the MTFS is scaled back towards baseline plus indexation.

- **Income Generation**. The authority generates a substantial amount of income from services such as planning, building consultancy, markets, recycling, the investment of cash balances and parking. We have seen in recent years that the economy and other factors such as the weather can have a significant impact on the levels of income generated, which could have a negative impact on the budgets. This is mitigated to some extent by adopting a prudent approach to budget setting and also routine and robust risk based budget monitoring throughout the year. However, as set out above, the authority has set aside provisions to mitigate against the risk associated with a shortfall in service income levels as well as other risks.

  The table below sets out the degree of sensitivity to changes to these key areas of funding:

Table 8: Sensitivity Analysis **Every 5% reduction in income compared to the 2021/22 estimate**	
Income Stream/Source	**£'000**
Business Rates (Safety net)*	406
Government Finance Settlement	160
Fees and Charges Income	189
Investment Income (0.25% reduction in base rate)	100

*This risk is managed through the business rates risk/volatility reserve

- **Waste Management/Recycling**. There are currently significant challenges in the waste industry which are likely to result in significant cost pressures for the Council in the medium term. These pressures include contracts that are due for renewal and potential changes imposed by central government as well as market price fluctuations and tonnage levels which can be impacted by weather conditions. The Council has adopted a prudent approach to setting the budgets for this area but acknowledges the likelihood of additional future cost pressures in this area.

- **Financial Resilience - Depletion of Reserves**
  The Council holds a healthy level of reserves, with overall reserves being consistent with the average of our CIPFA nearest neighbours. However the MTFS identifies significant funding gaps over the next three years which are being balanced from windfall resources and reserves. If savings are not identified and delivered in the medium term to reduce this funding shortfall then reserves will be significantly depleted, impacting upon future financial resilience.

- **Costs Passed from Other Public Bodies.** The extended period of austerity had a significant impact on all public bodies. This can on occasion lead to decisions being made by one organisation in order to reduce their costs having either an indirect or direct consequences in another part of the sector. Specific risk areas identified include the government's implementation of **Universal Credit** as well as the introduction of the

Homelessness Reduction Act and **recycling credits** which are administered by Staffordshire County Council.

- **Contracts and Procurement**
  The Council has a number of key contracts that are due for renewal during the period of the strategy, including grounds maintenance, CCTV and recycling (see waste management). The outcome of the procurement exercises could potentially result in further cost pressures in addition to those incorporated within the budget. Covid-19 is also having a significant financial impact on our leisure provider, whilst the Council is working in partnership to provide support to maintain provision within East Staffordshire the scale of the ongoing impact means it has to be considered that in the worst case scenario there is a general risk of financial failure. Whilst the Council has a parent company guarantee in place there would be ongoing financial implications in the worst case scenario.

- **Supported Housing and Homelessness Demand**
  The Council has seen a significant increase in demand for supported housing and homelessness accommodation in the last 18 months and the resulting cost pressures. The budget has been based on prudent assumptions but there remains a risk that this is exceeded, particularly as the government Covid-19 support packages are reduced or withdrawn.

- **New Homes Bonus**. The government have indicated that the existing New Homes Bonus Scheme will not continue beyond 2021/22 and that only legacy payments in relation to 2019/20 will made in 2022/23. Indications suggest that the scheme will be replaced with an alternative and less generous scheme. However, what shape this will take and whether the Council will benefit is unknown. With this in mind only known funding has been built into the MTFS.

- **Housing Growth**. The Borough Council has seen significant housing growth in recent years and this is likely to continue. Whilst housing growth generates additional revenue from council tax receipts and historically new homes bonus, this also generates additional expenditure to deliver services to these households. Whilst we have fairly recently strengthened our Waste Collection Service to support this additional growth, in the medium to long term further pressures are likely to arise from continued growth.

- **Capital Plans/Aspirations.** The Council has a number of significant capital projects and proposals within the Capital Programme and as a result there is always a risk of cost increases above the allocated funding. This is largely mitigated by the robust project management and monitoring arrangements in place.

- **Capital Receipts.** The revenue budget includes savings of £153k in 2021/22 from a reduction in the underlying debt by utilising capital receipts from the sale of assets already approved. Should these receipts not materialise within the timescales anticipated an in-year cost pressure would need to be managed.

- **Local Council Tax Support.** From April 2013 the Local Council Tax Support Scheme came into effect. There are a number of risks associated with this, including the extent of any new applicants and over the medium to long term, changes in demographics. The extent of this risk for the Borough Council is limited to approximately 12%, being our share of the overall Council Tax bill. Prior to 2020 levels of Council Tax Support had reduced in recent years however due to the Pandemic numbers have increased and there is a risk that this will continue once Government Support Schemes such as furlough are withdrawn. The tax base has been made some provision on a prudent basis for a further increase during 2021.

- **Pay Awards.** The budget assumes pay freezes except for those staff on salaries below £24k in 2021/22 which is still subject to national negotiations. In respect of 2022/23 onwards increases in line with the Consumer Price Index have been assumed. For every 1% above this offer awarded there is an additional cost of £0.1m per annum.

- **Interest Rate Movements**. Predicting interest rate movements over the coming period is a highly uncertain business, particularly in light of the current economic circumstances. Indeed it is possible, that base rates will have changed between the writing of this report and the holding of this meeting. However the authority has taken a balanced approach to setting interest budgets.

- **Pension Fund.** The triennial review of the council's pension fund took place as at March 2019 and this is reflected within the budgets to 2020/21 to 2022/23. In the medium/long term there are a number of factors that can have a significant impact on future pension contribution levels, including the performance of the economy, life expectancy levels and fund membership numbers. The medium term financial strategy makes provision for estimated increased contribution levels up to 2025/26 in line with the estimated outcome of the next valuation.

- **VAT Partial Exemption De-minimis**. The authority is limited to the extent that it can recover VAT in relation to exempt activities, such as Brewhouse and lettings. The decision associated with the procurement of a leisure provider, means that this risk is much lower than in previous years.

12.2 The above risks and mitigating actions have been taken into account in reaching a view on acceptable levels of general fund reserves.

13. Special Expenses

13.1 Special expenses are reviewed regularly to facilitate cost recovery. The level of increase for each parish special expense is being limited to a maximum of 1.5%, reflecting annual inflation costs. Taking into account that the tax base has reduced in some areas, the increased charge for a Band D property has also been limited to 2% (in line with national referendum principles).

14. <u>The Capital Programme and the Prudential Code</u>

14.1 The Council has identified potential capital resources in the form of receipts and windfall revenue funding in the region of **£6.3m** available to fund new capital proposals not in the current capital programme, however a large proportion of this funding (£4m) is subject to the completion and receipt of funds in relation to land sales. This also includes £1m in windfall business rates growth income which it is proposed to transfer to capital.

14.2 The following schemes are proposed to be taken forward at this stage (with further details of the Capital Proposals and financing can be found at Appendix C – Asset Management and Capital Strategy 2021/22):

<u>Existing Commitments:</u>

- **Repayment of Historical Debt,** to be met from future capital receipts which will reduce the costs of servicing this debt to the revenue budget and help to protect frontline services **(£3.4m**);

<u>Proposals for 2021/22 and beyond</u>

- The replacement of the **Council's Vehicle Fleet** following procurement and options appraisal with **£3.9m** funded from internal borrowing and **£0.2m** in relation to the smaller electric vehicles from existing capital resources.

- The provision of additional capacity at the **Cemetery (£0.175m).**

- **Departmental Capital Bids totalling £0.1m** in relation to ICT provision and the electric infrastructure to support a move towards a greener fleet as part of our Climate Change action.

<u>Ongoing Proposals</u>

- Supporting communities through **Disabled Facilities Grants,** with this being funded via the Better Care Fund (assumed award of **£1.02m**);

14.3 Burton is one of a number of towns across the Country that has been given the opportunity to submit proposals to Government for up to **£25m** of funding for regeneration as part of the **Stronger Towns Fund**. The Council has submitted initial proposals pending full business case and is awaiting response from Government. Members will be updated as this process evolves.

14.4 The Council adopted the **Uttoxeter Masterplan** in December 2020 which provides a long term coherent vision for Uttoxeter as a town. The Masterplan considered what combination of improvements and changes need to be undertaken to create the right conditions for growth, providing more, and/or better, employment opportunities, along with the necessary infrastructure (roads, housing, utilities, broadband etc.) to support that growth. Members and officers are keen to explore options and/or opportunities to deliver the proposals within the Masterplan and will be working towards developing more detailed proposals (in conjunction with partners, as appropriate). Any proposals will be subject to detailed business cases being brought forward and approved at the appropriate time

14.5 There is a link between the capital programme and the Council's MTFS. Two issues arise:-

- Capital schemes can have direct revenue consequences – for example a new property will impact on business rates, insurance, utility costs and staffing or new infrastructure or equipment could result in additional maintenance costs. This can be in the short, medium and long term, and

- The funding of the capital scheme will affect the revenue budget whether by incurring borrowing costs or by losing investment interest on capital receipts used to finance capital expenditure.

To the extent that it is currently feasible the prudential indicators illustrate the impact of capital on revenue and these are set out within the Treasury Management Strategy. Where proposals are still at the feasibility stage it has not been possible to fully cost the impact on the revenue budget. These proposals are therefore subject to a full detailed business case being presented, including the impact on the revenue budget before they can progress.

14.6 Members will recall that the Local Government Act 2003 introduced the financial regime for local authority capital expenditure. The system is based on self-regulation with freedom to invest, provided the programme is affordable, prudent and financially sustainable. The requirements set out within the Prudential Code and revised investment guidance issued by the Ministry of Housing, Communities and Local Government have been enhanced in recent years as a result of commercial activities (e.g. Property acquisitions for which the primary purpose is income generation) being undertaken in some parts of the sector. The Council has continued to produce the annual Capital Strategy, whilst this has been enhanced, the Council does not have any existing commercial properties/investments funded from prudential borrowing and there are currently no proposals to do so.

14.7 The Treasury Management Strategy provides further information on the capital programme and its impact upon the prudential indicators. The Council's underlying need to borrow for capital purposes (the Capital Financing Requirement) is a key indicator of prudence. When compared with the estimated external debt it ensures that, in the medium term, the Council is borrowing only for capital purposes. The capital financing requirement is due to reduce in the medium term as a result of the annual statutory and approved voluntary repayments.

14.8 Historically the Council's level of external debt has been relatively high in comparison to neighbouring authorities. In recent years the council has taken steps to improve this by adopting the approach of utilising windfall monies from New Homes Bonus to support a reduction in the underlying debt and reduce the cost to the revenue budget. There is an existing commitment to utilise £3.4m of capital receipts to repay debt. In addition to which the Council has adopted a policy to set-aside 20% of all future capital receipts to support the repayment of historical debt. Continuing to reduce the underlying debt will enable savings to be maximised when the next tranches of external debt mature in 2025/26.

15. Reserves

15.1 The Local Government Act 2003 requires the Council's Chief Financial Officer to report on the robustness and sustainability of the estimates included in the budget and the adequacy of reserves for which the budget provides. The Council's policy is to carry out an annual review of all reserves as part of the budget preparation process. This includes identifying their purpose, and advising on the appropriate level for each reserve. This has been undertaken and Appendix B provides a summary of the reserves and their expected movements.

15.2 In the current climate, reserves can be viewed as an indicator of financial resilience. During the course of the year the council has compared its level of revenue reserves with those authorities within our nearest neighbour comparator group, as well as similar authorities within Staffordshire. This is consistent with the Resilience Index, recently published by CIPFA. Whilst this can only be viewed as a guide, due to each authority potentially having different risks to take into consideration, this indicated that our reserves are broadly in line with the average. As we deal with the impact and consequences of the Covid-19 Pandemic at both a local and national level, as well as moving towards the new local government finance system in 2021/22 it is increasing important that the Council holds a suitable level of reserves to support sustainability.

15.3 Additionally, the Chief Finance Officer has reviewed the level of general reserves. The minimum advisable level of general reserves remains set at a level of £1.3 million, commensurate with significant business risks (as set out in section 12). This equates to just 3% of gross annual spending and whilst this is low in comparison to our nearest neighbours, it takes into account specific/earmarked reserves that have been established to mitigate against the most significant risks facing the authority.

Table 9: Reserves Forecast

	General Reserves £000	2020/21 Earmarked Reserves £000	2021/22 Earmarked Reserves £000	2022/23 Earmarked Reserves £000	2023/24 Earmarked Reserves £000
Estimated Opening Balance	1,278	15,614	15,786*	13,987	9,989
Estimated use during the year	0	172	(1,799)	(3,998)	(4,535)
Estimated Closing Balance	1,278	15,786*	13,987	9,989	5,454

*This excludes the estimated temporary impact on reserves due to the timing differences associated with Covid-19 Business Rates Relief (as outlined in Para. 7.6).

15.4 Members will note that it is best practice to only use reserves is in support of capital and one-off revenue items. Reserves should not generally be used to support ongoing revenue expenditure. Earmarked reserves are set aside to deliver specific projects or to mitigate known risks and the vast majority are not available to provide general support for the budget. The budget for 2021/22 to 2023/24 has been balanced by the use of the New Homes Bonus Reserve, the Contingency Reserve and also windfall monies from business rates growth in 2019/20. The utilisation of these reserves in this manner will leave reserves available to support the budget significantly depleted.

15.5 The MTFS previously approved the use of the debt repayment reserve to support ongoing debt costs. This is currently being drawn down (£230k per annum) until 2025/26, at which point a large tranche of external debt will mature and deliver savings to the revenue budget. It is proposed to top-up the debt repayment reserve with £0.5m of windfall business rates income. This will be drawn down over 9 years (£53k) until the next tranche of debt matures in 2030, unless there is an opportunity to repay in the interim period. This debt will not currently need to be replaced as the Council has adopted a strategy of reducing the underlying need to borrow from, for example, capital receipts and windfall resources. This also generates savings to the revenue budget by reducing the statutory minimum revenue provision charge to the budget.

15.6 Incorporated into the reserves forecast is the setting aside of £0.150m per annum as a financial provision to support the feasibility analysis and development of business cases in relation to, for example, capital projects, economic regeneration activities or spend to save initiatives. It is proposed that the allocation of this funding be delegated to the Leader of the Council in consultation with the relevant Deputy Leader and Chief Officer.

16. Financial Considerations

This section has been approved by the following member of the Finance Team: Lisa Turner.

11.1 This report deals solely with financial matters.

17. Legal Considerations

This section has been approved by the following member of the Legal Team: Angela Wakefield.

17.1 There are no direct significant legal issues arising from this report. This report complies with a number of statutory requirements.

18. Equality and Health

18.1 The Medium Term Financial Strategy is linked to Service Plans, which have been subject to Equalities Impact Assessments.

19. Human Rights

19.1 There are no Human Rights issues arising from this report.

20. Conclusions

19.1 Subject to the assumptions made and the risks identified the Chief Financial Officer’s view is that the budget includes estimates, which can only be based on circumstances and events which are reasonably foreseeable at the time of preparing the budget. The budget has been prepared following extensive discussion between Chief Officers, Managers and leading Members. It also acknowledges that the pandemic has created a high degree of uncertainty and as such this report sets out alternative scenarios that may arise, the budget nevertheless is based on the central/mid-case. Subject to risks set out in this report, the Chief Finance Officer is of the view that the budget provides a robust basis for managing the Council’s finances in the years 2021/22 to 2023/24.

19.2 The budget takes appropriate account of external demands, service pressures and affordability. It leaves the Council with an appropriate level of reserves. Although it also highlights that savings will need to be delivered in the medium term in order to reduce the reliance on one-off reserves.

19.3 The MTFS identifies ongoing savings requirements and uncertainties, specifically in relation to central funding allocations for 2022/23 onwards and also the ongoing impact of the pandemic. In line with the efficiency plan set out at Paragraph 8.5, members and officers will need to continue to identify more effective ways of service delivery or cost reductions in order to ensure the Council's financial sustainability in the medium to long term.

19.4 Both the Asset Management and Capital Strategy and the Treasury Management Strategy inform the MTFS and should enable the Council to move forward and meet its objectives.

19.5 Members note the extent of the financial challenge and associated risks ahead, and that the budget is balanced with the temporary utilisation of substantial reserves and windfall monies from 2021/22 onwards.

20. Council Recommendation

20.1 To approve the Medium Term Financial Strategy 2021/22 to 2023/24, which includes the revenue budget, capital programme, rolling forward of the council tax support scheme for 2021/22 and the asset management and capital strategy; and that the level and appropriateness of reserves be noted.

21. Background papers

21.1 Provisional Local Government Finance Settlement 2021/22 – December 2020

21.2 Final Local Government Finance Settlement 2021/22 – February 2021

22. Appendices

22.1 Appendix A: Detailed Budget Summary 2021/22 – 2022/23

Appendix B: Reserves Forecast

Appendix C: Asset Management and Capital Strategy 2021/22 (to follow)

APPENDIX A

MEDIUM TERM FINANCIAL STRATEGY SUMMARY 2021/22 – 2022/23

Budget Summary	2021/22 Budget £'000	2022/23 Budget £'000
Service Budgets		
Arts, Brewhouse and Functions	403	413
Community and Open Spaces	1,393	1,430
Corporate Management Team	431	438
Corporate and Commercial	879	892
Cultural Services – Marketing	86	86
Enterprise	169	175
Environment	4,126	4,502
Environmental Health	501	512
Financial Services and Capital Financing	1,130	1,146
Housing	309	313
Human Resources, Payments & Pensions	2,049	2,352
IT and Printing	419	423
Legal and Asset Management	(419)	(412)
Leisure Services	498	322
Licensing and Enforcement	92	98
Markets	17	19
Planning and Land Charges	42	59
Revenue, Benefits and Customer Contacts	1,100	1,149
Corporate/Contingencies Budgets		
New Homes Bonus Grant (Section 6)	(1,439)	(491)
Covid-19 Impact Provision	1,330	759
Volatility Provision	150	-
Parish Council Support Grant	59	59
Apprentice Levy	21	22
Recovery Support - Marketing	60	-
Other Corporate Budgets	(35)	(51)
Total Revenue Budget	**13,371**	**14,215**
Covid-19 - Support Grant	(645)	-
Covid-19 - LCTS Support	(134)	-
Covid-19 Income Support Compensation (est)	(122)	-
Covid-19 - Taxation Support (est)	(30)	(18)
Net Revenue Budget after estimated Covid-19 Funding	**12,440**	**14,197**
Retained Business Rates	(3,365)	(3,416)
Lower Tier Support Grant	(615)	-
Share of Council Tax (Surplus)/Deficit	(36)	18
Support (from)/to Reserves/ Windfall Business Rates	(1,078)	(3,168)
Net Revenue Budget	**7,346**	**7,631**
Special Expenses	(441)	(441)
Amount to be raised by Council Tax	**6,905**	**7,190**
Council Tax Increase (Band D)	**£5 or 2.8%**	**£5**

APPENDIX A