



**REPORT of
DIRECTOR OF RESOURCES**

to
**STRATEGY AND RESOURCES COMMITTEE
19 NOVEMBER 2020**

MEDIUM-TERM FINANCIAL STRATEGY 2021 / 22 TO 2023 / 24

1. PURPOSE OF THE REPORT

- 1.1 To present the revised Medium-Term Financial Strategy for 2021 / 22 to 2023 / 24 to the Council.

2. RECOMMENDATION

That the updated Medium-Term Financial Strategy for 2021 / 22 to 2023 / 24 (as at 19 November 2020) at **APPENDIX 1** be noted.

3. SUMMARY OF KEY ISSUES

- 3.1 The Medium-Term Financial Strategy (MTFS) sets out how the Council will manage its revenue finances up to the 2023 / 24 financial year. The MTFS supports the delivery of the Council's objectives and priorities as set out in the Council's Corporate Plan.
- 3.2 This MTFS builds on the MTFS for 2020 / 21 to 2023 / 24 that was approved by the Council on 13 February 2020, which was subsequently updated for the impact of the COVID-19 pandemic and presented to Council on 16 July 2020. The current MTFS now covers the financial years 2021 / 22 to 2023 / 24 and is at **APPENDIX 1**.
- 3.3 There remains a great level of uncertainty around the global economy, particularly with an ongoing pandemic, and the impact this will have on the Council's finances, especially Council Tax and Business Rates. Therefore, the MTFS will need to be regularly updated and kept under review.

4. MEDIUM TERM FINANCIAL STRATEGY 2021 / 22 TO 2023 / 24

- 4.1 A review of budgets has been undertaken to identify changes required from the 2020/21 budget. The updated MTFS is attached at **APPENDIX 1** and a summary of the budget changes are provided in the following table.

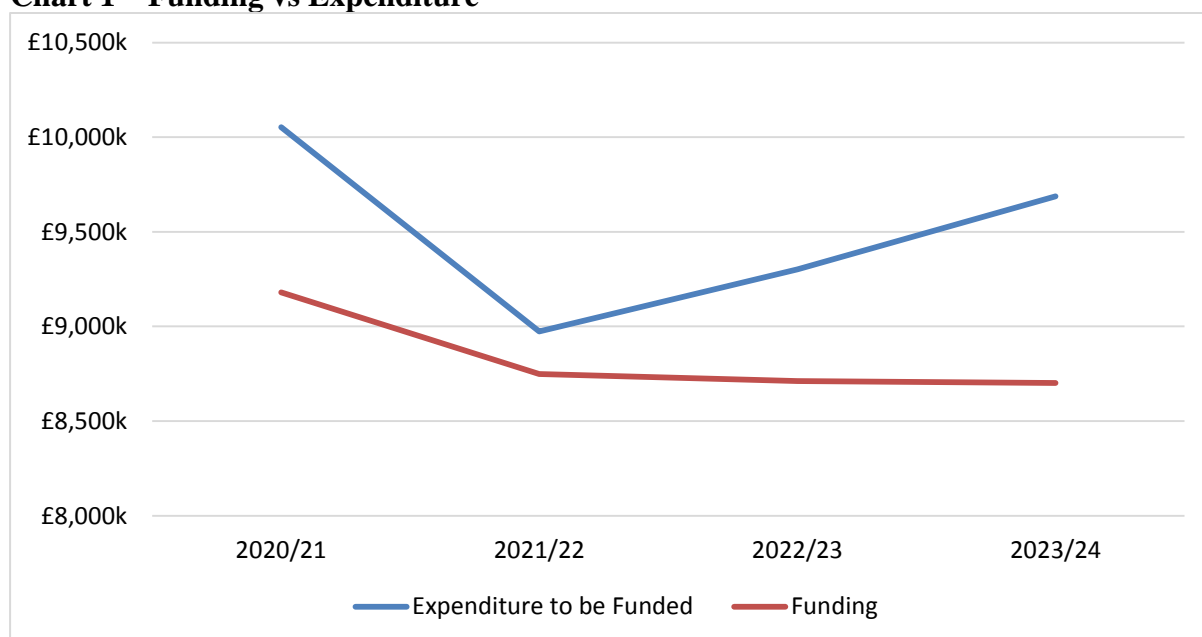
Table 1 – MTF5 Summary

	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Prior Year Exp to be Funded	7,050	10,052	8,974	9,301
Inflation	361	368	377	386
Cost Pressures	566	137		
Growth		245		
Fees & Charges	74		-50	
Investment Income	-59	92		
Contribution to Reserves in 20 / 21	620	-620		
Pension Fund Deficit and Adjustment	1,440	-1,300		
Expenditure to be Funded	10,052	8,974	9,301	9,687
Funding	9,180	8,748	8,711	8,701
Gap / Funded from General Fund	872	226	590	986

Excludes expenditure funded from reserves

- 4.2 The summary shows that over the next 3 years funding remains flat but due to inflation increasing costs the budget gap would increase should no changes be made.

Chart 1 – Funding vs Expenditure



5. GROWTHS

- 5.1 During the budget review several budget growth items were identified as being required to meet service demand and carry out Council policy. Details of these are available at **APPENDIX 2** and are summarised in the table overleaf:

Table 2 – Growth Summary

	21/22 £000	22/23 £000	23/24 £000	Total £000
Funded from Reserves (one-offs)				
Local Development Scheme 2020-2022	410	175	0	585
Local Development Plan Review	333	333	334	1,000
Digitisation Project	80	0	0	80
Land Charges Registry Project	50	0	0	50
Reserves Funded Total	873	508	334	1,715
Funded from Annual Budgets				
Service Delivery Staffing	235	152	152	380
Process Improvement Staff	93	93	93	249
Public Engagement Software	25	25	25	75
S106 Software (linked to Local Development Scheme)	0	0	9	9
Annual Budget Total	353	270	279	902
Grand Total	1,226	778	613	2,617

5.1.1 Members should note: where reserves are used to fund these, the transformation (£0.4m) and new homes bonus (£1.3m) reserves will need to be utilised.

6. IMPACT OF COVID-19

6.1 The pandemic has created challenges for financial forecasting, due to the uncertainty involved. The impact will continue in future years and assumptions have been made regarding what this might be.

Table 4 – Assumed Impact of COVID-19 in Future Years

Area	2021/22 £000	2022/23 £000	2023/24 £000	Assumptions
Leisure Centre Management Fee	486	414	222	No management fee in 2021 / 22, £72k the next year and £264k the year after.
Town Centre Car Parking	225	225	225	A sustained reduction of 25% in demand due to changing habits.
Promenade Park Events and Activities	140	0	0	Matches 2020 / 21 in 2021 / 22 then events programme returns to pre-COVID levels.
Income from Other Events	93	0	0	Matches 2020 / 21 in 2021 / 22 then events programme returns to pre-COVID levels.
Council Tax Sharing Agreement	69	69	35	Council tax collections remains at 2020 / 21 forecast levels and starts to recover in 2023 / 24.
Total	1,013	708	482	

- 6.2 It is also unclear what, if any, additional support maybe provided by government in these future years to offset the pressures. Continuation of the Income Compensation Scheme in next year could provide a grant of £672,000. However, no announcement has been made about future years funding.

7. GENERAL FUND

- 7.1 When the assumed COVID-19 pressures in section 7 are combined with the pension adjustment in section 8 and the forecast in section 4 there is a significant impact on the general fund balance. However, there is a high level of uncertainty around these figures and ongoing government support, which hasn't been factored in. e.g. the current national lockdown.

Table 5 – Projected General Fund Balance

	21/22 £000	22/23 £000	23/24 £000
Opening General Fund Balance	3,906	2,667	1,369
Budget Gap (Table 1)	(226)	(590)	(986)
Assumed COVID-19 Pressures (Table 4)	(1,013)	(708)	(482)
Closing General Fund Balance	2,667	1,369	(99)
Balance without COVID-19 Pressures	3,680	3,090	2,104

- 7.2 The projections in the above table show that next year the balance would remain above the recommended minimum of £2.6m but would be below zero by 2023/24. However, these figures are heavily impacted by Covid-19 pressures and the General Fund Balance would still be £2.1m in 2023/24 without that impact, although they would still be below the recommended £2.6m.

8. CONCLUSION

- 8.1 Medium-Term financial planning is an important component of the Council's strategic planning framework. No more so than in the current uncertain economic climate due to the global pandemic, the still unknown implications of Brexit and ongoing unprecedented financial pressures and constraints in the public sector. Key financial decisions need to be set in the context of a plan that looks beyond the next financial year. Forward planning offers the opportunity to link service and financial planning, as decisions taken on an annual basis are limited in what they can achieve.

9. IMPACT ON CORPORATE GOALS

- 9.1 The Medium-Term Financial Strategy (MTFS) provides the foundation against which the Council will strive to deliver the best possible value for money in the provision of efficient and cost-effective services across the District. Through the effective development and delivery of the Council's financial and other resource strategies it

seeks to build upon past achievements as well as provide clear direction to the attainment of the Council's longer-term goals.

10. IMPLICATIONS

- (i) **Impact on Customers** – None arising directly from this report.
- (ii) **Impact on Equalities** – None arising directly from this report.
- (iii) **Impact on Risk** – The risks to the Council in respect of the available forecast resource envelope over the medium term are discussed at **APPENDIX 1**.
- (iv) **Impact on Resources (financial)** – The financial implications are set out in this report.
- (v) **Impact on Resources (human)** – None arising directly from this report.
- (vi) **Impact on the Environment** – None arising directly from this report.

Background Papers:

MTFS to the Council 13 February 2020;

MTFS Update to the Council 16 July 2020.

Enquiries to:

Lance Porteous, Lead Specialist Finance, (email: lance.porteous@maldon.gov.uk).