



**REPORT of  
DIRECTOR OF RESOURCES**

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to  
**STRATEGY AND RESOURCES COMMITTEE  
28 JANUARY 2021**

**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 22 February 2021.

**2. RECOMMENDATION**

That the updated Medium-Term Financial Strategy for 2021 / 22 to 2023 / 24 (as at 28 January 2021) at **APPENDIX 1** be recommended to Council.

**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

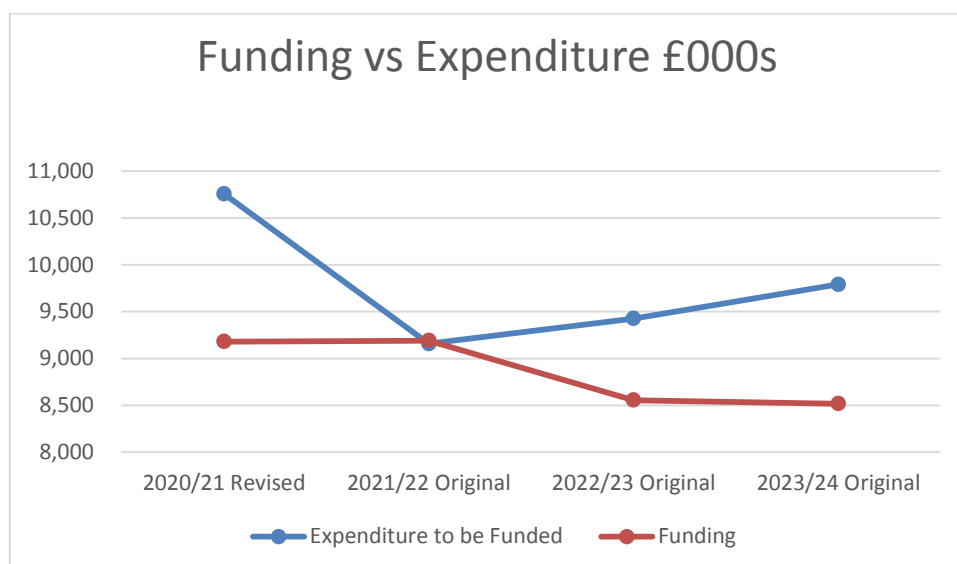
- 4.1 A review of budgets has been undertaken to identify changes required from the 2020/21 budget. The updated MTFS is attached at **APPENDIX 1** and a summary of the budget changes are provided in the following table.

**Table 1 – MTFS Summary**

	2020/21 Original	2020/21 Revised	2021/22 Original	2022/23 Original	2023/24 Original
	£000	£000	£000	£000	£000
Prior Year Exp to be Funded	8,944	8,944	9,945	11,895	11,878
Inflationary Pressures	361	361	325	356	364
Cost Pressures, Repairs and Renewals	566	1,445	289		
Pension Adjustment			242		
Growth			1,094	-373	-165
Income, Fees and Charges	74	573			
Cost of Services	<b>9,945</b>	<b>11,319</b>	<b>11,895</b>	<b>11,878</b>	<b>12,077</b>
Investment Income	-283	-211	-133	-133	-133
Forward Funding of Pension Fund Deficit	1,556	1,556			1556
Pension Fund Adjustment	622	380			
Statutory Adjustments	-2,292	-2,313	-2,330	-2,330	-2,330
Contribution to Reserves	504	704	520	520	-1,036
Contribution from Reserves for Growth		-678	-793	-508	-343
<b>Expenditure to be Funded</b>	<b>10,052</b>	<b>10,757</b>	<b>9,159</b>	<b>9,427</b>	<b>9,791</b>
Funding	9,180	9,180	9,190	8,555	8,518
<b>Gap / Funded from General Fund</b>	<b>872</b>	<b>1,577</b>	<b>-31</b>	<b>872</b>	<b>1,273</b>

- 4.2 The summary shows higher expenditure than normal this year due to COVID-19 pressures, and funding, even with support and reliefs from the government, being well short and nearly doubling our estimated General Fund gap. For future years a favourable provisional local government settlement for 2021 / 22 closes the funding gap, but then over the following two years funding is in decline while, due to inflation and growth items, expenditure will increase. The result being the budget gap will continue to increase should no changes be made. Chart 1 overleaf illustrates this below.

**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. These have been scrutinised by the Strategy and Resources Committee and Finance Working Groups and reduced. The specific details of these are available at **APPENDIX 2** and are summarised in the table below:

**Table 2 – Growth Summary**

	21/22 £000	22/23 £000	23/24 £000	Total £000
<b>Funded from Reserves (one-offs)</b>				
Local Development Scheme 2020-2022	410	175	9	<b>594</b>
Local Development Plan Review	333	333	334	<b>1,000</b>
Digitisation Project	50	0	0	<b>50</b>
<b>Reserves Funded Total</b>	<b>793</b>	<b>508</b>	<b>343</b>	<b>1,644</b>
<b>Funded from Annual Budgets</b>				
Service Delivery Staffing	160	77	77	<b>314</b>
Process Improvement Staff	93	93	93	<b>279</b>
System Improvements	48	43	43	<b>134</b>
<b>Annual Budget Total</b>	<b>301</b>	<b>213</b>	<b>213</b>	<b>727</b>
<b>Grand Total</b>	<b>1,094</b>	<b>721</b>	<b>556</b>	<b>2,371</b>

## 6. RISKS FROM 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 although (due to the uncertainty) excluded from table 1.

**Table 3 – Risks from COVID-19 in Future Years**

Risk Areas	Possible Monetary Impacts			Assumptions
	2021/22 £000	2022/23 £000	2023/24 £000	
Leisure Centre Management Fee	486	414	222	No management fee in 2021 / 22, £72,000 the next year and £264,000 the year after.
Town Centre Car Parking	225	225	225	A sustained reduction of 25% in demand due to changing habits.
Splash Park and Beach Huts	146	0	0	Matches 2020 / 21 in 2021 / 22 then returns to pre-COVID levels.
Income from Other Events	96	0	0	Matches 2020 / 21 in 2021 / 22 then 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.
<b>Total</b>	<b>1,022</b>	<b>708</b>	<b>482</b>	

- 6.2 The Government has promised to extend the Income Compensation scheme for the first quarter of 2021 / 22 but it is unclear what additional support may be provided by the government beyond that. We have not budgeted for the above risks as there is too much uncertainty around the UK getting on top of the coronavirus.
- 6.3 However, in the provisional local government settlement the following two grants were announced which we propose to keep aside as a COVID-19 contingency:
- COVID-19 Funding, £306,149
  - Lower Tier Services Grant, £65,264.

## 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 4 – Projected General Fund Balance**

	<b>20/21 £000s</b>	<b>21/22 £000</b>	<b>22/23 £000</b>	<b>23/24 £000</b>
Opening General Fund Balance	5,481	3,904	3,935	3,063
Budget Gap (Table 1)	-1,577	31	-872	-1,273
<b>Closing General Fund Balance</b>	<b>3,904</b>	<b>3,935</b>	<b>3,063</b>	<b>1,790</b>

- 7.2 The projections in the above table show that next year the balance would fall below the recommended minimum of £2.6m by 2023 / 24. However, these figures could still be heavily impacted by COVID-19 pressures if they continue beyond this financial year.

## **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.

MTFS Update to the Strategy and Resources Committee 19 November 2020.

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