



**REPORT of  
DIRECTOR OF RESOURCES**

---

to  
**COUNCIL (EXTRAORDINARY)  
23 FEBRUARY 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.

**2. RECOMMENDATION**

That the Medium-Term Financial Strategy for 2021 / 22 to 2023 / at **APPENDIX 1** be agreed by the 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

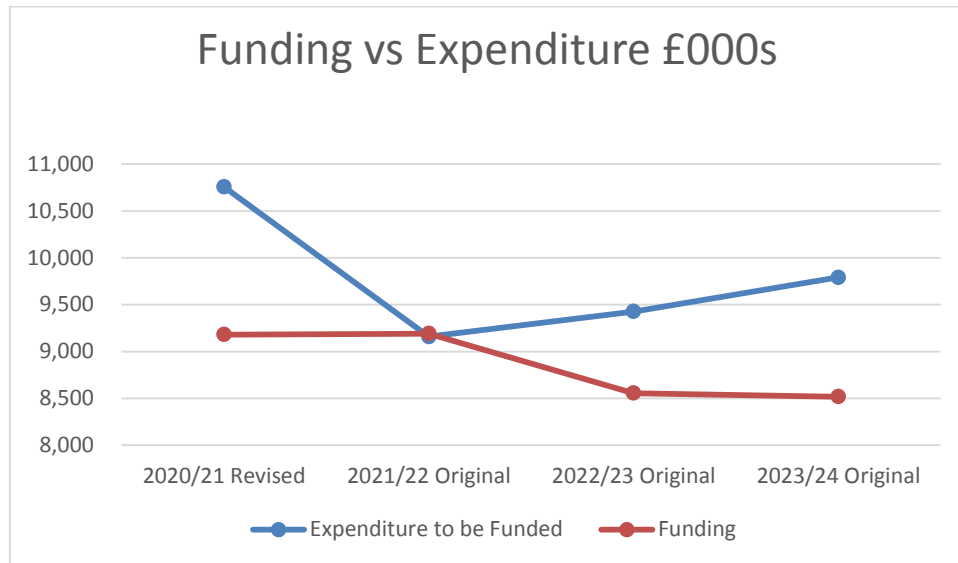
- 4.1 A review of budgets has been undertaken to identify changes required from the 2020/21 budget. The updated MTFS is attached at **APPENDIX 1** and a summary of the budget changes are provided in the following table.

**Table 1 – MTFS Summary**

	2020/21 Original £000	2020/21 Revised £000	2021/22 Original £000	2022/23 Original £000	2023/24 Original £000
Prior Year Exp to be Funded	8,944	8,944	9,945	11,916	11,899
Inflationary Pressures	361	361	346	356	364
Cost Pressures, Repairs and Renewals	566	1,445	289	0	0
Pension Adjustment			242	0	0
Growth			1,094	-373	-165
Income, Fees and Charges	74	573	0	0	0
Cost of Services	<b>9,945</b>	<b>11,319</b>	<b>11,916</b>	<b>11,899</b>	<b>12,098</b>
Investment Income	-283	-211	-133	-133	-133
Forward Funding of Pension Fund Deficit	1,556	1,556	0	0	1,556
Pension Fund Adjustment	622	380	0	0	0
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
Contribution from Reserves for Collection Fund Deficit	0	0	-163	0	0
<b>Expenditure to be Funded</b>	<b>10,052</b>	<b>10,757</b>	<b>9,017</b>	<b>9,448</b>	<b>9,812</b>
Funding	9,180	9,180	9,017	8,646	8,634
<b>Gap / Funded from General Fund</b>	<b>872</b>	<b>1,577</b>	<b>0</b>	<b>802</b>	<b>1,178</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 illustrates this overleaf.

**Chart 1 – Funding vs Expenditure**



## **5. BUDGET PRESSURES**

### **5.1 Local Taxation**

- 5.1.1 A decrease in the collection of both Council Tax (from 98.3% to 97%) and business rates (from 98% to 92%) has been included in the budget, taking into account current collection rates and anticipated future performance.

### **5.2 Repairs and Renewals**

- 5.2.1 There has historically not been an on-going budget for carrying out repairs and renewals to the Council's estates and expenditure was managed through reserves. This is not sustainable, and the repairs and renewals reserve of £177,000 will likely all be utilised in the near future. Further detail on Repairs and Renewals is found at **APPENDIX 3**.

### **5.3 Capital**

- 5.3.1 Capital expenditure has been funded from the usable capital receipts reserve. Although there was a balance of £2.3m at 1 April 2020, the reserve has continued to decline over the years as income from capital receipts has not matched expenditure. This trend is expected to continue, although there will remain sufficient resources in the reserve for more than three years with current projections.

### **5.4 Local Development Plan (LDP)**

- 5.4.1 A review of the LDP is currently underway and will be funded from reserves. A review of the plan is required every five years and additional resources will need to be allocated to fund a future review.

## 5.5 External Audit

- 5.5.1 The budget has allowed for an increase in the external audit fees in response to the additional requirements placed on external auditors and is based on the latest fee letter. Government has provided an additional £15m to assist with this in 2021 / 22 but allocations have not yet been announced and no income has been included in the budget. If split between Councils by population, Maldon could receive £12,000. Another unknown is the additional resources required by the Council to prepare and respond to the increased work required by the external auditors. The final fee has yet to be confirmed.

## 5.6 Planning Enforcement

- 5.6.1 The adopted enforcement policy provided more efficient processes. However, although the current structure is fully resourced, additional staff are likely to be required to fully meet the service standards, estimated at £72,000.

## 5.7 Elections costs

- 5.7.1 Elections are due to take place in May 2021. The pandemic presents a number of challenges that will need to be overcome regarding operating in a COVID secure way. These will likely include a larger count venue and protective measures at polling stations among others. Although, additional funding from government of £31m is due to be provided it is not yet known if this will be sufficient.

## 6. GROWTHS

- 6.1 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**

	<b>21/22</b>	<b>22/23</b>	<b>23/24</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<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	170	87	87	<b>344</b>
Process Improvement Staff	83	83	83	<b>249</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>

## 7. RISKS FROM COVID-19

- 7.1 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>	

- 7.2 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.
- 7.3 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.

## 8. GENERAL FUND

- 8.1 When the assumed COVID-19 pressures in section 6 are combined with the pension adjustment and the forecast in table 1 of 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	3,904	3,102
Budget Gap (Table 1)	-1,577	0	-802	-1,178
<b>Closing General Fund Balance</b>	<b>3,904</b>	<b>3,904</b>	<b>3,102</b>	<b>1,925</b>

8.2 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.

## **9. CONCLUSION**

9.1 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.

## **10. IMPACT ON STRATEGIC THEMES**

10.1 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 strategies.

## **11. 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 28 January 2021.

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