



**REPORT of
DIRECTOR OF RESOURCES**

**to
STRATEGY AND RESOURCES COMMITTEE
3 FEBRUARY 2022**

MEDIUM-TERM FINANCIAL STRATEGY 2022 / 23 TO 2024 / 25

1. PURPOSE OF THE REPORT

- 1.1 To present the revised Medium-Term Financial Strategy (MTFS) for 2022 / 23 to 2024 / 25 to the Council on 24 February 2022.

2. RECOMMENDATION

To the Council:

That the updated Medium-Term Financial Strategy for 2022 / 23 to 2024 / 25 (as at 3 February 2022) at **APPENDIX 1** be approved.

3. SUMMARY OF KEY ISSUES

- 3.1 The MTFS sets out how the Council will manage its revenue finances up to the 2024 / 25 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 2021 / 22 to 2023 / 24 that was approved by the Council on 23 February 2021. The current MTFS now covers the financial years 2022 / 23 to 2024 / 25 and is at **APPENDIX 1**.
- 3.4 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 2022 / 23 TO 2024 / 25

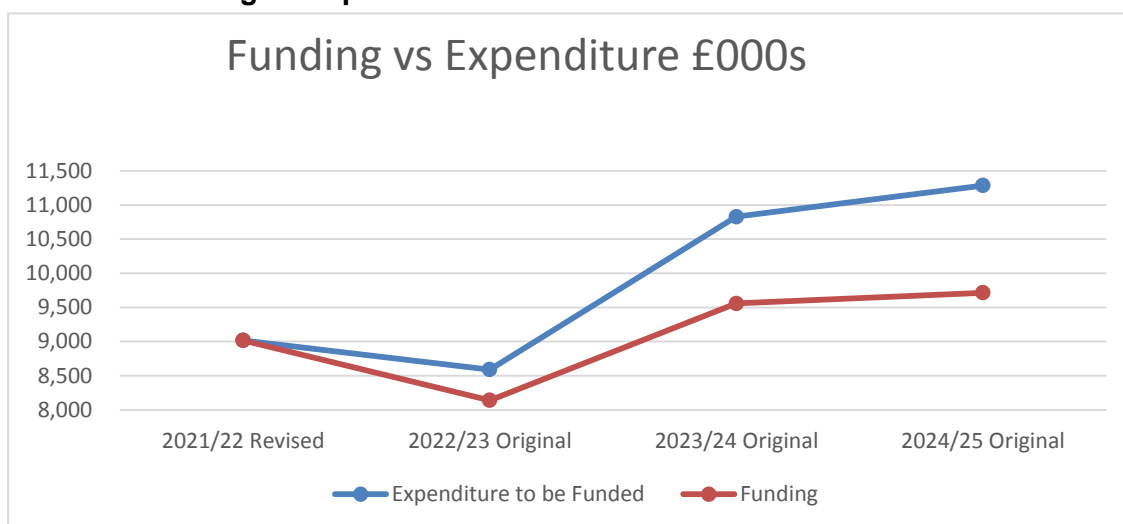
- 4.1 A review of budgets has been undertaken to identify changes required from the 2021 / 22 budget. The updated MTFS is attached at **APPENDIX 1** and a summary of the budget changes are provided in the following table.

Table 1 – MTF5 Summary

Components	2021/22 Original £000	2021/22 Revised £000	2022/23 Original £000	2023/24 Original £000	2024/25 Original £000
Prior Year Exp to be Funded	9,945	9,945	11,916	13,736	14,067
Inflation	346	346	648	390	458
Contractual Pressures	0	0	251	157	0
Lost Income from Events	0	0	17	0	0
2020/21 Revenue Commitments & Additional Reserve Funded Expenditure	0	409	0	0	0
Repairs & Renewals & Supplementary Estimates	289	342	0	0	0
Pension Adjustment	242	242	0	0	0
Original Growth	1,094	1,094	354	-216	-343
Mid-Year Growth	0	44	133	0	0
Increased Pension Service Costs	0	0	991	0	0
Reduced Capital Charges	0	0	-121	0	0
Savings - HB Overpayments & Released Contingency	0	0	-218	0	0
Staffing Vacancy Factor 3%	0	0	-235	0	0
Cost of Services	11,916	12,422	13,736	14,067	14,182
Investment Income	-133	-214	-214	-214	-214
Fwd Funding of Pension Fund Deficit	0	0	0	1,556	0
Pension Fund Adjustment	0	0	0	0	0
Statutory Adjustments	-2,330	-2,330	-3,200	-3,200	-3,200
Contribution to Reserves	520	520	520	0	520
Contribution from Reserves for Commitments & Drawdowns	0	-409	0	-1,036	0
Contribution from Reserves for Growth	-793	-793	-546	-343	0
Contribution from Reserves for Collection Fund Deficit	-163	-179	-1,705	0	0
Expenditure to be Funded	9,017	9,017	8,591	10,830	11,288
Funding	9,017	9,017	8,139	9,558	9,716
Gap / Funded from General Fund	0	-0	452	1,272	1,572

4.2 The summary shows higher expenditure this year due to approved in-year growths and supplementary estimates. Improved investment income has mitigated this but a greater contribution from earmarked reserves is required to prevent a General Fund gap this financial year. For future years a favourable provisional local government settlement for 2022 / 23 may have closed the funding gap, likewise new identified savings largely offset growth items, but increased pension service costs create a General Fund gap for the rest of the medium term. 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 to the following amounts. The specific details of these are available at **APPENDIX 2** and are summarised in the table below:

Table 2 – Growth Summary

	22/23 £000	23/24 £000	24/25 £000	Total £000
Funded from Reserves (one-offs):				
Project Comms Resource	38	0	0	38
Reserves Funded Total	38	0	0	38
Funded from Annual Budgets:				
Service Delivery Staffing	217	217	217	651
SPG Staffing	65	65	65	195
Staff Training & Equipment	38	38	38	114
Refuse & Recycling	204	188	188	580
Other	165	168	168	501
Annual Budget Total	689	676	676	2,041
Grand Total	727	676	676	2,079

6. RISKS FROM COVID-19

- 6.1 The impact of Coronavirus (Covid-19) will continue in future years and assumptions have been made regarding how this might affect the Council's income streams. The following table sets some of these out.

Income Stream	2022 / 23 £000
Leisure Contract	-247
Business Rates compared to pre-COVID	-235
Increase in Kerbside Waste	-188
Lower Council Tax Collection Rate	-39
Total	-709

6.2 In the local government settlement for 2021 / 22 the following two grants were announced which we kept aside as a Covid-19 contingency:

- Covid-19 Funding..... £306,149,
- Lower Tier Services Grant £65,264.

6.2.1 In the provisional local government settlement for 2022 / 23 the Covid 19 Funding will cease but the Lower Tier Services Grant will increase by £3,481. The Covid contingency budget has now been removed and the remaining £68,745 taken as savings.

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. if the current omicron variant will force greater restrictions.

Table 4 – Projected General Fund Balance

	21/22 £000	22/23 £000	23/24 £000	24/25 £000
Opening General Fund Balance	5,800	5,688	5,236	3,964
Budget Gap (Table 1)	-112*	-452	-1,272	-1,572
Closing General Fund Balance	5,688	5,236	3,964	2,392

7.2 *The Budgetary Control report taken to the Strategy and Resources Committee on 11 November showed a net budget pressure of £0.112m for 2021 / 22. Although originally there was no 2021 / 22 Budget Gap, this pressure creates one, and will need to be met by the General Fund reserve. As will the Budget Gaps for the next 3 years unless addressed.

7.3 The projections in the above table show that the balances would fall below the recommended minimum of £2.6m by 2024 / 25 if no action was taken to mitigate the position. However, these figures could still be heavily impacted by COVID-19 pressures if they continue beyond this financial year.

7.4 It must be emphasised that the current MTFs projections are unsustainable. The figures in Table 4 are based on a 'do nothing' scenario and assumptions. Therefore, actions will be required to address the budget gaps and develop a sustainability plan. Actions may include:

- (i) Closer working with partners - to address resilience and improve efficiency,

- (ii) Commercial activity - projects are underway but no income has been included in the budget at this stage,
- (iii) Service standards review - to ensure value for money.

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 Covid pandemic and its variants, and the ongoing threat of restrictions, along with unprecedented financial pressures 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 STRATEGIC THEMES

- 9.1 The 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, 23 February 2021,
Mid-Year Growth bids to the Strategy and Resources Committee, 15 July 2021,
Budgetary Control Report to the Strategy and Resources Committee, 11 November 2021.
Annual Growth bids to the to the Strategy and Resources Committee, 6 January 2022.

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