**APPENDIX A**

STAFFORDSHIRE MOORLANDS DISTRICT COUNCIL

# MEDIUM TERM FINANCIAL PLAN 2020/21 to 2023/24

**February 2020**

## INDEX

## 1. Introduction

1.1. The Medium Term Financial Plan (MTFP) is a key element of the Council's budget and policy framework. It aims to ensure resources are directed effectively and efficiently towards delivery of the Corporate Plan. It describes the financial direction of the Council for planning purposes and outlines the financial pressures the Council is likely to experience over the next 4 years.

1.2. The medium term financial planning process establishes how available resources will be allocated to services in line with Council priorities which have been determined following consultation with residents, councillors and other stakeholders. The process facilitates the Council in planning the prudent management of its finances, in building resilience and in providing for the needs of residents over the long term.

1.3. The MTFP is updated regularly to fit in with the budget cycle. This review of the MTFP builds on the existing strategy and updates assumptions to reflect known changes to income, costs and funding. The plan incorporates revenue and capital financial projections over the four years 2020/21 to 2023/24. It also includes an assessment of key risks and a presentation of longer term financial issues which have the potential to impact on the Council.

1.4. The Council will demonstrate economy, efficiency and effectiveness in the application of its resources. Value for Money (VFM) is maximised when there is an optimum balance between economy, efficiency and effectiveness.

- Economy: the price the Council pays for providing its services
- Efficiency: how much the Council gets out of what's put in (productivity)
- Effectiveness: value of the impact achieved (quantitative or qualitative)

## 2. Strategic Priorities

2.1. The Medium Term Financial Plan is driven by local priorities. The Council's spending strategy is set out in the Corporate Plan formally adopted by members of the Council.

2.2. Following the elections in May 2019, there has been a fundamental review of the Corporate Plan focussing on the period 2019-2023 (up to the end of the current political administration). The Corporate Plan was agreed by Council on 16$^{th}$ October 2019 with 2020/21 representing the first full year of the new Corporate Plan.

2.3. The Council's 4-year Corporate Plan (2019-2023) establishes the Council's vision, corporate objectives and key priorities for the medium term. It in effect establishes the Council's commitment in the delivery of service and community leadership to the residents of the Staffordshire Moorlands.

2.4. The delivery of the Corporate Plan will be measured through the Performance Framework. A set of local performance indicators and targets will be established in preparation for the start of the financial year 2020/21 via the Resources Overview & Scrutiny Committee.

2.5. The Council's Corporate Plan is a document that needs to be owned by the whole Council. As a consequence the Council held a members priority setting day held in July 2019 – the views have been taken into account in the development of the new plan and will also be important in developing the supporting performance framework.

2.6. The Medium Term Financial Plan has been updated to reflect the contents of the plan and to ensure that resources are directed towards key priorities.

2.7. The Council's vision is restated as:

"Achieving Excellence in the delivery of high quality services that meet the needs and aspirations of our communities"
This vision is articulated further by four aims:-:

- Help create a safer and healthier environment for our communities to live and work
- Effective use of resources and provide value for money
- Help create a strong economy by supporting further regeneration of towns and villages
- Protect and improve the environment and respond to the climate emergency

2.8. These aims are supported by a number of objectives which also provide the framework for the delivery of service plans. The Council's objectives are summarised below:

| | Aim | Objectives |
|---|---|---|
| 1 | Help create a safer and healthier environment for our communities to live and work | • Increased supply of good quality affordable homes<br>• Develop a positive relationship with communities<br>• Effective relationship with strategic partners<br>• Effective support of community safety arrangements including CCTV<br>• Provision of sports facilities and leisure opportunities focused upon improving health |
| 2 | Effective use of resources and provide value for money | • Effective use of financial and other resources to ensure value for money<br>• Ensure services are easily available to all our residents in the appropriate channels and provided "right first time"<br>• A high performing and well motivated workforce<br>• More effective use of Council assets<br>• Effective procurement with a focus on local business<br>• Effective use of ICT |
| 3 | Help create a strong economy by supporting further regeneration of towns and villages | • Encourage business start-ups and enterprises<br>• Flourishing town centres that support the local economy<br>• Encourage and develop tourism<br>• High quality development and building control with an "open for business" approach |

| | Aim | Objectives |
|---|---|---|
| 4 | Protect and improve the environment and respond to the climate emergency | • Effective recycling and waste management<br>• Meeting the challenge of climate change<br>• Provision of high quality public amenities, clean streets and environmental health<br>• Provision of quality parks and open spaces<br>• Car parking arrangements that meet the needs of residents, businesses and visitors |

2.9. The Council is committed to playing the lead role in championing the local area. In so doing the Council recognises its community leadership role. Fulfilling this role effectively means influencing partners in a number of key areas in order to ensure that services are shaped and delivered around the needs and aspirations of citizens.

2.10. The Council's influencing role is focused in the following areas:

- Support the police and other partners to reduce crime, the fear of crime and anti social behaviour
- Ensure there is effective health provision particularly for the elderly
- Ensure that there an effective provision of waste and recycling centres across the district
- Work with Staffordshire County Council to provide accessible on-street parking
- We will work with partners to improve the provision of bus services which connect our villages with our three market towns for services, shopping and leisure.
- Expand the Growth Deal partnership with Staffordshire County Council on the will be expanded to provide inward investment
- Work to combat illegal money lenders such as loan sharks
- Continue to support the Churnet Valley Railway with their plans to bring trains back to Leek
- Work with Staffordshire County Council

2.11. The Plan identifies key priority outcomes, which will be the highest priority in the development of performance targets and key actions. A significant proportion of the Council's resources will be directed towards achieving them:-

| Aim | Objectives |
|---|---|
| Help create a safer and healthier environment for our communities to live and work | • Increased supply of quality affordable homes<br>• Improved health<br>• Improved community safety |
| Effective use of resources and provide value for money | • Council services provide value for money<br>• High level of resident and customer satisfaction |
| Help create a strong economy by supporting further regeneration of towns and villages | • Sustainable towns and rural communities<br>• Increased economic growth<br>• Increased tourism |
| Protect and improve the environment and respond to the climate emergency | • High recycling rates<br>• Reduction in carbon emissions |

2.12. The Council maintains a Strategic Alliance with High Peak Borough Council, formed around the principle of shared services in the pursuit of efficiency and realisation of savings. The Strategic Alliance has enabled the implementation and transformation of a joint management structure and services, consequently realising significant efficiency savings.

2.13. The Council intends to continue to drive savings and service improvements through collaboration with its Alliance partner.

## 3. Current Spending Levels

3.1. The starting point for the development of the MTFP is the current level of spending and the approved capital expenditure commitments.

3.2. The Council's current year (2019/20) General Fund budget can be summarised as follows:

| Income and Expenditure | 2019/20 Budget |
|---|---|
| | £ |
| Employees | 6,800,120 |
| Premises | 2,192,420 |
| Transport | 404,260 |
| Supplies & Services | 5,746,430 |
| Benefits | 5,010 |
| Borrowing | 294,400 |
| Financing Costs | 621,900 |
| **Total Expenditure** | **16,064,540** |
| Fees and Charges / Other Income | (5,185,420) |
| Interest Receipts | (117,580) |
| Ascent LLP Income | (584,270) |
| **Net Expenditure** | **10,177,270** |

3.3. The net expenditure is financed as follows:

| Financing | 2019/20 Budget |
|---|---|
| | £ |
| Council Tax | (5,383,480) |
| New Homes Bonus | (443,760) |
| Business Rates Retention | (4,040,110) |
| Collection Fund Deficit | 194,640 |
| Contribution from Balances | (4,560) |
| Efficiency Requirement | (500,000) |
| Total Financing | (10,177,270) |

3.4. The medium-term projection for capital commitments approved by Members in February 2019 is detailed below: -

| Service Area | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | Total |
|---|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ | £ |
| Asset Management Plan | 483,750 | 1,467,080 | 1,085,220 | 1,036,300 | 1,627,450 | 5,699,800 |
| Housing Grants | 1,161,650 | 1,256,000 | 1,226,000 | 1,211,000 | 1,211,000 | 6,065,650 |
| ICT Strategy | - | 255,800 | - | - | - | 255,800 |
| Fleet Management | 1,346,300 | 1,325,750 | 2,468,290 | 129,250 | 30,000 | 5,299,590 |
| Other Schemes | 600,000 | 480,620 | 50,000 | 50,000 | - | 1,180,620 |
| **Total Programme** | **3,591,700** | **4,785,250** | **4,829,510** | **2,426,550** | **2,868,450** | **18,501,460** |
| **Financed by:-** | | | | | | |
| External Contributions | 1,211,000 | 1,238,390 | 1,211,000 | 1,211,000 | 1,211,000 | 6,082,390 |
| Capital Receipts | - | 40,000 | - | 140,000 | - | 180,000 |
| General Fund Balances | 953,730 | - | - | - | - | 953,730 |
| Capital Reserve | 392,570 | 1,620,430 | - | - | - | 2,013,000 |
| S106 Planning | 135,690 | - | - | - | - | 135,690 |
| Borrowing | 898,710 | 1,886,430 | 3,618,510 | 1,075,550 | 1,657,450 | 9,136,650 |
| **Total Financing** | **3,591,700** | **4,785,250** | **4,829,510** | **2,426,550** | **2,868,450** | **18,501,460** |

## 4. Transformation Programme

### 4.1. Introduction

4.1.1. The Council's 'transformation programme' incorporates all major projects which meet the strategic priorities of the authority and have significant financial implications, including:-

- The Capital Programme
- The Efficiency and Rationalisation strategy
- Member Priority Projects
- Alliance Environmental Services (AES)

4.1.2. The delivery of transformation programme projects is monitored by the Transformation Board made up of Directors, along with key Heads of Service and officers. A Director is allocated as 'project executive' and a full business case appraisal is completed for each project.

4.1.3. The progress and current financial projections of the transformation programme is explored below along with any potential revenue and capital consequences. Any further work required to identify the financial implications of the programme are discussed and will feed into future MTFP updates.

### 4.2 Capital Strategy

4.2.1 In accordance with the requirements of the 2017 edition of the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code for Capital Finance in Local Authorities, the Capital Strategy has been updated for 2020/21.

4.2.2 The Strategy, which is being presented to members along side this report, explains how capital expenditure and investment decisions are taken in line with the Council's Corporate Plan and service objectives, taking account of stewardship, value for money, prudence, risk management, sustainability and affordability.

4.2.3 The Capital Strategy is detailed in **APPENDIX B.**

## 4.3 Capital Programme

4.3.1 The Capital Programme presented to Members in February 2019 has been reviewed, re-profiled and updated to reflect the latest position in terms of capital projections to 31st March 2024.

4.3.2 The latest capital projections, specifically identifying the major schemes, are summarised in the table below. Full detail is attached in **ANNEX A**.

| **Service Area** | **2019/20** | **2020/21** | **2021/22** | **2022/23** | **2023/24** | **Total** |
|---|---|---|---|---|---|---|
| | **£** | **£** | **£** | **£** | **£** | **£** |
| Asset Management Plan | 596,870 | 1,303,170 | 1,594,610 | 1,008,100 | 497,270 | 5,000,020 |
| Housing Grants | 1,211,000 | 1,245,000 | 1,515,650 | 1,500,000 | 1,500,000 | 6,971,650 |
| ICT Strategy | 138,000 | 91,900 | 50,000 | 50,000 | 50,000 | 379,900 |
| Fleet Management | 1,285,100 | 2,568,290 | 152,500 | - | 301,640 | 4,307,530 |
| Other Schemes | 76,600 | 797,020 | 100,000 | 50,000 | 21,920 | 1,045,540 |
| **Total Programme** | **3,307,570** | **6,005,380** | **3,412,760** | **2,608,100** | **2,370,830** | **17,704,640** |
| **Financed by:-** | | | | | | |
| External Contributions | 1,211,000 | 1,227,390 | 1,500,000 | 1,500,000 | 1,500,000 | 6,938,390 |
| Capital Receipts | - | 93,000 | 15,650 | - | 11,000 | 119,650 |
| Capital Reserve | 1,285,100 | 214,900 | - | - | - | 1,500,000 |
| Earmarked Reserves | - | 220,850 | - | - | - | 220,850 |
| Borrowing | 811,470 | 4,249,240 | 1,897,110 | 1,108,100 | 859,830 | 8,925,750 |
| **Total Financing** | **3,307,570** | **6,005,380** | **3,412,760** | **2,608,100** | **2,370,830** | **17,704,640** |

4.3.3 The capital projections above include the carry forward of £1,017,110 capital budgets from 2018/19,

***Asset Management Plan (AMP)***

4.3.4 It is essential that the Council maintains an asset base, which delivers the ambitions of the Corporate Plan – however, this needs to be affordable. The Capital Strategy (presented alongside the MTFP in February 2019) sets out the outcomes and actions emerging from a report presented to Cabinet on 20th September 2016 – which was based on the result of asset condition surveys completed on the Council's property portfolio.

4.3.5 This included the potential capital and revenue financial implications of maintaining the Council's current property assets over a 30 year period, as summarised below:-

| SMDC AMP Capital Investment & Revenue Consequence (AS AT SEPT 2016) | 2016-17 – 2019-20 £ | 2020-21 – 2045-46 (26 years) £ | TOTAL £ |
|---|---|---|---|
| Public Buildings | 1,010,850 | 2,761,600 | 3,772,450 |
| Car Parks | 754,000 | 4,293,431 | 5,047,431 |
| Public Conveniences | 181,400 | 415,800 | 597,200 |
| Waterways & Infrastructure Assets | 479,361 | 448,761 | 928,122 |
| Leisure Centres | 310,000 | 10,005,995 | 10,315,995 |
| Depots and Parks Buildings | 97,070 | 2,355,714 | 2,452,784 |
| Industrial Units | 80,380 | 392,050 | 472,430 |
| **TOTAL** | **2,913,061** | **20,673,351** | **23,586,412** |
| ***Revenue Consequences (cost of borrowing)*** | ***115,959*** | ***943,653*** | ***1,059,612*** |

4.3.6 This position has been reviewed and updated in February 2017, 2018, 2019 and 2020 to take account of any changes and updates to stock information since September 2016, and has subsequently been reviewed again for the purposes of this report.

4.3.7 The table below reflects the updated capital investment requirements as at February 2020, adjusted for 2018/19 actual outturn, any in-year re-profiling that has taken place in 2019/20 and changes to spending plans – which reduces the forecast capital spend by £946,940 over the 30 years from the original position; reported in September 2016.

| SMDC AMP Capital Investment & Revenue Consequences | 2016-17 (actuals) £ | 2017/18 (actuals) £ | 2018/19 (actuals) £ | MTFP 2019/20– 2022/23 £ | MTFP 2023/24 (new £ | 2024/25 - 2045/46 (22 Years) £ | TOTAL £ |
|---|---|---|---|---|---|---|---|
| Public Buildings | 70,020 | 410,000 | 387,460 | 1,071,900 | - | 2,153,770 | 4,093,150 |
| Car Parks | - | 1,290 | 4,660 | 991,860 | - | 3,981,622 | 4,979,432 |
| Public Conveniences | - | 3,280 | - | 197,800 | - | 361,900 | 562,980 |
| Waterways & Infrastructure | 5,270 | 261,090 | 1,790 | 166,260 | 208,220 | 343,761 | 986,391 |
| Leisure Centres | 1,700 | 95,170 | 5,090 | 1,138,500 | 213,200 | 7,669,215 | 9,122,875 |
| Depots and Parks | - | - | 1,650 | 859,860 | 15,000 | 1,545,704 | 2,422,214 |
| Industrial Units | - | - | 3,810 | 76,570 | 60,850 | 331,200 | 472,430 |
| **TOTAL** | **76,990** | **770,830** | **404,460** | **4,502,750** | **497,270** | **16,387,172** | **22,639,472** |
| ***Revenue Consequences*** | - | ***11,250*** | ***30,700*** | ***213,120*** | ***42,060*** | ***686,290*** | ***983,420*** |

4.3.8. The Council will be developing an Asset Management Strategy to ensure the future delivery of efficient asset management. This work will be progressed once the condition surveys have been undertaken and the 30 year costs of maintain the general fund asset stock are known.

4.3.9 Any positive revenue implications of the asset management strategy, for example, reduced annual maintenance and utility costs due to fewer and/or more efficient buildings and income receipts from shared accommodation partners will be taken towards the efficiency programme.

***Affordable Housing Project***

4.3.10 The Council's affordable housing project is being delivered via Ascent Housing – the joint venture established by the Council in partnership with Your Housing. Phase one resulted in 276 housing units.

4.3.11 The £5 million debenture facility was fully drawn in 2014/15, and is generating annual income of £100,000 for the remainder of the 25 year period (subject to early repayments by Ascent).

4.3.12 £14 million of the £20 million loan facility has been drawn to date, it is assumed for the purposes of this report that the remaining £6million loan facility will not be drawn during the 4 year period (which is subject to review as per paragraph 4.3.14)

4.3.13 The first tranche of the loan facility of £7m matured from the initial five year loan period in October 2017 and since then has been refinanced by Ascent with the Council for short-term periods of up to 1 year on a rolling basis; the current period ends October 2020. The second tranche of the loan facility matured from the initial five year loan period in November 2019; this has similarly been refinanced for a short-term period of up to 1 year until November 2020. At each point of refinancing, the rate is reset at the PWLB rate on the day plus the margin of 1.25%.

4.3.14 Short-term refinancing has been utilised whilst the dissolution of Ascent progresses (as per the report approved by Cabinet on 18th June 2019) and wider funding arrangements are explored between Your Housing and the Council. There are no assumptions of the potential financial impact of the outcome of this review included at this stage. Any potential additional income streams generated as a result of the review would be realised against the Efficiency Programme. Further updates will provided in future MTFP updates once a new funding agreement has been confirmed.

***Housing Grants***

4.3.15 The District Council is the duty holder under the Housing Grants, Construction and Regeneration Act 1996 for mandatory Disabled Facilities Grant (DFGs) and this status remains despite changes to funding arrangements. All eligible applicants are entitled to receive mandatory funding for certain major adaptations to their properties. The funding for these adaptations has previously been given directly to the council but from 2015/16, the funding has been incorporated into the Better Care Fund and paid to the County Council.

4.3.16 The Better Care Fund is a single pooled fund for all health and social care provision and covers the whole range of services including public health, social care services and clinical commissioning groups

4.3.17 Government funding has increased each year since 2015/16. Based on current information (as at Quarter Three), the allocation for 2019/20 will not be fully utilised to support the current year's grants programme; this will bring the Disabled Facility reserve up to £2.6m at year end.

4.3.18 There is currently no waiting list for DFG assessments. If there is to be any significant spend against the new increased budget, there may be a need to find new areas to invest as well as embarking on a robust campaign to promote the traditional DFG scheme to local residents. There is scope to do this as part of the funding agreement as long as any proactive scheme outside the mandatory DFG programme is agreed with the County Council and is restricted to capital expenditure. As a way forward, a new dedicated promotion/project officer post is currently being recruited, the role will aim to ensure that the grant scheme is promoted across all areas of Staffordshire Moorlands.

4.3.19 Examples of initiatives which could potentially be explored are; investment in local schools, catering for persons with disability needs; work with local social housing providers to look at dementia friendly adaptations or improvements to existing housing schemes with a significant number of elderly residents. There are also opportunities to work with local community groups to help them develop schemes in their areas that benefit the disabled community.

***ICT Strategy***

4.3.20 The framework for the existing ICT Strategy was established in 2014/15. The key drivers of which were to support delivery of the Efficiency and Rationalisation Plan, provide the infrastructure to support joint working, support new ways of working and improve access to services for our customers.

4.3.21 Following on from this, a refreshed, updated IT Strategy is currently being developed. The aim of which is to drive a change in culture and deliver the systems, processes and skills required in an environment where information is shared seamlessly though connected systems. This will reduce costs of services through optimisation, improving online services and enabling customers to self-serve more transactions. This will also reduce manual administrative tasks, removing paper processes and allowing Officers to focus on high-value tasks.

4.3.22 Consequently, estimated requirements of £229,100 are included within the MTFP, which primarily relate to the implementation of a system to aid waste collection processes and the migration of the cash receipting system, with migration to Office 365 assumed to be completed in 2019/20.

4.2.23. There are other projects currently at initial business case or procurement stage, such as; the asset management system, migration of the current licensing system and review of the customer portal and integration into back office systems. Therefore, at this stage and additional £50,000 per annum has also been added to the capital programme to reflect this. More accurate costings will be developed as business cases progress.

4.2.24 There is also £150,000 set aside in an earmarked reserve which was established specifically to support with the implementation of the ICT Strategy.

*Fleet Management*

4.3.25 The Council's Fleet management arrangements have been subject to a funding review. Responsibility for maintaining the Council's fleet has now transferred to Alliance Environment Service (AES), however, the responsibility for funding fleet acquisitions remains with the Council. The fleet review aims to deliver savings to be realised against the efficiency programme by ensuring the most cost effective funding options are selected for the various types of vehicles.

4.3.26 The former contract hire agreements terminated on 30th June 2018, and the majority of vehicles under the agreement were directly purchased. An options appraisal undertaken on the funding of refuse freighters highlighted direct purchase (via the capital programme funded by borrowing or capital reserves/capital receipts) as the most cost effective method of funding.

4.3.27 A Fleet Strategy is currently being drafted which will set out the fleet renewal programme and process, incorporating financial, procurement and operational considerations.

4.3.28 For the purposes of this report, it has been assumed that all replacement vehicle requirements over the next four years will be funded via direct capital purchase – but this will be subject to further funding options appraisals prior to purchase. Therefore, at this stage, the capital programme includes an allocation of £4,307,530 in order to replace vehicles as they reach the end of their useful lives.

4.3.29 Where possible, funds are set aside and held within an earmarked reserve for the purpose of funding short-life capital purchase such as fleet. This further reduces the overall cost of financing the vehicle fleet by reducing borrowing costs.

***New/Other Capital Commitments***

New Capital Schemes

4.3.30 The below provides details and estimated costs of new capital schemes which the Council is aiming to progress during the 4 year MTFP period, as well as any other potential schemes currently being developed where further work is required to estimate costings:

- *Brough Park Improvements - £274,500*

Plans outlining various enhancements to Brough Park including; the reconfiguration and expansion of play facilities, resurfaced pathways and improved access to John Hall Gardens are proposed subject to approval. The additional investment is required above existing budget and external funding received for the project

- *Pay & Display Machines -£200,000*

Options are being considered around replacing and upgrading the pay and display machines across the Council's income generating car parks. This is subject to the approval of a separate report outlining the details of the proposals and cost implications.

- *Outdoor Sports facilities - £100,000*

This provision has been allocated for investment into outdoor sports facilities within the District, in order to support the Corporate Plan priority around the development of outdoor leisure facilities, focussed around the "sports village" concept.

***Financing the Capital Programme***

4.3.31 The capital programme can be funded from a number of options which include external grants and contributions from third parties comprising of Government and lottery funding; capital receipts from asset sales as part of the asset management plan; earmarked revenue reserves and borrowing.

4.3.32 The main area of spending within the current programme which is expected to be funded from external resources is support towards Disabled Facilities Grants. Estimated capital receipts of £0.12m will be available over the next five years (subject to a review of surplus assets). Revenue and capital reserves of £1.72m are forecast (at this stage) to be applied over the period.

4.3.33 Borrowing is therefore the main funding option for the programme. The Treasury Management Strategy then considers whether this is funded externally or internally - both options have a consequence on revenue either through reduced investment income or increased external interest liability as highlighted in the table below.

4.3.34 It is proposed to utilise reserves allocated for capital spend (where possible) where an options appraisal on the acquisition of short-life assets such as vehicles, plant and equipment has been carried out and suggests that the most financially viable option is to outright purchase.

*Revenue Consequences of the Capital Programme*

4.3.35 The capital investment proposals above will result in estimated revenue consequences as follows:

| **Revenue Consequence (changes year-on-year)** | **2020/21** | **2021/22** | **2022/23** | **2023/24** |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Ascent Loan Income | (61,120) | (9,710) | 0 | 0 |
| Debenture Income | 0 | 0 | 0 | 0 |
| Investment Income | (12,610) | 1,550 | 2,640 | 1,650 |
| Borrowing Costs | 40,660 | 352,770 | 80,340 | 53,400 |
| **Total** | **(33,070)** | **344,610** | **82,980** | **55,050** |

## 4.4 Efficiency & Rationalisation Strategy

4.4.1 The current Efficiency and Rationalisation Strategy was approved by Members in February 2017, which identified a programme of £3.1 million (including £443,600 in unachieved efficiencies from the previous efficiency programme) in savings to be made over the period 2017/18 – 2020/21.

4.4.2 The Efficiency and Rationalisation Strategy has the effect of both reducing expenditure and increasing income. The need to grow income is now more of a priority as the Council moves more towards being self-financing i.e. not reliant on direct government funding such as revenue support grant.

4.4.3 The strategy was developed with the underlying principles of protecting frontline service delivery. It was also intended that the strategy is a tool to enable the Council to ensure that its service spending is determined by the established priorities set out in the Corporate Plan.

4.4.4 There are five areas of focus:-

- **Major Procurements** - There is the opportunity to focus attention on a number of large service functions which are currently provided by an external contractor / supplier. A number of significant contracts are coming to an end. This will also allow a fundamental review of these services with proper consideration of the current financial constraints. The contract commitments have sometimes restricted the opportunity to align services across the alliance with High Peak. The individual projects will focus on Waste Collection & Environment Services, Leisure Management and Facilities Management
- **Asset Management Plan** – continuation of the existing priority of rationalising the Council's asset base with a focus around priorities in order to allow for the necessary capital investment
- **Growth** – development of a clear focus upon housing and economic growth based upon the established Local Plan.
- **Income Generation** – focus on increasing the yield from existing sources on income and a drive towards identifying new sources of income
- **Rationalisation** – a commitment to reducing expenditure on non-priority areas of spend e.g. management arrangements, channel shift, non-statutory services

4.4.5 The below table summarises the finanical savings requirements and original profile for achievement (**ANNEX B** provides more detail of the savings plan):-

| **General Fund Efficiency Strategy** | **2017/18** | **2018/19** | **2019/20** | **2020/21** | **TOTAL** |
|---|---|---|---|---|---|
| | **£** | £ | £ | £ | £ |
| Major Procurements | 100,000 | 275,000 | 100,000 | 600,000 | **1,075,000** |
| Asset Management | 50,000 | 50,000 | 25,000 | 25,000 | **150,000** |
| Growth | 65,000 | 150,000 | 250,000 | 300,000 | **765,000** |
| Income Generation | 305,000 | 355,000 | 100,000 | 250,000 | **1,010,000** |
| Rationalisation | 141,000 | - | - | - | **141,000** |
| **TOTAL** | **661,000** | **830,000** | **475,000** | **1,175,000** | **3,141,000** |

4.4.6 Subsequently, a review was undertaken in February 2019 to assess the timing and estimated value of future savings based on the current programme. The table below shows the projected reprofiled Efficiency Programme (taking into account the actual 2018/19 efficiency target achieved):-

| | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | TOTAL |
|---|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ | £ |
| **Original Programme** | 661,000 | 830,000 | 475,000 | 1,175,000 | - | **3,141,000** |
| **Amended Programme** | 661,000 | 395,000 | 935,000 | 702,000 | 448,000 | **3,141,000** |
| **Variance** | **-** | **(435,000)** | **460,000** | **(473,000)** | **448,000** | **-** |
| **Achieved Q4 2018/19** | - | 93,000 | (93,000) | **-** | | |
| **Revised Target** | **661,000** | **488,000** | **842,000** | **702,000** | **448,000** | **3,141,000** |

4.4.7 The Efficiency Programme continues to progress well, with £860,250 in savings realised at the Quarter Three stage in 2019/20 (against an updated target of £842,000). The remaining programme has once again been reviewed, taking into account the areas of savings still to be achieved and potential timing. It is proposed to leave the current profile of efficiency targets as above. Any additional savings achieved in 2019/20 will partially offset some the 2020/21 target.

4.4.8 The AES efficiency programme (which contributes to the above overall programme) has been reviewed and reprofiled to take account of the delay in the phase 3 transfer (see section 4.6). The split between savings achieved by AES/Council has also been reconsidered to take account of the likely savings to be achieved from fleet purchases. However, this has not changed the estimated profile of the overall Efficiency Programme as detailed above.

4.4.9 Continued progression against the efficiency programme is dependent on achieving significant savings as a result of the alternative delivery model for Waste, Streets and Parks via the transfer of services to trading company Alliance Environment Services. There are also significant income generation targets focusing on housing and economic growth, linked to the approval of the Local Plan.

**4.5 Member Priority Actions / Projects**

4.5.1 During the development of the Corporate Plan a number of priority actions have been identified and prioritised by members. These are as follows:

| Member Priority Actions / Projects | Financial Implications | | | |
|---|---|---|---|---|
| | (y/n) | Firm - in plans | Costs understood - not in plans | Costs not yet known |
| **Leader** | | | | |
| Develop and implement a plan to identify new and innovative ways of generating income | **Y** | | | ✓ |
| Support the development of Cornhill and improved rail links | **Y** | | | ✓ |
| Develop a masterplan for bringing redundant mills back into use | **Y** | | | ✓ |
| Support the development of Cornhill and improved rail links | **Y** | | | ✓ |
| Refresh the Council's Communications Strategy in order to ensure that there is a more effective dialogue with residents | **N** | | | |
| Implement the Council's Growth Strategy to bring about the regeneration of towns and rural communities | **N** | | | |
| Develop a new Organisational Development Strategy to ensure that our workforce is developed effectively | **Y** | | | ✓ |
| **Leisure and Sports** | | | | |
| Identify and implement an approach to reduce the cost of country parks | **Y** | | ✓ | |
| Review the Sport and Physical Activity Strategy in order to integrate the communities and sports clubs into the delivery of its objectives | **N** | | | |
| Successfully deliver Phase 3 of the transfer of services to Alliance Environmental Services Ltd, to deliver ground maintenance services on behalf of the Council in order to achieve improved performance and value for money outcomes | **Y** | ✓ | | |
| Develop a plan to improve Brough Park and John Hall Gardens | **Y** | | | ✓ |
| Develop and implement an ongoing indoor leisure facilities improvement plan focussed on improving the health and wellbeing of residents | **Y** | | | ✓ |
| Develop and implement an outdoor leisure facilities improvement plan focussed around the "sports village" concept | **Y** | | | ✓ |

| Member Priority Actions / Projects | Financial Implications | | | |
|---|---|---|---|---|
| | (y/n) | Firm - in plans | Costs understood - not in plans | Costs not yet known |
| **Customer Services** | | | | |
| Continue to embed good information management practices through the ASSURED framework | **N** | | | |
| Develop a new ICT Strategy to enhance and support the delivery of services | **Y** | | | ✓ |
| Develop a new Procurement Strategy with a focus on spending money locally | **N** | | | |
| Develop an Access to Services to ensure that Council services are accessible to all | **N** | | | |
| **Environment** | | | | |
| Successfully deliver Phase 3 of the transfer of services to Alliance Environmental Services Ltd to deliver street cleansing services on behalf of the Council in order to achieve improved performance and value for money outcomes | **Y** | ✓ | | |
| Review the Council's waste & recycling arrangements to increase recycling and to respond to the emerging new national strategy | **Y** | | | ✓ |
| Review the Environmental Enforcement Policy in order to take steps to further environmental crime | **N** | | | |
| **Climate Change** | | | | |
| Develop a Climate Change Strategy and an action plan of response to a declared climate emergency | **Y** | | | ✓ |
| **Communities** | | | | |
| Complete the review of the CCTV system and implement the agreed recommendations | **Y** | ✓ | | |
| Develop a strategy for further development of affordable and specialist housing | **Y** | | | ✓ |
| Develop a Private Sector Housing Strategy to improve conditions for homeowners and private tenants | **N** | | | |
| Develop a Tourism Strategy to maximise the positive impact to our communities | **N** | | | |
| Review the Council's community support arrangements in order to maintain strong partnerships with community groups | **N** | | | |
| **Planning & Property** | | | | |
| Refresh and implement the Asset Management Plan, including a review of public estate, and ensure adequate facilities management arrangements are in place | **Y** | ✓ | | |
| Develop and implement plans to improve the public market operations | **Y** | ✓ | | |
| Adopt a new Local Plan | **Y** | | | ✓ |
| Develop a new Parking Strategy to ensure that our car parks meet the needs of residents and visitors | **Y** | | | ✓ |

4.5.2 Any costs or revenue associated with these actions will need to be included in the MTFP. The impact of a number of them is already included in this iteration of the plan but additional work will need to be undertaken to develop a number of the actions further and at the same time identify any financial implications.

**4.6 Alliance Environment Service (AES)**

4.6.1 Alliance Environmental Services (AES) is a company created with a vision to deliver waste, street cleansing and grounds maintenance services in the High Peak and Staffordshire Moorlands areas. The company has three shareholders: Staffordshire Moorlands District Council, High Peak Borough Council and Ansa, which is a wholly owned subsidiary of Cheshire East Council.

4.6.2 Phase 1 of the transfer of services commenced on 7th August 2017 to deliver High Peak Borough Council Waste services. This followed the end of their previous contract with Veolia Environmental Services.

4.6.3 Phase 2 of the transfer of services commenced on 1st July 2018 with the transfer of all fleet management across the Alliance and the transfer of the Staffordshire Moorlands Waste Collection service. Phase 3 is currently estimated to commence in April 2020, which will involve the transfer of Street Scene and Grounds Maintenance.

4.6.4 Savings of £500,000 are currently forecast in the Efficiency & Rationalisation Programme – which are split between AES and savings to be achieved from Council retained budgets. The AES efficiency programme has been reviewed and reprofiled to take account of the delay in the phase 3 transfer. The split between savings achieved by AES/Council has also been reconsidered to take account of the likely savings to be achieved from fleet purchases.

4.6.5 The contract fee for 2020/21 has been established following discussions between the Council and AES. The contract fee has been calculated based on the base 2019/20 contract fee plus 2020/21 inflation/growth items less forecast savings achieved. The payment of any identified risk items (which the Council is currently paying an additional fee) primarily relating to the cost of short-term vehicle hire prior to procurement will continue if they materialise. However, every effort will be made to remove these or offset them with other savings.

## 5. Financial Forecasts

### 5.1 Interest Rates

5.1.1. The Bank of England Base Rate has remained at 0.75% since the most recent change in August 2018. Link (the Council's treasury advisor) has produced an interest rate forecast for interest movements over the coming four year period. This includes an increase to 1.00% in the quarter ending March 2021 with no further increases until June 2022. Link continues to acknowledge that unfolding events could prompt movements in rates of 0.25% to 0.50% in either direction at any time.

5.1.2. HM Treasury made an announcement on 9th October, that with immediate effect the PWLB new loan rates would be increased by 1% making any new external borrowing through the PWLB more expensive than it had been. Although this makes future borrowing more expensive, the MTFP presented in February had included an assumption around interest rate increases, therefore, the financial impact at this stage is limited.

5.1.3. Based on the current forecasts, changes in investment income and borrowing costs (based on interest rate changes) are highlighted below:-

| Investment Income | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Changes in Investment Income | 41,680 | (33,010) | (34,700) | (35,990) |
| Changes in Borrowing costs | (2,330) | 39,250 | 5,030 | 3,350 |

### 5.2. Inflationary Projections

5.2.1. The Retail Price Index (RPI) and Consumer Price Index (CPI) 12 month rate, as at December 2019, stood at 2.2 % and 1.3% respectively. Inflation forecasts are made reflecting the composition of the Council's expenditure, resulting in an inflation rate specific to the Council.

5.2.2. The MTFP presented to members in February 2019 has been updated to reflect the latest forecasts on inflation and to roll forward a further 12 months to include the 2023/24 financial year. The full costs to the Council arising from inflation are forecast in the table below.

| Expenditure/Income | 2020/21 | 2021/22 | 2021/22 | 2022/23 |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Employee Costs | 233,170 | 237,330 | 244,520 | 124,750 |
| Premises Costs | 32,510 | 32,620 | 33,110 | 35,850 |
| Transport | - | - | 850 | 850 |
| Supplies and Services | 93,360 | 95,110 | 94,530 | 96,590 |
| **In-Year Inflation Pressure** | **359,040** | **365,060** | **373,010** | **258,040** |

## 5.3. Budgetary Demand

5.3.1. The Medium Term Financial Plan presented to Council in February 2019 analysed and projected forward both income and expenditure. This has been revised to reflect known changes in budgetary demand.

5.3.2. The current changes in budgetary demand, included in this iteration of MTFP, are highlighted below:-

| Increased / (Reduced) Budget Demand | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Uniforms – Customer Services | 2,500 | (2,500) | 2,500 | (2,500) |
| DWP - HB admin grant reduction | 12,000 | | | |
| Localised Council Tax Support Admin grant | 4,500 | | | |
| Contract Hire Adjustment | 270,320 | 120,200 | | |
| Car Park tickets - Printing costs | 5,000 | | | |
| AES - SCC Transfer station handling costs | 29,000 | | | |
| AES - Paper recyclate income reduction | 27,000 | | | |
| Microsoft Office 365 | 14,250 | | | |
| Concerto Asset Management system | 3,000 | | | |
| Collective System - Web forms | 16,000 | | | |
| Facilities Management Contract base | 75,000 | | | |
| Summons income reduction | 25,000 | | | |
| Car Park income shortfall | 40,000 | | | |
| **Total** | **523,570** | **117,700** | **2,500** | **(2,500)** |

5.3.3. In the table above the following items merit further explanation:

- Vehicle Funding - contract hire adjustment – reinstatement of the contract hire budget following the replenishment of reserves which were used to fund SFS contract hire buy-out as per Cabinet report 24th April 2018
- AES: Pressures on contracts within AES services are anticipated to have an impact on the AES management fee payable by the Council:
    - £29,000 – The bulking charge from Staffordshire County Council at the Fowlchurch Leek Waste Transfer Station is being reviewed by the County Council.

- £27,000 – Paper recycling tonnage continues to fall in line with the national picture, creating a pressure on income.

- Facilities Management: The cost of aligning the budget to reflect current contract base in preparation for a new facilities management arrangement. This adjustment assumes action will be taken in 2020/21 to reduce the level of current spend.

5.3.4. In addition to the above, there may be a requirement to include upfront increased budget demand in relation to climate change related projects in future years. Some of these costs may already be included with the MTFP forecast – for example, schemes within the asset management plan and fleet purchase programme where environmental impact will be a significant consideration. However, any additional costs will be assessed and included within future MTFP iterations once known and the business case has been developed.

5.3.5. It may also be necessary to include increased budget provision as a result of the completion of service plans and in accordance with the Organisational Strategy – which is scheduled to be reviewed in line with Corporate Plan objectives. Additional staff resource or expertise may be necessary to deliver specific projects. This will be reviewed by the Transformation Board as part of the business case process for each project.

**5.4. Budget Growth**

5.4.1. In previous years, very few additions in respect of budget growth have been included in the MTFP. It is assumed in light of the financial pressures faced by the Council, that any local issues that necessitate budget growth will be financed by internal spending reductions elsewhere. Occasionally, however, it is necessary to include budget growth to meet spending commitments.

5.4.2. No such items are included in this iteration of the MTFP.

**5.5. Pensions**

5.5.1. The results of the 2019 triennial actuarial valuation of the Staffordshire Pension Fund have been received, confirming the Staffordshire Moorlands portion of the Fund is in deficit by £11.4 million (down from £23 million at the last valuation in 2016) and is 84% funded (up from 66% funding level in 2016).

5.5.2. The valuation has set a required employer contribution rate of 16.6% of payroll for the period 2020 – 2023 (unchanged from 2016). In addition to this a secondary contribution of £3.109 million is also payable over this period. This amount is to be discounted to £2.924 million if paid in one lump sum in April 2020. The Authority has indicated its intention to take up this option.

5.5.3. The MTFP reflects the outcome of this valuation. A further valuation will be undertaken in year 4 of the MTFP (2023/24).

**6. Funding & Income Generation**

**6.1. Council Tax**

6.1.1. The Council has the capacity to vary Council Tax levels, following the abolition of capping. However the Council's ability to increase Council Tax by more than a certain percentage is subject to referendum. This percentage has been confirmed as 2% for 2020/21, Government consultation is currently on-going regarding future years.

6.1.2. In line with current guidance, this iteration of the MTFP assumes that a 1.9% Council Tax increase will be implemented throughout the 4 year life of this Plan.

6.1.3. Provision has been included within the Plan to reflect anticipated growth in Council Tax base over the next 4 years. The figures included are shown in the table below:

| **Increased Council Tax Income** | **2020/21** | **2021/22** | **2022/23** | **2023/24** |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Council Tax increase | (102,290) | (104,650) | (108,180) | (111,470) |
| Revenue from tax base growth | (21,880) | (81,290) | (65,310) | (64,930) |
| **TOTAL** | **(124,170)** | **(185,940)** | **(173,490)** | **(176,400)** |

## 6.2. Business Rates Retention

6.2.1. Under the 50% Business Rates Retention system, the Authority retains 40% of Business Rates less a tariff that is payable into a pool maintained by a number of Staffordshire Authorities. This amount is then compared to a Funding Baseline (estimated at £2,622,420 for 2020/21); any amount in excess of this Baseline is subject to levy, or conversely if the amount of retained Business Rates is below this Baseline, the loss is capped by a safety net payment. The MTFP does not anticipate the Council falling below the Baseline.

6.2.2. As part of the Staffordshire Pool, the levy or the safety net payment is made to or from the Pool instead of Central Government. If the Council was not in the Staffordshire Pool it would have to pay 50p in the £1 to the Government as a levy, effectively limiting the income the Council can gain from business rates growth. However, as part of the Pool, the Council is able to retain 40% of this levy. It is expected that a variation to the pool agreement will increase this by an additional 20% from 2020/21 known as a 'Volatility Allowance' which will be paid to the pool along with all other collection authority members then divided equally between the same collection authorities. Therefore an assumption is included in the MTPF that each £1 achieved above the baseline, is distributed as follows:

- 80p is retained by the Council;
- 20p is paid to a Central Allocation which is distributed amongst the Lead Authority and Major Preceptors in accordance with the agreement.

The benefit to the Council of being part of the Pool arrangement is estimated to be approximately £463,500 in 2020/21.

6.2.3. In October 2015, the Government announced a forthcoming package of reforms to the Business Rates Retention System including a move to local government retaining 100% of the rates that they received (subsequently being revised to a 75% scheme, although a 100% is once again under consideration) with an end to Revenue Support Grant. The new scheme will now not be introduced until 2021/22 at the earliest.

6.2.4. There remains uncertainly surrounding how the new system will be phased in and in what form. Following invitation from DCLG, Staffordshire Authorities made an application to become a pilot area for the Business Rates Retention scheme. The application was successful for the 2019/20 75% pilot. For the purpose of the MTFP, a windfall of £200,000 was included based on the minimum payment to be received by each Member Authority as detailed in the Memorandum of Understanding to the Pilot Pool. It has been confirmed that no further pilots will take place during 2020/21; therefore this windfall of £200,000 has been removed from the MTFP going forwards.

6.2.5. The MTFP anticipates that Business Rates retention will be above the baseline. Net income is somewhat suppressed due to the award of reliefs including increased small business rate relief including the changes in thresholds, multiplier cap, extended rural relief, supporting small businesses relief, retail discount and local discretionary relief; and the increase in the provision for RV reductions on successful appeals, including potential NHS Trust applications and ATM RV changes. To compensate for the loss of business rates income resulting from the reliefs, funding has to date been made available to Councils under Section 31 of the Local Government Act 2003. The MTFP assumes both the extension of reliefs and equivalent Section 31 grants will continue.

6.2.6. Changes in the level of the Council's business rates will be impacted by a range of factors, including the Staffordshire Pool's success in generating new and retaining existing business within its area. At this stage, predicted levels of business rates income are based on known and expected changes to the business rates listing.

| **Business Rates Retention** | **2020/21** | **2021/22** | **2022/23** | **2023/24** |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| In year: | | | | |
| Baseline Funding | (2,622,420) | (2,665,170) | (2,708,610) | (2,752,760) |
| Achievement against Baseline | 120,360 | (104,970) | (141,140) | (251,650) |
| Section 31 Grant | (1,523,370) | (1,330,180) | (1,359,630) | (1,393,070) |
| **Total** | **(4,025,430)** | **(4,100,320)** | **(4,209,380)** | **(4,397,480)** |
| Change between years: | | | | |
| Business Rates retained | (118,760) | (268,080) | (79,610) | (154,660) |
| Section 31 Grant | 133,440 | 193,990 | (29,450) | (33,440) |
| **Total** | **14,680** | **(74,890)** | **(109,060)** | **(188,100)** |

6.2.7. MHCLG announced on 27th January 2020 that additional business rates measures will apply from 1st April 2020: retail discount will be increased from one-third to 50% and will be extended to cinemas and music venues; local newspaper office space discount will be extended in duration; and there will be an additional discount of £1,000 for pubs with a rateable value of less than £100,000.

6.2.8. Due to the timing of this confirmation, these additional reliefs have not been built in to the budget for Business Rates Retention. It is anticipated that the Council will be compensated via a S31 grant for the NNDR income foregone, however due to the nature of Collection Fund accounting, the additional reliefs will have the effect of increasing the collection fund deficit during 2020/21 (to be distributed in 2021/22), whist the additional grant will increase the in-year funding in the general fund. The council will therefore ring-fence the additional grant received during 2020/21 relating to these reliefs, in order to fund the distribution of the additional collection fund deficit in 2021/22.

### 6.3. Collection Fund

6.3.1. The Council maintains a Collection Fund to record the receipt of Council Tax and Business Rates and their distribution to precepting authorities. Any surplus or deficit generated is distributed or recovered from the preceptors in subsequent years.

6.3.2. It is expected that Staffordshire Moorlands' share of a surplus, in respect of Council Tax, will be £34,440 in 2020/21.

6.3.3. It is assumed that a surplus, after providing for appeals, of £861,930 will be distributed in 2020/21 in respect of retained Business Rates generated in the current and previous years. Staffordshire Moorlands' share of this surplus will be £344,770. It is assumed the Business Rates element of the collection fund will break even in future years, leaving no surplus or deficit for distribution.

6.3.4. These and future year movements are set out in the table below:

| Changes in Collection Fund Income | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Council Tax | 37,430 | (20,090) | 9,730 | (740) |
| Business Rates | (611,280) | 344,770 | 0 | 0 |
| **Total** | **(573,850)** | **324,680** | **9,730** | **(740)** |

### 6.4. Income from Government Grants

**Revenue Support Grant**

6.4.1. In October 2015, Government announced the phasing out of Revenue Support Grant (RSG). 2018/19 was the final year of RSG grant; none will be received in throughout the life of the plan.

**New Homes Bonus (NHB)**

6.4.2. In the provisional Local Government financial settlement released in December, the Government confirmed that in Spring 2020 it would be consulting on a replacement for the New Homes Bonus scheme. The new housing incentive scheme will reflect a more targeted approach that rewards local government where they are 'ambitious' in delivering housing growth. At this stage, there is no further detail on what form the new scheme will take.

6.4.3. The allocation of New Homes Bonus is secure for 2020/21; and the Council will receive £194,890 in funding next year; beyond that no commitment is made for future years.

6.4.4. The 2020/21 bonus is made up of £34,400 in new award and £160,490 in legacy payments relating to previous years' awards.

6.4.5. The MTFP presented in November assumed total NHB receipts of £608,000 for years 2 – 4 of the Plan (2021/22 to 2023/24). This amount is consequently at risk if the new scheme is less generous to Staffordshire Moorlands than the old scheme was.

6.4.6. In the absence of any further information, this iteration of the MTFP assumes that the Council will continue to receive funding equivalent to that received in 2020/21; i.e. £195,000 per annum; but does so with the recognition of the **major risk this represents to the viability of the Plan beyond 2020/21**.

6.4.7. The Efficiency and Rationalisation Strategy originally included an assumed £400,000 from stimulated housing growth, primarily from New Homes Bonus over the four years (2017-21). The low level of growth experienced in the District over the last few years has meant that little progress has been made against this target. The added uncertainty surrounding the replacement scheme casts further doubt on this target.

**Local Council Tax Support Grant**

6.4.8. The Council operated a scheme whereby funding received from Central Government in respect of Local Council Tax Support was passed on to the Parishes by means of an annual grant. The allocation of this grant was based on the eligibility of parish residents for Council Tax discounts.

6.4.9. The level of resources made available for this grant has been reduced each year in line with the reduction in overall Government funding suffered by the Authority. The final year of Local Council Tax Support grant funding was 2018/19. No further funding is included for this purpose in the Plan.

6.4.10. The basis of the model underlying the Local Council Tax Reduction Scheme is currently being reviewed, primarily as a consequence of the introduction of Universal Credit. The result of this review, including any budgetary consequences, will be built into future iterations of the MTFP.

**Summary of Income from Government Grants**

6.4.11. The table below summarises the movement in Government funding from the 2016/17 baseline:-

| Government Grant (gain) / loss of funding | 2016/17 (baseline) | 2017 - 20 (actual) | 2020/21 (forecast) | 2021/22 (forecast) | 2022/23 (forecast) | 2023/24 (forecast) |
|---|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ | £ |

| | | | | | | |
|---|---|---|---|---|---|---|
| Revenue Support Grant | (1,246,290) | 1,246,290 | - | - | - | - |
| Rural Services Delivery Grant | (14,930) | 14,930 | - | - | - | - |
| Transition Grant | - | - | - | - | - | - |
| New Homes Bonus | (1,264,390) | 820,630 | 248,870 | - | - | - |
| **Change in Govt Funding** | **(2,525,610)** | **2,081,850** | **248,870** | **-** | **-** | **-** |

6.4.12. The changes shown in the table above mean that the Government grant funding received by the Council will have reduced to £194,890 by 2023/24, compared to the £2,525,610 received in 2016/17.

## 6.5. Fees and Charges

6.5.1. Charging for local services makes a significant contribution to the Council's finances. The Council also uses charging to influence individual choices and behaviour, and to bring other benefits to local communities. The Council's Charging Policy sets out the following principles for establishing the level of fees and charges:

- The cost of providing services should be fully met by income
- There is a standard approach to concessions for those on low incomes
- Where a subsidy is agreed, this should be used to support the development of Council services in accordance with priorities
- Subsidies should be reconfirmed annually

6.5.2. Services have completed the fees and charges templates, the financial outcomes of the process are shown in **ANNEX C.** The summary includes categorisation of charges and identifies where fee-earning services are provided at a subsidy.

6.5.3. The proposed fees and charges for 2020/21 are presented in **APPENDIX C** to this report.

6.5.4. The Medium Term Financial Plan currently projects that the Council will increase fees and charges (and other income) broadly in line with inflation. However, it is also recognised that certain income streams (such as car parking, planning receipts) may not increase each year and that other income streams (such as grants and rental income) are fixed or subject to periodic review.

6.5.5. The underlying annual total expected from inflationary increases to fees and charges has been set at £25,000, recognising the potential overlap with income generation themes included in the Efficiency Programme.

6.5.6. In 2021/22 additional revenue has been included arising out of an increase in car park charges deferred from 2020/21 subject to a review of the Parking Strategy. A further increase is factored in for 2023/24.

6.5.7. The projected revenue from increased fees and charges (and other income) is summarised in the table below:

| Increased Fees and Changes | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
|---|---|---|---|---|

| | £ | £ | £ | £ |
|---|---|---|---|---|
| Revenue from increased Fees and Charges | (25,000) | (25,000) | (25,000) | (25,000) |
| Revenue from Car Park charge increase | - | (85,000) | - | (100,000) |
| **Total** | **(25,000)** | **(110,000)** | **(25,000)** | **(125,000)** |

6.5.8. During 2020/21, a review will be undertaken of concessions applied on certain fees and charges. This review will consider the justification for offering a concession, the level of concession applied and the consistency of application across the various fees and charges.

## 7. Risks, Contingencies & Use of Reserves

### 7.1. Risk Identification and Management

7.1.1. The early identification and management of risks is critical to the Budget and Medium Term Financial Planning process. Risks are assessed, mitigated and actively managed to ensure that the Council delivers its services effectively within the funding at its disposal. The principal risks to the Medium Term Financial Plan are summarised in **ANNEX D**.

7.1.2. Risk areas will be closely monitored and reviewed on an on-going basis and remedial action taken as appropriate. Risks associated with specific projects will be identified within the project methodology documents and reviewed monthly by the Transformation Board.

7.1.3. The table below highlights specific financial risks that are embedded within this Medium Term Financial Plan:

| Revenue Risks | Capital Risks |
|---|---|
| • Inflationary assumptions<br>• Interest rates<br>• Revenue consequences of capital<br>• Housing benefits<br>• Fees and charges<br>• Universal Credit<br>• Business Rates Retention scheme<br>• Council Tax collection<br>• New Homes Bonus<br>• Financial benefits from partnerships / shared services<br>• Pension costs<br>• Insurance costs<br>• Waste management costs<br>• Brexit implications | • Interest rates<br>• External funding<br>• Capital receipts<br>• Capacity to deliver capital programme<br>• Project overspend<br>• Project overrun<br>• External factors (e.g. planning objections, judicial reviews etc. leading to project delay)<br>• Housing Joint Venture<br>• Suppliers / Contractors / Contract Management<br>• Weather<br>• Brexit implications |

### 7.1.4. Britain's Exit from the European Union

7.1.3. At this stage it is impossible to predict the impact of the Brexit process on the Authority's finances and financial planning. The outcome of the General election in December has given the Government a large Parliamentary majority and put it back in control of the Brexit timetable. As such the prospect of further delay has receded and the United Kingdom is expected to leave the European Union on 31st January, whereupon the country will enter into a transition period during which time the details of the future relationship with the European Union will start to emerge.

7.1.4. During this period, there is a risk that a number of local and national economic drivers such as inflation, interest rates, the valuation of assets and liabilities and the demand for and funding of services will be affected.

7.1.5. The direction and extent of Brexit's influence on these areas is a matter of debate. To give an idea of the potential financial consequences the table below quantifies the impact on the Authority's current 2020/21 budget had there been a 1% change in its key economic drivers.

| Risk item | Impact on 2020/21 |
|---|---|
| 1 % change in inflation | 155,000 |
| 1 % change in interest rates | 88,000 |

**7.2. Contingencies**

7.2.1. The Medium Term Financial Plan is underpinned by a number of assumptions. These assumptions have been made in the light of currently available information. New information, when it emerges, may require the Council to alter its assumptions with a consequential effect on the Council's financial position.

7.2.2. Key risk areas will be closely monitored and reviewed on an ongoing basis and remedial action taken. Members will receive quarterly updates on performance against the budget.

7.2.3. The Council carries reserves as a contingency for situations where risks cannot be fully mitigated. Section 25 of the Local Government Act 2003 requires the Chief Finance Officer (CFO) to report on the robustness of the estimates included in the budget and the adequacy of the reserves that the budget provides.

7.2.4. While there is no detailed guidance on calculating the level of general reserves the Council is encouraged to take into account the strategic, operational and financial risks facing the Council. These amounts are then moderated to acknowledge the likelihood of all risk events occurring together. The table below presents analysis undertaken by the Council in calculating the minimum level of general reserve required.

| Risk Item | Calculation Factor | Value | Reserve Requirement |
|---|---|---|---|
| | | £'m | £ |
| Expenditure Items (gross) – Employee Related | 2% of value | 6.23 | 123,000 |
| Expenditure Items (gross) – Other | 2% of value | 10.14 | 203,000 |
| Housing Benefits | 0.25% of value | 13.05 | 33,000 |
| Fees and Charges | 3.5% of value | 5.18 | 181,000 |
| Interest Receipts/Payments | 50% fall in average rate | 0.11 | 57,000 |
| Efficiency Provisions | 30% of value | 0.70 | 211,000 |
| Council Tax Collection | 1.5% of value | 5.51 | 83,000 |
| Business Rates Retention | 5% of value | 4..13 | 207,000 |
| Development Services Income | 5% of value | 0.50 | 25,000 |
| Local Land Charges | 5% income fall | 0.14 | 7,000 |
| New Homes Bonus | 50% income fall | 0.19 | 100,000 |
| **Total Requirement all events** | | | **1,230,000** |
| Moderation | 10% reduction | | (123,000) |
| **Total Requirement** | | | **1,107,000** |

7.2.5. It is proposed that the minimum general reserve contingency balance should increase by £55,000 to £1,107,000 to meet unforeseen expenditure and/or shortfalls in income. [The Council anticipates that at 1st April 2020 it will be holding a contingency reserve of £2,153,000 and earmarked reserves (held for specific purposes) of £2,740,000].

7.2.6. The level and utilisation of reserves is determined formally by the Council, having received the advice and judgement of the Chief Financial Officer (CFO). The Chief Financial Officer's advice is:

"In the view of the Executive Director & Chief Finance Officer (Section 151 Officer), the budget includes estimates which take into account circumstances and events which are reasonably foreseeable at the time of preparing the budget. The view is therefore held, that the level of reserves are adequate for the Council based on this budget and the circumstances in place at the time of preparing it."

[Note: A formal record of the Chief Finance Officer's advice is recorded in the minutes of the Council meeting. In the unusual event that a Chief Finance Officer's advice is not accepted by a Council, the rejection by a Council of the Chief Finance Officer's advice must be recorded in the minutes].

7.2.7. Further detail of the CFO's determination in regard to contingency balances and reserves is detailed in **ANNEX E**.

### 7.3. Use of Reserves and Balances

7.3.1. The February 2019 Medium Term Financial Plan included an £7,700 contribution from General Fund Reserves in 2019/20 in respect of Section 106 (Commuted Sum). The level of Section 106 reserve usage remains at £7,700 p.a. from 2019/20.

7.3.2. The February 2019 MTFP also anticipated contributions into the General Fund contingency over the lifetime of the plan. This position remains the same throughout the period 2020/21 to 2023/24, albeit with a lower overall contribution. The planned contribution to reserves in 2019/20 is £3,140

7.3.3. The Quarter Three report forecasts that there will be a surplus against budget of £143,480, in which case, there will be a net contribution into contingency reserves of £146,620 in 2019/20.

7.3.4. The use of reserves anticipated over the 4 years has been updated in this iteration of the plan, in line with revenue forecasts. The annual changes are shown in the table below:

| Reserve / Balance | 2019/20 (Budget) | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ |
| Contingency Reserve | 3,140 | 276,010 | (63,450) | (194,450) | 17,840 |
| Section 106 Monies | (7,700) | (7,700) | (7,700) | (7,700) | (7,700) |
| **Total Contribution / (Usage)** | **(4,560)** | **268,310** | **(71,150)** | **(202,150)** | **10,140** |
| Change in use of reserves | | 272,870 | (339,460) | (131,000) | 212,290 |

7.3.5. With effect from 2020/21, the MTFP reflects a contribution of £35,950 into Contingency reserves over the next 4 years (2020/21 £276,010 contribution; 2021/22 £63,450 usage; 2022/23 £194,450 usage; and 2023/24 £17,840 contribution).

7.3.6. The table below shows the revised level of contingency reserves over the life of the Medium Term Financial Plan:

| Contingency reserve | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ |
| **As at February 2020:**<br>Estimated balance at year end | 2,153,280 | 2,429,290 | 2,365,840 | 2,171,390 | 2,189,230 |
| Minimum requirement (7.2) | 1,052,000 | 1,107,000 | 1,107,000 | 1,107,000 | 1,107,000 |
| **Headroom** | **1,101,280** | **1,322,290** | **1,258,840** | **1,064,390** | **1,082,230** |

## 8. Budget 2020/21

8.1. The prospects for the 2020/21 Budget were considered by the Council, as part of the update of the Medium-Term Financial Plan, on 3rd December 2019 prior to the commencement of the budget exercise.

8.2. Budget preparation work has now been completed and an overall balanced budget position has been reached with the inclusion of a £702,290 efficiency target and a projected contribution into reserves of £268,310.

*Proposed Budget*

8.3. The proposed 2020/21 Budget is detailed below:-

| **Budget Heading** | **2020/21** |
|---|---|
| | £ |
| Employees | 6,448,210 |
| Premises | 2,199,930 |
| Transport | 204,260 |
| Supplies & Services | 7,059,440 |
| Benefits | 5,010 |
| Borrowing | 332,730 |
| Parish Grant re Council Tax Support | 0 |
| Financing Costs | 231,380 |
| **Total Expenditure** | **16,480,960** |
| | |
| Fees and Charges / Other Income | (5,205,900) |
| Interest Receipts | (88,510) |
| Ascent LLP Income | (645,390) |
| **Net Expenditure** | **10,541,160** |
| | |
| Council Tax | (5,507,650) |
| Revenue Support Grant | 0 |
| Business Rates Retention | (4,025,430) |
| Rural Service / Transition Grant | 0 |
| New Homes Bonus | (194,890) |
| Earmarked Reserves / Balances | 268,310 |
| Collection Fund | (379,210) |
| **Total Financing** | **(9,838,870)** |
| | |
| **Cumulative Deficit / (Surplus)** | **702,290** |
| | |
| Efficiency Requirement | (702,290) |
| | |
| **In Year Deficit / (Surplus)** | **0** |

*Council Tax Requirement 2020/21*

8.4. The table below illustrates the Council Tax requirement for 2020/21:-

| | 2020/21 |
|---|---|
| | £ |
| **Net Expenditure** | **10,541,160** |
| | |
| Efficiency Target | (702,290) |
| New Homes Bonus | (194,890) |
| Rural Service Delivery Grant | 0 |
| Business Rates Retention | (4,025,430) |
| Contribution to Reserves | 268,310 |
| Collection Fund | (379,210) |
| | |
| **Net Requirement from Council Tax** | **5,507,650** |

8.5. Members will be aware that the Council has adopted the following items of expenditure as Special District Expenses (SDEs) to be levied on specific parishes:

- Leek – Brough Park, Birch Gardens, Recreation Grounds and Leek Cemetery; and
- Biddulph – Recreation Grounds.

8.6. Estimated net expenditure for 2020/21 in respect of Special District Expense items is set out in the table below:

| Special District Expense | Net Cost |
|---|---|
| | £ |
| ***Leek*** | |
| Brough Park | 99,090 |
| Recreation Grounds | 80,900 |
| Birch Gardens | 30,350 |
| Cemetery | 133,270 |
| **Total** | **343,610** |
| | |
| ***Biddulph*** | |
| Recreation Grounds | 67,320 |
| **Total** | **67,320** |
| | |
| **TOTAL LEVY** | **410,930** |

8.7. Members should note that overall Special District Expenses have been adjusted to achieve a 1.9% increase, to accord with the Council's strategy for District Council Tax levels in 2020/21.

8.8. The overall Council Tax requirement contained within these proposals is summarised in the table below.

| | Budget Requirement £ | Tax Base | Band D Council Tax £ | Increase/ (Decrease) % |
|---|---|---|---|---|
| | 5,096,720 | 33,225 | | |

| | | | | |
|---|---|---|---|---|
| District Council Tax | | | 153.40 | 1.9% |
| *Special District Expense*<br>Leek<br>Biddulph | <br>343,610<br>67,320 | <br>6,493<br>6,327 | <br>52.92<br>10.64 | <br>1.9%<br>1.9% |

## 9. MTFP General Fund Revenue Position

9.1. The medium term general fund revenue position is as set out in the table below, which summaries the impact of the discussions in the previous sections of the report:-

| Summary Revenue Position | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Revenue Consequences of Capital Spend (section 4.3) | (33,070) | 344,610 | 82,980 | 55,050 |
| Interest Rate Changes (section 5.1) | 41,680 | (33,010) | (34,700) | (35,990) |
| Borrowing Cost Changes (section 5.1) | (2,330) | 39,250 | 5,030 | 3,350 |
| Inflation Pressures (section 5.2) | 359,040 | 365,060 | 373,010 | 258,040 |
| Increased / (Reduced) Budget Demand (section 5.3) | 523,570 | 117,700 | 2,500 | (2,500) |
| Budget Growth (section 5.4) | - | - | - | - |
| Increased Council Tax Income (section 6.1) | (124,170) | (185,940) | (173,490) | (176,400) |
| Business Rates Retention (section 6.2) | 14,680 | (74,890) | (109,060) | (188,100) |
| Changes in Collection Fund Surplus (section 6.3) | (573,850) | 324,680 | 9,730 | (740) |
| Reduction in Government Grant (section 6.4) | 248,870 | - | - | - |
| Additional Fees and Charges (section 6.5) | (25,000) | (110,000) | (25,000) | (125,000) |
| Contribution to / (Use of) Reserves & Balances (section 7.3) | 272,870 | (339,460) | (131,000) | 212,290 |
| In Year Change in Position | **702,290** | **448,000** | **-** | **-** |
| Existing Efficiency & Rationalisation Plan (section 4.4) | (702,290) | (448,000) | - | - |
| Budget (Surplus) / Deficit | **-** | **-** | **-** | **-** |
| Cumulative (Surplus) / Deficit | **-** | **-** | **-** | **-** |

9.2. The table above table shows a balanced position over the life of the Medium Term Financial Plan assuming the remaining Efficiency Programme savings of £1,650,290 are achieved.

9.3. The above position includes the contribution of £35,950 into contingency reserves during the life of the plan.

9.4. **ANNEX F** shows the indicative detailed revenue budget for the period 2020/21 – 2023/24.

## 10. Consultation

10.1. The Council is committed to consulting with residents and other stakeholders to help inform the budget setting process and spending priorities/non-priorities. A variety of techniques have been used and the approaches have been iterative, building year on year on what has gone before. The Council already holds comprehensive information gathered about residents' spending priorities. Much of this information was gathered in times of rising expenditure. The financial challenges for the Council are now very different.

10.2. The consultation process for the 2020/21 Budget was undertaken in conjunction with the revised Corporate Plan via an online communication available on the Council's website. This summarised the financial challenges the Council faces and invited comment.

10.3. It will be particularly important that the Council, as it makes difficult budgetary decisions, is able to evidence that it has considered the impact of its decisions on groups with protected characteristics.

**ANNEX A**

## Proposed Capital Projections (2019/20 to 2023/24)

| Capital Schemes | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | Total |
|---|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ | £ |
| **Asset Management Plan** | | | | | | |
| Public Buildings | 12,120 | - | 183,340 | 876,440 | - | 1,071,900 |
| Car Parks | 373,160 | 284,050 | 334,650 | - | - | 991,860 |
| Public Conveniences | - | 132,400 | - | 65,400 | - | 197,800 |
| Infrastructure/Waterways | 142,400 | - | - | 23,860 | 208,220 | 374,480 |
| Leisure Centres | - | 839,000 | 299,500 | - | 213,200 | 1,351,700 |
| Depots & Park Buildings | 10,480 | 47,720 | 759,260 | 42,400 | 15,000 | 874,860 |
| Industrial Units | 58,710 | - | 17,860 | - | 60,850 | 137,420 |
| | **596,870** | **1,303,170** | **1,594,610** | **1,008,100** | **497,270** | **5,000,020** |
| | | | | | | |
| **Private Housing Grants** | **0** | **45,000** | **15,650** | **-** | **-** | **60,650** |
| | | | | | | |
| **Disabled Facilities Grants** | **1,211,000** | **1,200,000** | **1,500,000** | **1,500,000** | **1,500,000** | **6,911,000** |
| | | | | | | |
| **ICT Projects** | **138,000** | **91,900** | **50,000** | **50,000** | **50,000** | **379,900** |
| | | | | | | |
| **Fleet Management** | **1,285,100** | **2,568,290** | **152,500** | **0** | **301,640** | **4,307,530** |
| | | | | | | |
| **Other Schemes** | | | | | | |
| Conservation | 53,980 | 50,000 | 50,000 | 50,000 | 21,920 | 225,900 |
| Outdoor Sports Facilities | - | 50,000 | 50,000 | - | - | 100,000 |
| Public Parks/Play Facilities | 22,620 | 421,920 | - | - | - | 444,540 |
| CCTV | - | 275,100 | - | - | - | 275,100 |
| | **76,600** | **797,020** | **100,000** | **50,000** | **21,920** | **1,045,540** |
| | | | | | | |
| **TOTAL PROGRAMME** | **3,307,570** | **6,005,380** | **3,412,760** | **2,608,100** | **2,370,830** | **17,704,640** |
| | | | | | | |
| **CONTRIBUTIONS** | **1,211,000** | **1,227,390** | **1,500,000** | **1,500,000** | **1,500,000** | **6,938,390** |
| | | | | | | |
| **NET PROGRAMME** | **2,096,570** | **4,777,990** | **1,912,760** | **1,108,100** | **870,830** | **10,766,250** |

**ANNEX B**

## Summary of Approved Efficiency and Rationalisation Strategy (February 2017)

| Efficiency | 2017/18 | 2018/19 | 2019/20 | 2020/21 | TOTAL |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Major Procurements** | | | | | |
| Ansa Joint Venture | 100 | 200 | 100 | 100 | 500 |
| Leisure Centres | - | - | - | 500 | 500 |
| Facilities | - | 75 | - | - | 75 |
| | **100** | **275** | **100** | **600** | **1,075** |
| **Asset Management** | | | | | |
| Asset Rationalisation | 50 | 50 | 25 | 25 | 150 |
| | **50** | **50** | **25** | **25** | **150** |
| **Growth** | | | | | |
| Housing Growth | 50 | 50 | 150 | 150 | 400 |
| Business Growth | 15 | 50 | 50 | 150 | 265 |
| Industrial Units | - | 50 | 50 | - | 100 |
| | **65** | **150** | **250** | **300** | **765** |
| **Income Generation** | | | | | |
| Fees & Charges | 125 | 175 | 100 | 250 | 650 |
| Affordable Housing | 100 | 100 | - | - | 200 |
| Advertising / Sponsorship | 30 | 30 | - | - | 60 |
| Commercial Property | - | 50 | - | - | 50 |
| Enhanced Trading | 50 | - | - | - | 50 |
| | **305** | **355** | **100** | **250** | **1,010** |
| **Rationalisation** | | | | | |
| Management Staffing | 100 | - | - | - | 100 |
| Channel Shift | - | - | - | - | - |
| Service Rationalisation | 41 | - | - | - | 41 |
| | **141** | **-** | **-** | **-** | **141** |
| **TOTAL** | **661** | **830** | **475** | **1,175** | **3,141** |

The above programme has been reprofiled to take account of any changes to the expected timing of savings:-

| | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | TOTAL |
|---|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ | £ |
| **Original Programme** | 661,000 | 830,000 | 475,000 | 1,175,000 | - | **3,141,000** |
| **Amended Programme** | 661,000 | 395,000 | 935,000 | 702,000 | 448,000 | **3,141,000** |
| **Variance** | **-** | **(435,000)** | **460,000** | **(473,000)** | **448,000** | **-** |
| **Achieved Q4 2018/19** | - | 93,000 | (93,000) | **-** | | |
| **Revised Target** | **661,000** | **488,000** | **842,000** | **702,000** | **448,000** | **3,141,000** |

**ANNEX C**

# Fees & Charges

| | SMDC Proposed Fees & Charges | Charging Policy Category | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Service Area** | **2020/21** | **Full commercial** | **Fair charging** | **Cost recovery** | **Subsidised** | **Nominal** | **Free** | **Statutory** | **Total** |
| Environmental Health | Income | £13,483 | £30,647 | £20 | £2,531 | | £0 | £2,167 | £48,848 |
| | Surplus/ (Subsidy) after Costs | £4,219 | £2,766 | £20 | (£1,034) | | (£62,795) | - | (£81,859) |
| Licensing | Income | | | | | | £127,493 | £0 | £127,493 |
| | Surplus/ (Subsidy) after Costs | | | | | | (£2,680) | - | (£18,537) |
| Land Charges | Income | | | £120,149 | | | £0 | £0 | £120,149 |
| | Surplus/ (Subsidy) after Costs | | | £27,363 | | | £0 | £0 | £27,363 |
| Planning | Income | | £27,068 | £6,421 | | | | | £33,509 |
| | Surplus/ (Subsidy) after Costs | | £12,964 | £1,170 | | | | | £14,133 |
| Building Control | Income | | | £3,788 | | | | | £3,788 |
| | Surplus/ (Subsidy) after Costs | | | £3,788 | | | | | £3,788 |
| Street Naming | Income | | £12,017 | | | | | | £12,017 |
| | Surplus/ (Subsidy) after Costs | | £10,355 | | | | | | £10,355 |
| Waste | Income | £5,384 | | £23,342 | | | | | £28,726 |
| | Surplus/ (Subsidy) after Costs | £1,409 | | £1,210 | | | | | £2,619 |
| Cemeteries | Income | £15,283 | £89,262 | | | | | | £104,545 |
| | Surplus/ (Subsidy) after Costs | £9,808 | £32,854 | | | | | | £42,662 |
| Street Scene | Income | | £2,965 | | | | | | £2,965 |
| | Surplus/ (Subsidy) after Costs | | £224 | | | | | | £224 |
| Horticulture | Income | £8,737 | £1,340 | | £447 | | £0 | | £10,524 |
| | Surplus/ (Subsidy) after Costs | £2,023 | £272 | | (£59) | | (£608) | | £1,628 |
| Car Parks | Income | | £675,944 | | | | £0 | £32,500 | £708,444 |
| | Surplus/ (Subsidy) after Costs | | £288,944 | | | | (£31,870) | (£1,050) | £256,024 |
| Markets | Income | | £125,027 | | | | | | £125,027 |
| | Surplus/ (Subsidy) after Costs | | (£42,504) | | | | | | (£42,504) |
| Lettings | Income | | £10,409 | | | | | | £10,409 |
| | Surplus/ (Subsidy) after Costs | | £6,970 | | | | | | £6,970 |
| Finance | Income | | £219,000 | | | | | | £219,000 |
| | Surplus/ (Subsidy) after Costs | | £27,670 | | | | | | £27,670 |
| Elections | Income | | | | | £1,694 | | | £1,694 |
| | Surplus/ (Subsidy) after Costs | | | | | £0 | | | £0 |
| Environmental Crime | Income | | | | | | | £10,840 | £10,840 |
| | Surplus/ (Subsidy) after Costs | | | | | | | £1,189 | £1,189 |
| Community | Income | | | | | | | £700 | £700 |
| | Surplus/ (Subsidy) after Costs | | | | | | | (£314) | (£314) |

| Charging Policy | Policy Objective |
|---|---|
| Full commercial | Service is promoted to maximise revenue within an overall objective of generating a surplus from the service |
| Fair charging | Service is promoted to maximise income but subject to defined policy constraints including commitments made to potential customers on an appropriate fee structure |
| Cost recovery | Service generally available to all but without a subsidy |
| Subsidised | Service is widely accessible, but users of the service should make some contribution from their own resources |
| Nominal | Service to be fully available and a charge is made to discourage frivolous usage |
| Free | Service fully available at no cost |
| Statutory | Charges are set in line with legal obligations |

**ANNEX D**

**Medium Term Financial Plan – Principal Risks**

| Risk Category | Risk | Mitigation and Controls |
|---|---|---|
| Financial Implications | Robustness of financial assumptions within Efficiency and Rationalisation Strategy | Structured project management arrangements have been put in place with detailed business cases for each initiative – these will be strengthened in the service review process |
| Financial Implications | Additional financial pressures emerge – cost & income | The strategy is kept under constant review and adjustments will be made where necessary |
| Service Continuity | Interruptions to key services or performance standards | Resource implications and impact are identified as part of the business case process. Service continuity and maintenance of standards of service are key requirements of any new proposals |
| Corporate Governance | Maintaining stakeholder confidence; lack of clarity on accountability | Ongoing review of standards of internal control (e.g. Financial Procedure Rules reviewed and updated). Internal Audit Plan will be reviewed to account for the new approach proposed in the Efficiency & Rationalisation Strategy |
| Management of Change | Management of corporate and local, cultural change; behavioural risks; residual effects of aggregation; proposed changes to organisational structure, roles & responsibilities | Progress with achievement of aims will be monitored through an effective performance management structure. Investment has been made in a new approach to Organisational Development. |
| People Risks | Impact of cultural changes;<br><br>assessment of skills; recruitment & retention;<br><br>capacity issues | Continuing communications process for the delivery of transformation programme |
| Key Projects & Partnerships | Managing changes to shared service delivery arrangements | The project management methodology provides for an adequate transition where there are changes in service delivery |
| Performance Management | Adequacy of framework to monitor transition | Risk management processes are embedded |
| Reputation and | Maintaining existing partner | Continuing communications process for the |

| Risk Category | Risk | Mitigation and Controls |
| --- | --- | --- |
| Relationship Risks | confidence | delivery of transformation programme |
| Programme Delivery | Delays in implementation of efficiency savings | Effective governance arrangements in place to monitor plans.<br><br>Executive Directors and Senior Managers own delivery of efficiencies.<br><br>Executive Director (Transformation) appointed as programme director. |
| Programme Delivery | A number of the efficiency / rationalisation initiatives are not achieved | Structured project management approach is in place for delivery including effective exception reporting<br><br>The strategy is kept under constant review<br><br>Identification of further efficiency / rationalisation opportunities through benchmarking / effective member working groups |
| Political Support | Lack of Members support for Plan. | Regular reporting and member briefings including effective scrutiny arrangements |

**ANNEX E**

**Chief Finance Officer's Section 25 Review**

The purpose of this statement is to provide councillors with information on the robustness of the estimates and the adequacy of reserves in the Medium Term Financial Plan (MTFP).

**Background**

The Council sets in budget in February each year. In setting the budget the level of Council Tax and other fees and charges are established. Decisions are based on a budget that sets out estimates of what the Council plans to spend on each of its services in the forthcoming year.

The decision on the level of the income is taken before the financial year begins and it cannot be changed during the year, so allowance for risks and uncertainties that might increase service expenditure above that planned, must be made by:

- Making prudent allowance in the estimates for each of the services; and
- Ensuring that there are adequate reserves to draw on if the service estimates turn out to be insufficient.

Section 25 of the Local Government Act 2003 requires that the Council's Chief Finance Officer reports to Full Council when it is considering its Budget for the forthcoming financial year. The report must deal with the robustness of the estimates and the adequacy of the reserves allowed for in the budget proposals, so that councillors have professional, authoritative advice available to them when they make their decisions. Section 25 also requires members to have regard to this report in making their decisions.

**Robustness of Spending Forecasts**

Heads of Service in conjunction with the Council's Head of Finance monitor detailed budgets throughout the year. This enables additional service pressures to be identified on an on-going basis.

Reports are presented on a quarterly basis to the Resources Overview & Scrutiny Panel and Cabinet. These reports highlight all variances between spending and budgets.

The proposal for the 2020/21 Budget and updated MTFP are based on extensive analysis and assurances from Heads of Service and their finance support staff. Cabinet portfolio holders have worked with their respective Executive Directors throughout the process. Resources Overview & Scrutiny Panel members have been able to question the progress of spending throughout the year and received a report on the draft MTFP in November 2019.

Extensive work has also been carried out to produce the MTFP. A range of broad assumptions have been utilised and robustly challenged as part of the process.

Forecasts take account of the financial commitments that emerge from the Council's new Corporate Plan approved in September 2019.

The Council has taken all reasonable and practical steps to identify and make provision for the Council's commitments in 2020/21 in order to achieve a balanced budget.

**Robustness of Income Forecasts**

The level of Council Tax has been established with reference to the maximum increase allowed without requiring a referendum. A 1.9% increase has been provided for in each of the financial years of the MTFP.

The forecasts of the business rates that will be retained by the Council have been calculated in line with the current Business Rates Retention Scheme. The forecasts taken account of the following:

- The baseline income set by government;
- Prudent forecast of the financial benefits of being a member of the Staffordshire Pool arrangements;
- The award of reliefs and the receipt of Section 31 grants to compensate;
- Adequate provision to meet the impact of successful appeals; and
- Predicted levels of business rates income are based on known and expected changes to the business rates listing.

The level of fees and charges has been assessed in conjunction with Heads of Service. The proposed levels for 2020/21 take account of the following factors in line with the Council's Charging Policy:

- The cost of providing services should be fully met by income;
- There is a standard approach to concessions for those on low incomes;
- Where a subsidy is agreed, this should be used to support the development of Council services in accordance with priorities; and
- Subsidies should be reconfirmed annually.

Forecasts of New Homes Bonus are based on the principle that the Council will continue to receive funding equivalent to that received in 2020/21. This is due to the recent announcement that the current scheme is to be replaced for 2021/22.

**Key Budget Risks**

The forecasts in the MTFP include provisions for savings from the Council's Efficiency and Rationalisation Strategy. The Council has made significant progress with the achievement of the required savings with the majority of the savings having being met. However the Alliance Management Team (AMT) will need to continue to deliver the remainder of the programme throughout the early years of the MTFP.

The Government is expected to consult on a number of national reforms which will impact of the Council's finances. These include:

- Fair funding review;
- The Business Rates Retention Scheme including resetting the baseline income;
- Replacement of the New Homes Bonus Scheme.

These changes will have a significant impact on the Council's finances.

The national economic situation is currently unpredictable. At this stage it is impossible to predict the impact of the Brexit process on the Council's finances and financial planning. During this period, there is a risk that a number of local and national economic drivers such as inflation, interest rates, the valuation of assets and liabilities and the demand for and funding of services will be affected.

**Adequacy of Reserves**

The Chartered Institute of Public Finance and Accountancy's (CIPFA) Local Authority Accounting Panel (LAAP) has a guidance note on Local Authority Reserves and Balances (LAAP Bulletin 77) to assist local authorities in this process. This guidance is not statutory, but compliance is recommended in CIPFA's Statement on the Role of the Finance Director in Local Government. It is best practice to follow this guidance.

The guidance however states that no case has yet been made to set a statutory minimum level of reserves, either as an absolute amount or a percentage of budget. Each Local Authority should take advice from its Chief Finance Officer and base its judgement on local circumstances.

Reserves should be held for three main purposes:

- A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of general reserves;
- A contingency to cushion the impact of unexpected events or emergencies – this also forms part of general reserves;
- A means of building up funds known as 'earmarked reserves', to meet known or predicted funding requirements.

The CIPFA Guidance highlights a range of factors, in addition to cash flow requirements, that Councils should consider including:

- The treatment of inflation;
- The treatment of demand led pressures;
- Efficiency savings;
- Partnerships; and
- The general financial climate, including the impact on investment income.

The guidance also refers to reserves being deployed to fund recurring expenditure and indicates that this is not a long-term option. If the Council chooses to use reserves as recommended within the Budget, appropriate action will need to be factored into the MTFP to ensure that this is addressed over time.

The risk assessment process has identified a number of key risks which could impact on the Council's resources. The Council continues to face significant funding reductions and on-going budget pressures. In addition there continue to be risks associated with the Business Rate Retention Scheme.

With these risks in mind, it is recommended that the Council adopts a policy for reserves as follows:

- Set aside sufficient sums in earmarked reserves that it considers prudent. These reserves are established as are required and are reviewed regularly for both adequacy and purpose and levels are reporting appropriately in line with the established reporting processes; and
- General Reserves are maintained to be at least at the level of the contingency requirement calculated with reference to LAAP Bulletin 77 and reported to Council as part of the approved MTFP.

Earmarked reserves have been established to provide resources for specific purposes.

The proposals contained within this update do not require any contribution from General Reserves throughout the period 2020/21 to 2023/24.

**CIPFA Resilience Indicators**

In 2019 CIPFA produced a Financial Resilience Index. This is a comparative analytical tool that may be used by Chief Finance Officers to support good financial management, providing a common understanding within a council of their financial position.

The index shows a council's position on a range of measures associated with financial risk. The selection of indicators has been informed by the extensive financial resilience work undertaken by CIPFA over the past four years, public consultation and technical stakeholder engagement.

The index is made up of a set of indicators. These indicators take publicly available data and compare similar authorities across a range of factors. There is no single overall indicator of financial risk, so the index instead highlights areas where additional scrutiny should take place in order to provide additional assurance.

The indicators that are produced for district councils are as follows:

- Reserves Sustainability Measure
- Level of Reserves
- Changes in Reserves
- Interest Payable / Net Revenue Expenditure
- Gross External Debt
- Fees and Charges to Service Expenditure Ratio
- Council Tax Requirement / Net Revenue Expenditure
- Growth Above Baseline
- Unallocated Reserves
- Earmarked Reserves
- Change in Unallocated Reserves
- Change in Earmarked Reserves
- Change in HRA Reserves

Details of the indicators for 2018/19 are attached. In this analysis the Council is compared with all non-metropolitan district councils.

The indicators where the Council is showing higher risk are associated with the use and level of reserves.

The Sustainability Measure indicates the number of years that the Council’s 2018/19 reserves would last if they were used at the same average rate as over the last three years. For the Council this is some 17 years. Despite this being comparatively low, this is a considerably long timeframe and only significant if it is expected to use the reserves at that rate.

The authorities scoring a Sustainability Measure of 100 are those that have made a net contribution into reserves over the last three years.

A significant element of our drawdown over the preceding three years the contribution made out of revenue reserves to fund Capital expenditure. This was primarily associated with the purchase of the vehicle fleet including the “buy-out” of the contract hire arrangements.

The forecasts in the current MTFP do not include any contribution from general reserves so the risk rating of the Council against these indicators will reduce significantly in future years.

**Opinion**

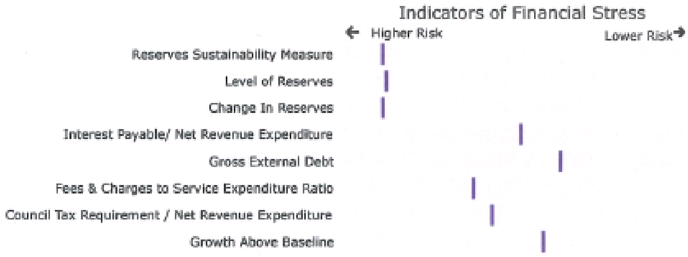
In my professional view, if the Council were to accept the current MTFP then the level of risks identified in the budget process, alongside the Council’s financial management arrangements suggest that the level of reserves is adequate.

**Andrew P Stokes**
**Executive Director & Chief Finance Officer**

# Financial Resilience Index

Tier: Lower | Authority: Staffordshire Moorlands | Comparator Group: Non Metropolitan Dist | Year: 2018-19

Results Breakdown




| Indicator | Min | Indicator Value | Max |
|---|---|---|---|
| Reserves Sustainability Measure | 2.86 | 17.52 | 100.00 |
| Level of Reserves | 23.28% | 67.11% | 300.00% |
| Change In Reserves | -51.16% | -14.62% | 490.83% |
| Interest Payable/ Net Revenue Expenditure | -7.13% | 1.80% | 525.04% |
| Gross External Debt | £0k | £11,000k | £1,212,343k |
| Fees & Charges to Service Expenditure Ratio | 1.58% | 22.12% | 70.32% |
| Council Tax Requirement / Net Revenue Expenditure | 36.95% | 65.14% | 100.00% |
| Growth Above Baseline | -129.00% | 58.00% | 287.00% |


# Financial Resilience Index

Tier: Lower | Authority: Staffordshire Moorlands | Comparator Group: Non Metropolitan Dist | Year: 2018-19

Results Breakdown



| Indicator | Min | Indicator Value | Max |
|---|---|---|---|
| Unallocated Reserves | 0.00% | 20.42% | 252.00% |
| Earmarked Reserves | 3.31% | 46.69% | 300.00% |
| Change in Unallocated Reserves | -85.78% | -37.53% | 353.84% |
| Change in Earmarked Reserves | -84.31% | 1.69% | 4,967.16% |
| Change in HRA Reserves | -316.00% | na | 754.70% |

**ANNEX F**

## Proposed Revenue Projections (2020/21 to 2023/24)

| Budget Heading | 2020/21 Projection | 2021/22 Projection | 2022/23 Projection | 2023/24 Projection |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Employees | 6,125,260 | 6,362,590 | 6,607,110 | 6,731,860 |
| Premises | 2,199,930 | 2,232,550 | 2,265,660 | 2,301,510 |
| Transport | 141,260 | 141,260 | 142,110 | 142,960 |
| Supplies & Services | 7,445,390 | 7,658,200 | 7,755,230 | 7,849,320 |
| Benefits | 5,010 | 5,010 | 5,010 | 5,010 |
| Borrowing | 332,730 | 724,750 | 810,120 | 866,870 |
| Financing Costs | 231,380 | 231,380 | 231,380 | 231,380 |
| **Total Expenditure** | **16,480,960** | **17,355,740** | **17,816,620** | **18,128,910** |
| Fees and Charges / Other Income | (5,205,900) | (5,315,900) | (5,340,900) | (5,465,900) |
| Interest Receipts | (88,510) | (119,970) | (152,030) | (186,370) |
| Ascent LLP Income | (645,390) | (655,100) | (655,100) | (655,100) |
| Recharges | 0 | 0 | 0 | 0 |
| **Net Expenditure** | **10,541,160** | **11,264,770** | **11,668,590** | **11,821,540** |
| Council Tax | (5,507,650) | (5,693,590) | (5,867,080) | (6,043,480) |
| Revenue Support Grant | 0 | 0 | 0 | 0 |
| Business Rates Retention | (4,025,430) | (4,100,320) | (4,209,380) | (4,397,480) |
| Rural Service Delivery Grant | 0 | 0 | 0 | 0 |
| New Homes Bonus | (194,890) | (194,890) | (194,890) | (194,890) |
| Earmarked Reserves | (7,700) | (7,700) | (7,700) | (7,700) |
| Contingency Balances | 276,010 | (63,450) | (194,450) | 17,840 |
| Collection Fund | (379,210) | (54,530) | (44,800) | (45,540) |
| **Total Financing** | **(9,838,870)** | **(10,114,480)** | **(10,518,300)** | **(10,671,250)** |
| **Cumulative Deficit / (Surplus)** | **702,290** | **1,150,290** | **1,150,290** | **1,150,290** |
| Efficiency Requirement (cumulative) | (702,290) | (1,150,290) | (1,150,290) | (1,150,290) |
| **Deficit / (Surplus)** | **0** | **0** | **0** | **0** |