APPENDIX A

STAFFORDSHIRE MOORLANDS DISTRICT COUNCIL

MEDIUM TERM FINANCIAL PLAN 2021/22 to 2024/25

February 2021

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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 2021/22 to 2024/25. 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 Coronavirus pandemic has had an unprecedented impact on the world and as a result, a significant impact on the Council's financial performance during 2020/21. The direct and indirect impact of this is likely to continue into 2021/22 and potentially beyond. More information on this is provided in section 4 and throughout the report.

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 was 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 16th October 2019 with 2020/21 representing the first full year of the new Corporate Plan - albeit a very challenging year with the pandemic pressures to deal with.

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 2021/22 via the Resources Overview & Scrutiny Committee. The 2020/21 performance framework was reviewed in year to account for the impact of Covid 19 on the Council's performance.

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 • Develop a positive relationship with communities • Effective relationship with strategic partners • Effective support of community safety arrangements including CCTV • 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 • Ensure services are easily available to all our residents in the appropriate channels and provided "right first time" • A high performing and well motivated workforce • More effective use of Council assets • Effective procurement with a focus on local business • Effective use of ICT
3	Help create a strong economy by supporting further regeneration of towns and villages	• Encourage business start-ups and enterprises • Flourishing town centres that support the local economy • Encourage and develop tourism • High quality development and building control with an "open for business" approach
4	Protect and improve the environment and respond to the climate emergency	• Effective recycling and waste management • Meeting the challenge of climate change • Provision of high quality public amenities, clean streets and environmental health • Provision of quality parks and open spaces • 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 • Improved health • Improved community safety
Effective use of resources and provide value for money	• Council services provide value for money • 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 • Increased economic growth • Increased tourism
Protect and improve the environment and respond to the climate emergency	• High recycling rates • 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 (2020/21) General Fund budget can be summarised as follows:

Income and Expenditure	2020/21 Budget
	£
Employees	6,125,260
Premises	2,174,930
Transport	141,260
Supplies & Services	7,318,100
Benefits	5,010
Borrowing	332,730
Financing Costs	231,380
Total Expenditure	**16,328,670**
Fees and Charges / Other Income	(5,755,900)
Interest Receipts	(88,510)
Ascent LLP Income	(645,390)
Net Expenditure	**9,838,870**

3.3. The net expenditure is financed as follows:

Financing	2020/21 Budget
	£
Council Tax	(5,507,650)
New Homes Bonus	(194,890)
Business Rates Retention	(4,025,430)
Collection Fund Surplus	(379,210)
Contribution to Balances	268,310
Total Financing	**(9,838,870)**

3.4. The medium-term projection for capital commitments approved by Members in February 2020 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**

3.5. The MTFP presented in February 2020 did flag the risks around the outcomes of national funding reviews (i.e. fair funding; business rates retention; and new homes bonus) which may have a detrimental impact on the future financial position.

3.6. The forecast general fund reserves position over the life of the current approved MTFP was estimated to be::-

Contingency Reserves	2019/20 (£)	2020/21 (£)	2021/22 (£)	2022/23 (£)	2023/24 (£)
Balance at Year End	2,153,280	2,429,290	2,365,840	2,171,390	2,189,230
Minimum Requirement	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

4. Coronavirus Pandemic

4.1. The Coronavirus pandemic has had, and is likely to continue having, an adverse impact on the Council's financial position. The financial impact is arising from additional expenditure in dealing with the crisis both externally and organisationally, lost income and savings targets that may not be met within the same timeframe due to resources being diverted elsewhere.

4.2. There is concern about the longer-term financial impact this will have on the delivery of corporate plan objectives. Therefore, to attempt to understand and forecast this and to allow more time to effectively plan the longer term response, an early review of the MTFP was undertaken and this was presented to Members in September 2020.

4.3. The September update focused on updating the MTFP as approved in February 2020 - therefore no additional financial years were added and no additional budget demand items were included. The review simply updated the current MTFP in light of the estimated financial impact of Covid-19.

4.4. A second update was then presented in November, which moved the MTFP on, adding an additional year, focusing on the 4 year period 2021/22 – 2024/25. The September / November MTFP updates highlighted a forecast ***use of reserves*** would now be required over the 4 years in order to balance the MTFP position (as opposed to a contribution which was originally forecast in February 2020) :-

MTFP Version	Use of / (Contribution to) Reserves
Feb 2020	(£35,950)
Sept 2020	£1,833,220
Nov 2020	£1,793,780

4.5. This version of the MTFP updates the forecasts included in November based on the provisional settlement information released in December, latest economic forecasts, assumptions around the timing and level of capital and revenue expenditure and income and impact of the Covid-19 response and recovery.

Quarter 3 Financial Update

4.6. The 2020/21 forecast has been updated as part of the Quarter 3 Financial Update.

4.7. In summary, the Quarter 3 Financial Update forecasts a £229,180 surplus for 2020/21 after taking into account Covid-19 related funding. The surplus is mainly due to the indirect impact of the pandemic on the council's underlying level of activity with demand for services reduced and initiatives delayed or curtailed. These savings mask a £106,000 predicted shortfall between the direct impact of Covid 19 and the level of Government support received.

4.8. When establishing the 2020/21 budget, it included a contribution into general fund contingency reserves of £0.28million. Therefore, the forecast surplus position results in a variance to this assumption of £0.23million – with an overall £0.51million contribution to contingency reserves.

4.9. At the end of 2019/20, the Council established a Covid-19 earmarked reserve specifically to support with the financial impact of Covid-19 totalling £500,000 - utilising part of the 2019/20 underspend generated.

4.10. Based on the quarter 3 projection, £106,000 could be drawn from the earmarked reserve, leaving £394,000 for future years. This would effectively remove the impact of Covid 19 on the 2020/21 outturn increasing the surplus to £335,180 and the contribution to contingency reserves to £0.62million

4.11. The 2020/21 financial position will be monitored through the remainder of the year taking into account the actual recovery of income levels and services and any further updates on Government funding.

Government Covid-19 Funding

4.12. The Secretary of State for the Ministry of Housing, Communities and Local Government (MHCLG) announced a package of financial support for local government, providing three central pillars of support:

COVID-19 related expenditure

- An overall £4.3 billion non ring-fenced allocation. The allocations reflect the factors from which the MHCLG monthly data returns (as completed by each Local Authority) correlate most closely with expenditure. The allocations also take account of population, deprivation and the way that service costs vary across the country.

Irrecoverable income loss

- Recognises that Councils have lost a great deal of income from sales, fees and charges (SFC) since the start of the pandemic.
- Reimbursements of lost income where these losses are more than 5% of planned income - Government will fund 75p in every pound. The income scheme will cover transactional income from the delivery of services which is unavoidably irrecoverable – this will be the net loss. The 5% deductible will be based on total SFC's budgets - it is not a line by line analysis. No forms of commercial income will be covered by this scheme.

Losses in tax revenue

- Tax deficits can be repaid over three years rather than the usual one
- There is uncertainty at this point how much tax loss will materialise, so the government have agreed an apportionment of irrecoverable council tax and business rates losses, between central and local government, for 2020 to 2021.

4.13. In addition, Government has provided financial support to Councils to:

- administer the business grants and self-isolation payment process
- support homelessness activity
- support the reopening of high streets
- support with the cost of compliance and enforcement of Covid restrictions
- support the recovery of the Leisure sector (subject to claim)

4.14. The Council has also received funding from Staffordshire County Council to support track and trace compliance and enforcement duties.

4.15. The table below provides a summary of Government and County funding (confirmed and estimated)

Covid Grant Support	**SMDC** £
Covid 19 General Support- Phases 1-4	1,279,830
Covid 19 Grants Admin Support	213,336
Covid 19 Income Loss Support (est)	369,790
Covid 19 Leisure Recovery Fund (est)	180,000
General Support	**2,042,956**
Covid 19 Track & Trace (via County)	125,190
Covid 19 Compliance Enforcement	39,516
Service Specific Support	**164,706**
Total	**2,207,662**

Tier Classifications / Second National Lockdown

4.16. In an attempt to contain localised increases in Covid-19 cases, the Government introduced a tiered system at the end of September 2020. The tiers (originally three) – medium, high and very high – represented various restrictions dependent on the classification.

4.17. Staffordshire had been placed in the 'tier 2 – high' category from 31st October 2020 – which introduced restrictions on household mixing indoors.

4.18. However, on 31st October, the Prime Minister announced a second national lockdown in England from 5th November to 2nd December. Similar to the first national lockdown, all non-essential shops, leisure and hospitality businesses are required to close, but education facilities will this time remain open.

4.19. The District was then placed in Tier 3 from 2nd December, with some businesses then allowed to reopen (hospitality, accommodation and some leisure businesses still closed) and has subsequently been placed in the new 'Tier 4 – Stay at Home' from 31st December – which effectively replicates the second lockdown position with non-essential shops / personal care businesses closing again.

4.20. As of 5th January 2021, England has been placed into a full national lockdown with schools also closing.

4.21. There will no doubt be an impact on the provision of Council services and consequential increased costs / reduced income. This impact will be estimated within the report and assumptions made in respect of further Government funding as a result of the national lockdown.

5. Transformation Programme

5.1. Introduction

5.1.1. 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
- Treasury management implications of capital programme and economic changes
- The Efficiency and Rationalisation Strategy
- The Council's major contracts
- Member Priority Projects

5.1.2. 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.

5.1.3. 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.

5.2. Capital Strategy

5.2.1. 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 2021/22.

5.2.2. 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.

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

5.3. Capital Programme

5.3.1. The Capital Programme presented to Members in February 2020 has been reviewed, re-profiled and updated to reflect the latest position in terms of capital projections to 31st March 2025. The review also estimates the impact Covid-19 has had on delivery of the approved programme. Some projects have inevitably been delayed due to the lockdown periods, social distancing measures and contractor availability.

5.3.2. Consequently, the five-year capital programme (including 2020/21) is forecast at £16,311,600. The latest capital projections, specifically identifying the major schemes, are summarised in the table below. Full detail is attached in **ANNEX A**.

Service Area	2020/21	2021/22	2022/23	2023/24	2024/25	Total
	£	£	£	£	£	£
Asset Management Plan	775,640	663,160	1,404,360	915,490	1,081,390	4,840,040
Housing Grants	790,000	1,515,650	1,500,000	1,500,000	1,500,000	6,805,650
ICT Strategy	116,610	141,900	50,000	50,000	50,000	408,510
Fleet Management	986,130	1,716,940	-	301,640	-	3,004,710
Other Schemes	408,850	651,920	100,000	41,920	50,000	1,252,690
Total Revised Programme	**3,077,230**	**4,689,570**	**3,054,360**	**2,809,050**	**2,681,390**	**16,311,600**
Financed by:-						
External Contributions	795,000	1,512,390	1,500,000	1,500,000	1,500,000	6,807,390
Capital Receipts	110,000	25,000	77,500	-	-	212,500
Capital Reserve	557,000	-	-	-	-	557,000
Earmarked Reserves	220,850	-	-	-	-	220,850
Borrowing	1,394,380	3,152,180	1,476,860	1,309,050	1,181,390	8,513,860
Total Revised Financing	**3,077,230**	**4,689,570**	**3,054,360**	**2,809,050**	**2,681,390**	**16,311,600**

5.3.3. The capital projections above include the carry forward of £596,840 capital budgets from 2019/20. Further detail on the capital schemes are provided below.

Asset Management Plan (AMP)

5.3.4. 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 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.

5.3.5. 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	**2016-17 – 2019-20 £**	**2020-21 – 2045-46 £**	**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***

5.3.6. This position has been reviewed and updated annually 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.

5.3.7. The table below reflects the updated capital investment requirements as at February 2021, adjusted for 2019/20 actual outturn, any in-year re-profiling that has taken place in 2020/21 and changes to spending plans – which reduces the forecast capital spend by £996,607 over the 30 years from the original position; reported in September 2016.

SMDC AMP Capital Investment					**MTFP**		**2025-26 to 2046-47**	**TOTAL**
	2016-17 (Actuals) £	**2017-18 (Actuals) £**	**2018-19 (Actuals) £**	**2019-20 (Actuals) £**	**2020-21 to 2023-24 £**	**2024-25 £**	**(21 Years) £**	**£**
Public Buildings	70,020	410,000	387,460	12,120	641,560	418,220	2,153,770	4,093,150
Car Parks	-	1,290	4,660	394,620	399,890	371,950	3,809,554	4,981,964
Public Conveniences	-	3,280	-	31,310	169,050	-	361,900	565,540
Waterways & Infrastructure	5,270	261,090	1,790	84,640	232,080	-	343,761	928,631
Leisure Centres	1,700	95,170	5,090	2,410	1,280,700	172,400	7,512,818	9,070,288
Depots and Parks Buildings	-	-	1,650	3,920	956,660	56,820	1,488,882	2,507,932
Industrial Units	-	-	3,810	58,580	78,710	62,000	269,200	472,300
Total	**76,990**	**770,830**	**404,460**	**587,600**	**3,758,650**	**1,081,390**	**15,939,885**	**22,619,805**
Revenue Consequences	-	11,250	30,700	22,300	183,040	48,880	680,260	976,430

5.3.8. The Council will be developing an Asset Management Strategy over the next 12 months to ensure the future delivery of efficient asset management. This work will be progressed once the condition surveys have been undertaken and the updated 30 year costs of maintaining the general fund asset stock are known. The above will then be reset.

5.3.9. 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

5.3.10. The Council has a joint venture housing company established in partnership with Your Housing. The company developed some 290 affordable homes up until 2016. Since then further developments have not been feasible. Ascent now only trades as a registered provider with a portfolio of some 211 rented properties.

5.3.11. A £5million 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).

5.3.12. In addition, £14million of a £20million 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 5.3.14)

5.3.13. 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 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. At each point of refinancing, the rate is reset at the PWLB rate on the day plus the margin of 1.25%.

5.3.14. 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. Further updates will provided in future MTFP updates once a new funding agreement has been confirmed.

Housing Grants

5.3.15. 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.

5.3.16. The funding for these adaptations had 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.

5.3.17. 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

5.3.18. Government funding has increased each year since 2015/16. Based on current information (as at Quarter Three), the allocation for 2020/21 will not be fully utilised to support the current year's grants programme; this will bring the Disabled Facility reserve up to £3.9m at year end.

5.3.19. There is currently no waiting list for DFG assessments and so if there is to be any significant spend against the new increased budget, there is a pressing 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. A new dedicated DFG promotion/project Officer post has now been recruited, and the role aims to ensure that both the mandatory and discretionary grant schemes are promoted across all areas of Staffordshire Moorlands. The Officer will work with our DFG Service Provider to explore creative mechanisms for making sure the grant offer reaches the widest possible client base.

5.3.20. Examples of initiatives which are being 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

5.3.21. 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.

5.3.22. 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.

5.3.23. Consequently, estimated requirements of £246,410 are included within the MTFP, which primarily relate to the implementation of a system to aid waste collection processes and the migration and compliance requirements of the cash receipting system.

5.3.24. There are other projects currently at initial business case or procurement stage, such as; the migration of the current licensing system, replacement procurement workflow 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

5.3.25. There is also £100,000 set aside in an earmarked reserve which was established specifically to support with the implementation of the ICT Strategy.

Fleet Management

5.3.26. 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.

5.3.27. 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.

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

5.3.29. 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 £3,004,710 in order to replace vehicles as they reach the end of their useful lives.

5.3.30. 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

5.3.31. 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:

- ***Forsbrook Community Project - £200,000***
  Partnership contribution & loan towards development of a community facility & improvements to car parking services

- ***Leek Town Football Club – contribution towards a 3G pitch - £100,000***
  Representing a contribution towards the installation of a 3G pitch

- ***Investment in ICT Digital Transformation & ICT Investment - £68,450***
  Includes the migration to a new payments system.

- ***Outdoor Sports Facilities - £100,000***
  Allocation available to support requests for funding of improvements to small outdoor sports facilities.

- ***Moorlands Partnership grant funding - £50,000***
  Moorlands partnership annual contribution; to support the board's work in awarding grants to improve historic buildings and structures.

In addition, there is £140,000 set aside as the remaining committed contribution to support the refurbishment and upgrade of Cheadle Town Council facilities (first tranche was allocated to play facilities), the Council is currently awaiting detailed proposals of these plans.

Financing the Capital Programme

5.3.32. 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.

5.3.33. 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 £0.21m will be available over the next five years (subject to a review of surplus assets). Revenue and capital reserves of £0.78m are forecast (at this stage) to be applied over the period.

5.3.34. Where no other resources can be applied, borrowing becomes the funding option for the programme. The Council's estimated borrowing requirement over the 4 years is shown below:-

Borrowing Requirement	**2021/22**	**2022/23**	**2023/24**	**2024/25**
Total	**£ 224,580**	**£ 323,870**	**£ 379,190**	**£ 438,350**

5.3.35. 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 in 5.3.36.

5.3.36. 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

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

Revenue Consequence (changes year-on-year)	2021/22	2022/23	2023/24	2024/25
	£	£	£	£
Ascent Loan Income	122,510	37,960	0	0
Debenture Income	0	0	0	0
Investment Income	(1,150)	0	(2,620)	(60)
Borrowing Costs	41,140	88,570	45,780	43,850
Total	**162,500**	**126,530**	**43,160**	**43,790**

5.4. Efficiency & Rationalisation Strategy

5.4.1. 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.

5.4.2. 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.

5.4.3. 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.

5.4.4. 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

5.4.5. 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**

5.4.6. Subsequently, a review was undertaken in February 2019 to assess the timing and estimated value of future savings based on the current programme. When setting the MTFP in February, there remained a £1.150 million savings target to be achieved in 2020/21 and 2021/22. Following additional savings that were realised in quarter 4 of 2019/20, the overall target remaining has been reduced to £967,000.

5.4.7. The table below shows the projected reprofiled Efficiency Programme (taking into account the actual 2019/20 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	488,000	842,000	702,000	448,000	**3,141,000**
Variance	**-**	**(342,000)**	**367,000**	**(473,000)**	**448,000**	**-**
Achieved Q4 2019/20	-		183,000	(183,000)		
Revised Target	**661,000**	**488,000**	**1,025,000**	**519,000**	**448,000**	**3,141,000**

5.4.8. The Efficiency Programme continues to progress, however, with the coronavirus pandemic, progression has stalled during 2020/21, with £136,600 in savings realised at the Quarter Three stage in 2020/21 (against an updated target of £519,000).

5.4.9. The Covid-19 recovery phase and impact on the Council's financial position is forecast at this stage to continue into 2021/22 (if not longer). Therefore, it is recognised that delivering the 2021/22 savings requirement of £448,000 (together with any shortfall from 2020/21) may prove to be extremely difficult. However, there are significant savings planned for realisation in the next 12 months in regard to fleet procurement. In addition, the Council has an earmarked reserve established to support with any reprofiling requirements of the efficiency programme with £493,000 currently set aside. Therefore, if there was a shortfall in achieving savings in 2021/22, this reserve could be used.

5.4.10. No assumptions in respect of any 'new' efficiency programme have been incorporated into this iteration of the plan.

5.5. Major Contracts

5.5.1. One of the major cost pressures as a result of Covid-19 has been the impact on some of the Council's major contracts. However, there are also other potential pressures, as well as potential savings that need to be reflected in the MTFP forecast.

Alliance Environmental Services

5.5.2. 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.

5.5.3. The company has experienced additional cost pressures as a result of the Covid-19 pandemic in regard to additional agency and overtime costs to enable social distancing and additional cleaning and personal protective equipment – the amount apportioned to SMDC is forecast at £163,840 in 2020/21.

5.5.4. The contract fee for 2021/22 has been established following discussions between the Council and AES. The contract fee has been calculated based on the base 2020/21 contract fee plus 2021/22 inflation/growth items less forecast savings achieved.

5.5.5. Change demand items flagged by AES which will affect the management fee from 2021/22 include: Increased waste tonnage costs (ongoing covid effect); Recycling contracts decline in market, impact on income, offset partially by an increase in recycling credits from increased tonnage (covid effect).

5.5.6. Savings of £500,000 were originally forecast in the Efficiency & Rationalisation Programme – which are split between AES and savings to be achieved from Council retained budgets.

Leisure Centres

5.5.7. Financial support has been provided in respect of the Council's leisure centre operation during the various lockdown and recovery periods – which is being rolled on a monthly basis. The leisure centre operation has seen income receipts wiped out during the period the leisure centres were closed and is forecasting slow recovery phase as footfall is reduced in the early stages of recovery to maintain social distancing and facilities are opened on a phased basis. The second lockdown means that the facilities will once again close during this period.

5.5.8. An estimated £763,230 spend pressure is currently assumed in 2020/21 which is largely covered by Government COVID-19 support grants and the assumption that the Council will be allocated funding via the Leisure recovery fund.

5.5.9. Recognising that leisure centre recovery may be prolonged and income levels may not reach pre-COVID-19 levels in the near future, a £452,000 growth item has been built into the MTFP in 2021/22 based on latest forecasts of Leisure Centre recovery, which is offset by an assumed £180,000 in grant funding from the Leisure recovery Fund – this is reversed back out from 2022/23 on the working assumption of a return to pre COVID-19 levels.

5.5.10. It has not been confirmed at this stage if the Leisure Recovery fund will continue into 2021/22, which places a risk on the assumptions included in the MTFP.

Facilities Management

5.5.11. In 2020/21 the Cleaning & Caretaking Contract was taken over by Vertas (having been outsourced by Derbyshire County Council), the Council are currently working with Vertas to mitigate any overspend in 2020/21 and arrive at a balanced budget in 2021/22.

5.5.12. The Council are currently exploring an alternative delivery model for the operation of Facilities Management via establishing a trading company in partnership with High Peak B.C. and Norse Commercial Services (wholly owned by Norfolk County Council) This is subject to conclusion and approval of the business case. No financial consequences of this arrangement have been built into the MTFP at this stage.

5.6. Member Priority Actions / Projects

5.6.1. 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**			✓
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	**Y**			✓

Member Priority Actions / Projects	Financial Implications			
	(y/n)	Firm - in plans	Costs understood - not in plans	Costs not yet known
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**			✓

5.6.2. 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.

6. Financial Forecasts

6.1. Introduction

6.1.1. A review of financial forecasts includes:-

- Updated interest rate forecasts
- Updated inflationary projections
- Any pensions impact relating to economic changes
- Estimation of any budget demand or growth items that have been incorporated into the MTFP, including additional medium term costs of COVID recovery (in accordance with work streams Reinstating Services, Economic recovery and Community recovery)
- Potential financial savings from new ways of working (in accordance with recovery plan stream Taking advantage of the positive legacy)

6.2. Interest Rates

6.2.1. Following the decrease in the Bank of England base rate to 0.10% in March 2020, and the context of the impact of the coronavirus pandemic, the expectation is that interest rates will continue at current low levels throughout the period of the MTFP, with only a small potential increase in the 4^{th} year.

6.2.2. The Council's advisors Link do not include negative interest rates in their forecast, but their average earning forecast shows an expectation of near 0% return.

6.2.3. The PWLB consultation was released at the end of November 2020 and, as was widely anticipated, rates were reduced by 1%, a reversal of the overnight 1% increase that was imposed in October 2019, along with a restriction that Councils cannot borrow from the PWLB if they have purchase any assets which are primarily debt for yield.

6.2.4. This has not directly impacted the forecast of borrowing interest rates as borrowing from other Local Authorities was assumed as these are currently at extremely low levels. However, the reintroduction of the PWLB for borrowing as result of this interest rate reduction provides more options for the Council to borrow particular for longer periods.

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

Changes to treasury estimates based on interest rate changes	2021/22	2022/23	2023/24	2024/25
	£	£	£	£
Changes in Investment Income	68,950	(1,360)	60	(14,510)
Changes in Borrowing costs	(149,290)	10,720	9,540	15,310

6.2.6. The forecast budget for borrowing costs and investment income are shown below:-

Treasury Budgets – Borrowing costs and investment Income	2021/22	2022/23	2023/24	2024/25
	£	£	£	£
Borrowing Costs	224,580	323,870	379,190	438,350
Investment Income	(543,590)	(506,990)	(509,550)	(524,120)

6.3. Inflationary Projections

6.3.1. The Retail Price Index (RPI) and Consumer Price Index (CPI) 12 month rate, as at December 2019, stood at 1.2 % and 0.6% respectively. Inflation forecasts are made reflecting the composition of the Council's expenditure, resulting in an inflation rate specific to the Council.

6.3.2. This includes the impact on staff pay, supplies and services, premises related costs an transport. The inflationary effects of Covid-safe working arrangements will feed through the system as increased supplies and service costs as contracts are renewed and uplifted.

6.3.3. The MTFP has been updated to reflect the latest forecasts on inflation and to roll forward a further 12 months to include the 2024/25 financial year. The full costs to the Council arising from inflation are forecast in the table below.

Expenditure/Income	2021/22	2022/23	2023/24	2024/25
	£	£	£	£
Employee Costs	195,060	142,790	65,000	65,560
Premises Costs	27,190	27,530	27,870	28,220
Transport	-	-	1,410	1,430
Supplies and Services	135,880	113,760	108,870	110,010
In-Year Inflation Pressure	**358,130**	**284,080**	**203,150**	**205,220**

6.4. Budgetary Demand

6.4.1. The Medium Term Financial Plan presented to Council in February 2020 analysed and projected forward both income and expenditure. This has been revised to reflect known changes in budgetary demand.

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

Increased / (Reduced) Budget Demand	2021/22	2022/23	2023/24	2024/25
	£	£	£	£
Uniforms – Customer Services	(2,500)	2,500	(2,500)	2,500
Contract Hire Adjustment	120,200	-	-	-
Car Park income loss - Covid effect	81,000	(81,000)	-	-
AES Waste tonnage increase - Covid effect	107,500	9,800	10,400	11,000
AES Recycling contracts decline in market	56,200	20,200	19,400	18,600
Recycling credits - Covid effect - increased tonnage	(45,000)	-	-	-
Leisure Centre Support	272,000	(272,000)	-	-
AES contract sum planned reduction	-	(109,500)	(60,000)	-
Staffs Wildlife Trust SLA - Planning Ecological support	24,500			
Assets - Asbestos & Legionella surveys	10,000	(10,000)		
Assets - H&S Path Maintenance	10,000	(7,500)		
Assets - Bus shelter maintenance	15,000			
Regeneration - Market Stalls AES	53,000	(53,000)		
Development Control - design support	6,500			
Local Plan - Base budget realignment	(51,500)	(20,000)		
ICT Costs – Mid call upgrade	8,000			
Homelessness - Funding contributions	(43,000)			
Total	**621,900**	**(520,500)**	**(32,700)**	**32,100**

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

- Leisure centres – one year support of £452,000 has been included with an assumption that further Government assistance will be available in 2021/22; the net provision for this purpose is £272,000.
- Car parks - income loss due to Covid has been included to the sum of £81,000 for one year only. This is in part offset by Government Income Loss Compensation Grant assumed at £20,000
- Waste Collection - Recycling cost pressures of £163,700 have been included due to increased tonnages – offset by increased credits income.
- Market stalls – increased setting up costs in 2021/22 following withdrawal of former contractor. Alternative arrangements to be reviewed for 2022/23.
- Local Plan – Following recent adoption of the Local Plan the budget requirements are reduced now for a number of years.

6.4.4. 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.

6.4.5. 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.

6.4.6. Any financial savings realised as a result of work practices changed due to Covid will be offset against the remaining efficiency programme targets. Relevant areas of potential saving include printing, travel costs, postage and utilities.

6.5. Budget Growth

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

6.6. Pensions

6.6.1. The Pension Fund triennial valuation, which took place in 2019, fixed the Council's contributions for the first 2 years of this plan. A further valuation is to take place in 2022, which will set the contributions payable up until 2025/26.

6.6.2. At this stage the plan assumes no further increase in contributions will be necessary arising out of the 2022 valuation. At the 2019 valuation the Staffordshire Moorlands portion of the Pension Fund had a funding level of 84%.

6.6.3. The impacts of Covid19 are not expected to have an effect on pension contribution rates at this stage. The long term nature of Pension Fund forecasting means the impacts of short term financial shocks are mitigated. This situation will continue to be monitored following the outcome of this next valuation.

6.6.4. The Council carries an earmarked reserve for Pension purposes, which was originally set up to meet extraordinary pension costs outside if the actuarial valuation process. It has become obsolete having never been used for this purpose and it is proposed that this reserve is re-designated and transferred to General Fund contingency.

7. Funding & Income Generation

7.1. Introduction

7.1.1. The key areas of funding and income generation include:
- Council Tax and Business Rates collection
- Income from Government Grants
- Longer term impact on fees and charges income

7.2. Council Tax

7.2.1. 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. For 2021/22, this percentage has been confirmed as 2%, but alternatively, lower tier Authorities have the option to increase the Band D equivalent by a set £5 – and so can apply either the 2% or £5 – whichever is higher.

7.2.2. In line with current guidance, this iteration of the MTFP assumes that a £5 increase is applied in 2021/22 with 1.9% assumed from 2022/23 onwards (as Government consultation is currently ongoing regarding future years).

7.2.3. Provision has been included within the Plan to reflect anticipated growth in Council Tax base over the next 4 years. Having seen the growth in tax base slow during the pandemic as house-building and employment levels were affected; it is assumed that this will recover in 2022/23 boosted by an upturn in the economy. The figures included are shown in the table below:

Increased Council Tax Income	2021/22	2022/23	2023/24	2024/25
	£	£	£	£
Council Tax increase	(165,520)	(107,900)	(111,090)	(114,070)
Revenue from tax base growth	(5,980)	(59,790)	(45,820)	(46,690)
TOTAL	**(171,500)**	**(167,690)**	**(156,910)**	**(160,760)**
Council Tax Income Budget	**(5,679,150)**	**(5,846,840)**	**(6,003,750)**	**(6,164,510)**

7.2.4. There is an increased risk associated with non-payment as a result of the impact of Covid-19, with some households potentially struggling to meet instalments. Collection Rates for 2020/21 are behind what they normally are, although this is currently largely distorted by deferred payments plans and stalled recovery. Having said that, it is recognised that there will be an impact on collection rates in 2021/22. However, the financial impact will only be realised if outstanding debts are not collected in the medium term and are subsequently written off.

7.3. Business Rates Retention

7.3.1. 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 2021/22); 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.

7.3.2. 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 retains 40% of this levy plus 20% or £215,000, whichever is the larger; meaning that for every £1 achieved above the baseline at least 60% is retained by the Council with the remainder going to the Pool to be distributed within Staffordshire. The benefit to the Council of being part of the Pool arrangement is estimated to be £451,730 in 2021/22.

7.3.3. 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 2022/23 at the earliest.

7.3.4. 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, caps on inflation to the multiplier, extended rural relief, and the increase in the provision for RV reductions on successful appeals. 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 equivalent Section 31 grants will continue on any extension to reliefs announced by the Government.

7.3.5. Extended Retail Relief was announced by Government in March 2020 which awarded full Business Rates relief to all retail, hospitality and leisure related businesses (with Councils reimbursed via s31 grants from Government). The council will 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. It is unknown at this stage if the extended Retail Relief will continue into 2021/22. Either way, the Council would either be reimbursed via Government grant or the amount would be collectable from businesses.

7.3.6. However, as a result of Covid-19 and the impact recession and social distancing measures are having on businesses, there is a risk that the District may see a reduction in the business tax base and therefore business rates retention. A reduction of 0.5% has been included in this version of the MTFP.

7.3.7. There is also a risk associated with non-payment, with businesses potentially struggling to meet instalments. Collection Rates for 2020/21 are holding up, but this is dependent on businesses meeting deferred / changed payments plans. A financial impact of lower collection rates will only be realised if outstanding debts are not collected in the near term and are subsequently written off. Prior to the Covid-19 climate an annual provision for bad debts of 0.6% was usually included in the budget. This has been increased to 1% for 2021/22; 0.8% in 2022/23; returning to 0.6% in 2023/24 and 2024/25.

7.3.8. Changes in the level of the Council's business rates will be impacted by a range of factors, as discussed above, 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	**2021/22**	**2022/23**	**2023/24**	**2024/25**
	£	£	£	£
In year:				
Baseline Funding	(2,622,420)	(2,665,170)	(2,708,610)	(2,752,760)
Achievement against Baseline	165,150	116,580	34,510	(38,810)
Section 31 Grant	(1,344,030)	(1,379,780)	(1,424,940)	(1,470,590)
Total	**(3,801,300)**	**(3,928,370)**	**(4,099,040)**	**(4,262,160)**
Change between years:				
Business Rates retained	44,790	(91,320)	(125,510)	(117,470)
Section 31 Grant	179,340	(35,750)	(45,160)	(45,650)
Total	**224,130**	**(127,070)**	**(170,670)**	**(163,120)**

7.3.9. The original Staffordshire Business Rates pool was disbanded at the end of 2018/19, with a new pool created from 2019/20. As at 31st March 2019, there remained a significant balance in the 'Central Investment Fund' which had accumulated over previous years from business rates retention contributions. Therefore, the Council is due a share of the fund to represent the contributions made due to participation in the pool – this share amounts to £595,000. This will be placed into an earmarked reserve and used to support the Council's future projects around economic regeneration, business support and improving town centres as well as supporting economic recovery post Covid-19.

7.4. Collection Fund

7.4.1. 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.

7.4.2. The Government announced that it will extend the period over which Councils must manage exceptional deficits on the collection fund relating to 2020/21 owing to the Covid-19 situation, from the usual one year to three years. This is intended to ease immediate pressures on Councils when budget setting for 2021/22, protecting their ability to deliver essential local services.

7.4.3. The hardship element of the Local Council Tax Reduction Scheme; and the Extended Retail Relief and Nursery Discount on Business Rates are all funded by grants, therefore do not impact on the exceptional deficit.

7.4.4. The Staffordshire Moorlands' share of a deficit, in respect of Council Tax, to be distributed in 2021/22 is £72,450. This leaves a small exceptional deficit to be distributed in 2022/23 and 2023/24 in accordance with the Government's allowance that deficits occurring during 2021/22 as a result of the Covid crisis can be distributed over the next three years as opposed to the normal one. Staffordshire Moorlands share of this exceptional balance distribution will be £12,580 in each year.

7.4.5. The government's Local Taxation Income Guarantee Scheme to compensate local authorities for 75% of irrecoverable losses on Council Tax is currently forecast as £13,670 for 2020/21. The indicative allocation for the Local Council Tax Support Grant in 2021/22 is £91,840.

7.4.6. The Staffordshire Moorlands' share of the business rates deficit to be distributed in 2021/22 is £3,989,340. The vast majority of this relates to the award of Extended Retail Relief announced by the Government in response to the Covid crisis. Therefore the Council has ringfenced s31 grant funding received in 2020/21 to offset this deficit distribution in 2021/22. This leaves a small exceptional deficit to be distributed in 2022/23 and 2023/24 in accordance with the Government's allowance that deficits occurring during 2021/22 as a result of the Covid crisis can be distributed over the next three years as opposed to the normal one. Staffordshire Moorlands share of this exceptional balance distribution will be £44,300 in each year.

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

Changes in Collection Fund Income	2021/22	2022/23	2023/24	2024/25
	£	£	£	£
Council Tax	106,890	(99,420)	8,430	(13,770)
Business Rates	4,334,110	(3,945,040)	0	(44,300)
Total	**4,441,000**	**(4,044,460)**	**8,430**	**(58,070)**

7.5. Income from Government Grants

New Homes Bonus (NHB)

7.5.1. In the provisional Local Government financial settlement released in December, the Government confirmed that during 2021/22, it would be consulting on a replacement for the New Homes Bonus scheme (originally planned for 2020/21, but delayed due to Covid-19). 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.

7.5.2. The allocation of New Homes Bonus is secure for 2021/22 albeit reduced compared to assumption made within the MTFP - the Council will receive £121,880 in funding next year; beyond that no commitment is made for future years.

7.5.3. The 2021/22 bonus is made up of £4,480 in new award and £117,400 in legacy payments relating to previous years' awards. The low level of new award for 2021/22 reflects the disruption to the house building sector caused by the onset of the Covid-19 pandemic. As with 2020/21 this new award is for one year only and does not create legacy payments in future years.

7.5.4. The MTFP presented in November assumed total NHB receipts of £584,670 for years 2 – 4 of the Plan (2022/23 to 2024/25). This assumption has been reduced to £450,000 due to the delay in implementation of a new scheme and the low award in 2021/22. This amount remains at risk if the new scheme is less generous to Staffordshire Moorlands than the old scheme was.

7.5.5. The recent tendency towards one-off annual awards with no associated legacy payments, has further eroded the base income received by the Council from this funding source.

7.5.6. In the absence of any further information, this iteration of the MTFP assumes that the Council will continue to receive funding at a base level of £150,000 pa; but does so with the recognition of the major risk this represents to the viability of the Plan beyond 2021/22.

Local Council Tax Support Grant

7.5.7. 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.

7.5.8. 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.

7.5.9. The basis of the model underlying the Local Council Tax Reduction Scheme is currently being reviewed (but the current scheme will remain unchanged in 2021/22 subject to any changes required by the DWP), 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.

Covid-19 Related Grant Support

7.5.10. The Council has received Government funding towards Covid-19 pressures during 2020/21. This has included non-ringfenced grants, specific grants (for additional services provided such as the administration of the grants process and compliance and enforcement of restrictions) and partial reimbursement of irrecoverable fees and charges income.

7.5.11. As part of the spending review announcement in December 2020, it was confirmed that Government support would be provided into 2021/22, including the following grant awards:-

- Covid-19 Relative Needs Grant (£435,880)
- Lower Tier Services Grant (£111,680)
- Local Council Tax Support Grant (£91,840)

7.5.12. At this stage, it is assumed that this funding will not continue into future years.

Summary of Income from Government Grants

7.5.13. The table below summarises the movement in Government funding over the MTFP period:

Government Grant (gain) / loss of funding	2020/21 (Budget)	2021/22 (forecast)	2022/23 (forecast)	2023/24 (forecast)	2024/25 (forecast)
	£	**£**	**£**	**£**	**£**
New Homes Bonus	(194,890)	(121,880)	(150,000)	(150,000)	(150,000)
Covid-19 Funding	-	(659,400)	-	-	-
	(194,890)	**(781,280)**	**(150,000)**	**(150,000)**	**(150,000)**
Change in Govt Funding	**-**	**(586,390)**	**631,280**	**-**	**-**

7.6. Fees and Charges

7.6.1. 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

7.6.2. Charges are set in line with the categories below

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

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

7.6.4. The MTFP assumes that income losses suffered in 2020/21 arising out of the Covid19 outbreak have substantially recovered by 2021/22 except for in the area of car parking, which is expected to fully recover by 2022/23.

7.6.5. The Medium Term Financial Plan would normally project that the Council will increase fees and charges (and other income) broadly in line with inflation. Whilst recognising 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.

7.6.6. However, the assumed annual increase in base income has been suspended for years 1 and 2 of the plan, whilst fees and charges income levels recover from the Covid19 shock. The underlying annual total expected from inflationary increases to fees and charges from year 3 onwards has been set at £25,000, recognising the potential overlap with income generation themes included in the Efficiency Programme.

7.6.7. In 2021/22, additional revenue had been included arising out of an increase in car park charges deferred from 2020/21 subject to a review of the Parking Strategy. This review is underway and so, for now, this assumption has been pushed back to 2022/23 subject to the outcomes of this. A further increase is factored in for 2023/24 – again subject to the review.

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

Increased Fees and Changes	2021/22	2022/23	2023/24	2024/25
	£	£	£	£
Revenue from increased Fees and Charges	-	-	(25,000)	(25,000)
Revenue from Car Park charge increase*	-	(85,000)	-	(100,000)
Total	**-**	**(85,000)**	**(25,000)**	**(125,000)**
Total budgeted Income from Fees & Charges	**(5,679,740)**	**(5,885,900)**	**(6,004,370)**	**(6,035,900)**

**subject to the outcomes of the Parking Strategy review*

8. Risks, Contingencies & Use of Reserves

8.1. Contingencies

8.1.1. 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.

8.1.2. 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.

8.1.3. 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.

8.1.4. 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	3% of value	6.33	190,000
Expenditure Items (gross) – Other	3% of value	10.39	312,000
Housing Benefits	0.25% of value	11.50	29,000
Fees and Charges	5.5% of value	5.10	281,000
Interest Receipts/Payments	50% fall in average rate	0.02	10,000
Efficiency Provisions	50% of value	0.70	352,000
Council Tax Collection	2.5% of value	5.68	142,000
Business Rates Retention	6% of value	3..80	228,000
Development Services Income	6% of value	0.50	30,000
Local Land Charges	6% income fall	0.14	8,000
New Homes Bonus	50% income fall	0.12	61,000
Total Requirement all events			**1,643,000**
Moderation	10% reduction		(164,300)
Total Requirement			**1,478,700**

8.1.5. It is proposed that the minimum general reserve contingency balance should increase by £373,000 to £1,480,000 to meet unforeseen expenditure and/or shortfalls in income. The increase represents the uncertainty within the MTFP in respect of the coronavirus pandemic and the impact the recovery phase may have. [The Council anticipates that at 1st April 2021, it will be holding a contingency reserve of approximately £3.5m]

8.1.6. 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 Acting 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].

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

8.2. Use of Reserves and Balances

8.2.1. When setting the Budget and Medium Term Financial Plan in February 2020, the general fund contingency reserves balance as at 31st March 2020 was estimated to total £2.153 million.

8.2.2. The 2019/20 provisional outturn position highlighted a £1.32 million surplus – of which £500,000 was set aside specifically to fund COVID-19 recovery activities. After other earmarked reserves movements, the general fund contingency balance as at 31st March 2020 was £2.419million (£0.260 million higher than forecast in the MTFP presented in February).

8.2.3. In addition, a review of current earmarked reserves has been undertaken to establish if the purpose for which the reserve was set up is still applicable and at the correct value. The purpose of which – particularly in light of Covid-19 - is to identify any cash resources that can be reallocated into contingency reserves to support the MTFP over the next 4 years:

- The Council carries an earmarked reserve for Pension purposes, which was originally set up to meet extraordinary pension costs outside if the actuarial valuation process. It has become obsolete having never been used for this purpose and has been identified for re-designation. This review increases the contingency reserves by £450,000.

8.2.4. The Quarter Three report forecasts that there will be a surplus against budget of £335,180 (referred to in 4.10 above). This means there will be a net contribution into contingency reserves of £611,190 in 2020/21.

8.2.5. The updated MTFP shows a forecast cumulative deficit position of £0.756 million over the four years – which represents the required use of reserves in order to balance the 4 year plan. The annual changes in the contingency reserve as well as other earmarked reserves where it is planned to draw funding, are shown in the table below.

8.2.6. With effect from 2021/22, the MTFP reflects a £756,410 use of Contingency reserves over the next 4 years (2021/22 £256,080 usage; 2022/23 £307,650 usage; 2023/24 £186,710 usage; and 2024/25 £5,970 usage).

Reserve	2020/21 (Budget)	2021/22	2022/23	2023/24	2024/25
	£	£	£	£	£
Contingency Reserve	276,010	(256,080)	(307,650)	(186,710)	(5,970)
Section 106 Monies	(7,700)	(7,700)	(7,700)	(7,700)	(7,700)
Business Rates s31 Reserve	0	(3,989,340)	(44,300)	(44,300)	0
Total Contribution / (Usage)	**268,310**	**(4,253,120)**	**(359,650)**	**(238,710)**	**(13,670)**
Change in use of reserves	-	(4,521,430)	3,893,470	120,940	225,040

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

Contingency reserve	2020/21 (Budget)	2021/22	2022/23	2023/24	2024/25
	£	£	£	£	£

As at February 2021: Balance at year end	3,480,790	3,224,710	2,917,060	2,730,350	2,724,380
Minimum requirement (7.2)	1,107,000	1,480,000	1,480,000	1,480,000	1,480,000
Headroom	**2,373,790**	**1,744,710**	**1,437,060**	**1,250,350**	**1,244,380**

8.2.8. At the end of year 4 of the plan (2024/25) there would be an estimated balance of £2.724 million in General Fund Contingency reserves – which would be £1.244 million above the required £1.48 million minimum balance.

8.2.9. The updated MTFP illustrates a requirement to draw from reserves in all four years of the plan – however with an estimated marginal £5,970 required in year 4 (2024/25) representing a more or less balanced position by year 4.

8.2.10. All of the above is subject to the assumptions as detailed in the sections above which is extremely difficult to forecast. These assumptions will be continually monitored.

8.3. Risk Identification and Management

8.3.1. 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**.

8.3.2. 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.

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

Revenue Risks	Capital Risks

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

8.3.4. In addition, there are a number of Covid-19 related financial risks to the MTFP to be regularly reviewed and considered:-

- The impact that a recession may have on Council Tax and Business Rates collection and increased risk of non-payment which is not subsequently collected
- The period of recovery is prolonged which has further cost pressure consequences for the Council – especially in regard to the operation of leisure centres
- Fees and Charges income levels do not return to pre-Covid levels as forecast
- The economy is deflated post-recovery leading to ongoing economic problems in town centres and the broader economy, as well as community safety issues, which lead to increased cost pressures
- Increased demand on certain services e.g. Benefits and economic support.
- Further national lockdowns / tiered systems imposed which leads to further pressures on businesses and households and additional costs to the Council in providing support

8.4. Britain's Exit from the European Union

8.4.1. The United Kingdom left the European Union on 31st January 2020, whereupon the country entered into a transition period. A deal in regard to the UK's future relationship with the European Union was agreed in December 2021. While this should hopefully mitigate against what were seen as potentially negative effects on the economy at this stage it is not possible to predict the full impact of the Brexit process on the Authority's finances and financial planning.

8.4.2. As a result of Brexit, 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.

8.4.3. 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 2021/22 budget had there been a 1% change in its key economic drivers.

Risk item	Impact on 2021/22
1 % change in inflation	98,000
1 % change in interest rates	(197,000)

9. Budget 2021/22

9.1. Budget **preparation** work has now been completed and an overall balanced budget position has been reached with the inclusion of a £448,000 efficiency target and a projected £256,080 use of contingency reserves.

Proposed Budget

9.2. The proposed 2021/22 Budget is detailed below:-

Budget Heading	2021/22
	£
Employees	6,320,320
Premises	2,202,120
Transport	141,260
Supplies & Services	8,039,880
Benefits	5,010
Borrowing	224,580
Parish Grant re Council Tax Support	0
Financing Costs	231,380

Total Expenditure	**17,164,550**
Fees and Charges / Other Income	(5,739,900)
Interest Receipts	(20,710)
Ascent LLP Income	(522,880)
Net Expenditure	**10,881,060**
Council Tax	(5,679,150)
Business Rates Retention	(3,801,300)
Covid-19 Funding	(639,400)
New Homes Bonus	(121,880)
Earmarked Reserves / Balances	(4,253,120)
Collection Fund	4,061,790
Total Financing	**(10,433,060)**
Cumulative Deficit / (Surplus)	**448,000**
Efficiency Requirement	(448,000)
In Year Deficit / (Surplus)	**0**

Council Tax Requirement 2021/22

9.3. The table below illustrates the Council Tax requirement for 2021/22:-

	2021/22
	£
Net Expenditure	**10,881,060**
Efficiency Target	(448,000)
New Homes Bonus	(121,880)
Rural Service Delivery Grant	(639,400)
Business Rates Retention	(3,801,300)
Use of Reserves	(4,253,120)
Collection Fund	4,061,790
Net Requirement from Council Tax	**5,679,150**

9.4. 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.

9.5. Estimated net expenditure for 2021/22 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	30,400
Cemetery	133,270
Total	**343,660**

Biddulph Recreation Grounds **Total**	 67,110 **67,110**
TOTAL LEVY	**410,770**

9.6. Members should note that overall Special District Expenses have been adjusted to achieve a £5 increase, to accord with the Council's strategy for District Council Tax levels in 2021/22.

9.7. 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) %**
District Council Tax	5,096,720	33,260	158.40	3.26%
Special District Expense				
Leek	343,660	6,494	52.92	0%
Biddulph	67,110	6,307	10.64	0%

10. MTFP General Fund Revenue Position

10.1. 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	**2021/22**	**2022/23**	**2023/24**	**2024/25**
	£	£	£	£
Revenue Consequences of Capital Spend (section 5.3.36)	162,500	126,530	43,160	43,790
Interest Rate Changes (section 6.2.5)	(80,340)	9,360	9,600	800
Inflation Pressures (section 6.3.3)	358,130	284,080	203,150	205,220
Increased / (Reduced) Budget Demand (section 6.4.2)	621,900	(520,500)	(32,700)	32,100
Budget Growth (section 6.6.1)	0	0	0	0
Increased Council Tax Income (section 7.2.3)	(171,500)	(167,690)		

			(156,910)	(160,760)
Business Rates Retention (section 7.3.8)	224,130	(127,070)	(170,670)	(163,120)
Changes in Collection Fund Surplus (section 7.4.7)	4,441,000	(4,044,460)	8,430	(58,070)
Reduction in Government Grant (section 7.5.13)	(586,390)	631,280	0	0
Additional Fees and Charges (section 7.6.8)	0	(85,000)	(25,000)	(125,000)
Contribution to / (Use of) Reserves (section 8.2.7)	(4,521,430)	3,893,470	120,940	225,040
In Year Change in Position	**448,000**	**0**	**0**	**0**
Efficiency & Rationalisation Plan (section 5.4.7)	(448,000)	0	0	0
Budget (Surplus) / Deficit	**0**	**0**	**0**	**0**

10.2. The table above table shows a balanced position over the life of the Medium Term Financial Plan assuming the remaining Efficiency Programme savings of £448,000 are achieved.

10.3. The above position includes the use of £753,960 from contingency reserves during the life of the plan.

10.4. **ANNEX F** shows the indicative detailed revenue budget for the period 2021/22 – 2024/25.

11. Consultation

11.1. 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.

11.2. The consultation process for the 2021/22 Budget was undertaken via an online communication included in the Council's business newsletters. With the significant uncertainties and risk within this MTFP update, it is extremely difficult to have any meaningful consultation at this stage with so many factors not fully understood. This will be enhanced again for next years budget setting and MTFP process.

ANNEX A

Proposed Capital Projections (2020/21 to 2024/25)

Capital Schemes	2020/21	2021/22	2022/23	2023/24	2024/25	Total
	£	£	£	£	£	£
Asset Management Plan						
Public Buildings	-	-	223,340	418,220	418,220	1,059,780
Car Parks	99,890	300,000	-	-	371,950	771,840
Public Conveniences	69,410	-	99,640	-	-	169,050
Infrastructure/Waterways	14,000	-	9,860	208,220	-	232,080
Leisure Centres	586,000	219,500	262,000	213,200	172,400	1,453,100
Depots/Parks/Cemeteries	6,340	143,660	791,660	15,000	56,820	1,013,480
Industrial Units	-	-	17,860	60,850	62,000	140,710
	775,640	**663,160**	**1,404,360**	**915,490**	**1,081,390**	**4,840,040**
Private Housing Grants	**15,000**	**15,650**	**-**	**-**	**-**	**30,650**
Disabled Facilities Grants	**775,000**	**1,500,000**	**1,500,000**	**1,500,000**	**1,500,000**	**6,775,000**
ICT Projects	**116,610**	**141,900**	**50,000**	**50,000**	**50,000**	**408,510**
Fleet Management	**986,130**	**1,716,940**	**-**	**301,640**	**-**	**3,004,710**
Other Schemes						
Conservation	26,850	50,000	50,000	41,920	50,000	218,770
Outdoor Sports Facilities	-	150,000	50,000	-	-	200,000
Public Parks/Play Facilities	170,000	251,920	-	-	-	421,920
CCTV	212,000	-	-	-	-	212,000
Community Facilities	-	200,000	-	-	-	200,000
	408,850	**651,920**	**100,000**	**41,920**	**50,000**	**1,252,690**
TOTAL PROGRAMME	**3,077,230**	**4,689,570**	**3,054,360**	**2,809,050**	**2,681,390**	**16,311,600**
CONTRIBUTIONS	**795,000**	**1,512,390**	**1,500,000**	**1,500,000**	**1,500,000**	**6,807,390**
NET PROGRAMME	**2,282,230**	**3,177,180**	**1,554,360**	**1,309,050**	**1,181,390**	**9,504,210**

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	488,000	842,000	702,000	448,000	**3,141,000**
Variance	**-**	**(342,000)**	**367,000**	**(473,000)**	**448,000**	**-**
Achieved Q4 2019/20	-		183,000	(183,000)		
Revised Target	**661,000**	**488,000**	**1,025,000**	**519,000**	**448,000**	**3,141,000**

ANNEX C

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; assessment of skills; recruitment & retention; 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

Risk Category	Risk	Mitigation and Controls
Reputation and Relationship Risks	Maintaining existing partner confidence	Continuing communications process for the delivery of transformation programme
Programme Delivery	Delays in implementation of efficiency savings	Effective governance arrangements in place to monitor plans. Executive Directors and Senior Managers own delivery of efficiencies.
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 The strategy is kept under constant review 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 D

Chief Finance Officer's Review of Contingencies / Reserves

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 2021/22 Budget and updated MTFP are based on 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 September and November 2020. These reports started to outline the significant estimated impact that the coronavirus pandemic has had on the MTFP

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 2021/22 in order to achieve a balanced budget – whilst taking into account the financial impact the pandemic has had and continues to have.

Robustness of Income Forecasts

The level of Council Tax has been established with reference to the maximum increase allowed without requiring a referendum. A £5 (Band D equivalent) increase has been provided for in 2021/22, followed by a 1.9% increase in years 2-4 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.
- Impact of Covid-19 on collection and debts

The level of fees and charges has been assessed in conjunction with Heads of Service. The proposed levels for 2021/22 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.
- Impact on demand for services in light of Covid-19

In the absence of any further information, this iteration of the MTFP assumes that the Council will continue to receive New Homes Bonus funding at a base level of £150,000 pa; but does so with the recognition of the risk this represents to the viability of the Plan beyond 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. The coronavirus pandemic has and will continue to impact on the Council in terms of both the response phase and subsequent recovery phase. In addition, 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 as well as the continued impact of the pandemic.

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. This contingency level has been increased to reflect the uncertainty within the MTFP

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

The proposals contained within this update require a £756,410 use of reserves over the period 2021/22 to 2024/25.

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

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

The Sustainability Measure indicated 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.

CIPFA are looking to update the index in 2021 – however recognising that the reserves position following the impact the Coronavirus has had on Local Authorities will have significantly changed.

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.

Claire Hazeldene
Acting Executive Director & Chief Finance Officer

ANNEX F

Proposed Revenue Projections (2021/22 to 2024/25)

Budget Heading	2021/22 Projection	2022/23 Projection	2023/24 Projection	2024/25 Projection
	£	£	£	£
Employees	6,320,320	6,463,110	6,528,110	6,593,670
Premises	2,202,120	2,229,650	2,257,520	2,285,740
Transport	141,260	141,260	142,670	144,100
Supplies & Services	8,039,880	7,714,140	7,790,310	7,932,420
Benefits	5,010	5,010	5,010	5,010
Borrowing	224,580	323,870	379,190	438,350
Financing Costs	231,380	231,380	231,380	231,380
Total Expenditure	**17,164,550**	**17,108,420**	**17,334,190**	**17,630,670**
Fees and Charges / Other Income	(5,739,900)	(5,885,900)	(5,910,900)	(6,035,900)
Interest Receipts	(20,710)	(21,990)	(24,550)	(39,120)
Ascent LLP Income	(522,880)	(485,000)	(485,000)	(485,000)
Recharges	0	0	0	0
Net Expenditure	**10,881,060**	**10,715,530**	**10,913,740**	**11,070,650**
Council Tax	(5,679,150)	(5,846,840)	(6,003,750)	(6,164,510)
Covid-19 Grant Funding	(639,400)	0	0	0
Business Rates Retention	(3,801,300)	(3,928,370)	(4,099,040)	(4,262,160)
New Homes Bonus	(121,880)	(150,000)	(150,000)	(150,000)
Earmarked Reserves	(3,997,040)	(52,000)	(52,000)	(7,700)
Contingency Balances	(256,080)	(307,650)	(186,710)	(5,970)
Collection Fund	4,061,790	17,330	25,760	(32,310)
Total Financing	**(10,433,060)**	**(10,267,530)**	**(10,465,740)**	**(10,622,650)**
Cumulative Deficit / (Surplus)	**448,000**	**448,000**	**448,000**	**448,000**
Efficiency Requirement (cumulative)	(448,000)	(448,000)	(448,000)	(448,000)
Deficit / (Surplus)	**0**	**0**	**0**	**0**