



STAFFORDSHIRE MOORLANDS DISTRICT COUNCIL

MEDIUM TERM FINANCIAL PLAN
2023/24 to 2026/27

February 2023

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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 four 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 as part of 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 2023/24 to 2026/27. It also includes an assessment of key risks and a presentation of longer-term financial issues which have the potential to impact on the Council.
- 1.4. The Council will demonstrate economy, efficiency and effectiveness in the application of its resources. Value for Money (VFM) is maximised when there is an optimum balance between economy, efficiency and effectiveness.
 - Economy: the price the Council pays for providing its services
 - Efficiency: how much the Council gets out of what is put in (productivity)
 - Effectiveness: value of the impact achieved (quantitative or qualitative)

2. Strategic Priorities

- 2.1. The Medium-Term Financial Plan is driven by local priorities. The Council's spending strategy is set out in the Corporate Plan formally adopted by members of the Council.
- 2.2. The delivery of the Corporate Plan is measured through the Performance Framework and monitored using a set of local performance indicators and targets established for the coming year. The Medium Term Financial Plan reflects the contents of the plan ensuring that resources are directed towards key priorities.
- 2.3. The Council's vision is expressed 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

2.4. 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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

2.5. 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 such as supporting the police and other partners to reduce crime; ensuring effective health provision, particularly for the elderly; and working with partners to improve the provision of local bus services in order to ensure that services are shaped and delivered around the needs and aspirations of citizens.

2.6. 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	Outcomes
Help create a safer and healthier environment for our communities to live and work	<ul style="list-style-type: none"> • Increased supply of quality affordable homes • Improved health • Improved community safety
Effective use of resources and provide value for money	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Sustainable towns and rural communities • Increased economic growth • Increased tourism
Protect and improve the environment and respond to the climate emergency	<ul style="list-style-type: none"> • High recycling rates • Reduction in carbon emissions

2.7. 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. 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 (2022/23) General Fund budget can be summarised as follows:

Income and Expenditure	2022/23 Budget
	£
Employees	6,650,920
Premises	2,312,230
Transport	141,260
Supplies & Services	7,569,450
Benefits	5,010
Borrowing	99,310
Total Expenditure	16,778,180
Fees and Charges / Other Income	(5,905,900)
Interest Receipts	(79,390)
Net Expenditure	10,792,890

3.3. The net expenditure is financed as follows:

Financing	2022/23 Budget
	£
Council Tax	(5,882,250)
Business Rates Retention	(4,344,950)
Government Funding	(361,850)
New Homes Bonus	(255,050)
Earmarked Reserves / Balances	(914,280)
Contingency Balances	120,230
Collection Fund (Surplus)/ Deficit	845,260
Total Financing	(10,792,890)

3.4. The medium-term projection for capital commitments approved by Members in February 2022 is detailed below:

Service Area	2021/22	2022/23	2023/24	2024/25	2025/26	Total
	£	£	£	£	£	£
Asset Management Plan	508,660	734,260	1,509,790	717,700	2,824,390	6,294,800
Housing Grants	1,523,200	1,500,000	1,500,000	1,500,000	1,500,000	7,523,200
Housing	10,000,000	-	-	-	-	10,000,000
ICT Strategy	122,000	20,000	50,000	50,000	40,560	282,560
Fleet Management	1,062,630	774,070	320,000	15,000	-	2,171,700
Other Schemes	740,890	473,000	171,920	170,000	120,000	1,675,810
Total Programme	13,957,380	3,501,330	3,551,710	2,452,700	4,484,950	27,948,070
Financed by:-						
External Contributions	1,519,940	1,500,000	1,500,000	1,500,000	1,500,000	7,519,940
Capital Receipts	3,215,750	71,000	16,000	11,000	-	3,313,750
Revenue Reserves	1,200,000	-	-	-	-	1,200,000
Earmarked Reserves	1,185,650	-	-	-	-	1,185,650
Borrowing	6,836,040	1,930,330	2,035,710	941,700	2,984,950	14,728,730
Total Financing	13,957,380	3,501,330	3,551,710	2,452,700	4,484,950	27,948,070

Reserves

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

Contingency reserve	2021/22 (Budget)	2022/23	2023/24	2024/25	2025/26
	£	£	£	£	£
Balance at year end	5,522,300	5,642,530	5,578,630	5,527,640	5,527,640
Minimum requirement	1,480,000	1,480,000	1,480,000	1,480,000	1,480,000
Headroom	4,042,300	4,162,530	4,098,630	4,047,640	4,047,640

4. Pandemic, global issues and inflationary impacts

- 4.1. The impact of the Coronavirus pandemic has receded from the position in 2021 with the removal of all Government restrictions on public behaviour. The effects on the Council will continue to be monitored over the Winter with an expected rise in case numbers.
- 4.2. The Covid-19 earmarked reserve of £600,000 remains in place to support with the financial impact on the Council, which given the effect Covid-19 has had on the Council's costs will be utilised in 2023/24.
- 4.3. The impacts of the conflict in Ukraine continue to be felt globally fuelling inflation in the energy markets and contributing to supply chain issues which have a tangible effect on the Council's finances.
- 4.4. The impact of recession, high inflation, increasing interest rates and cuts in Government spending all have an impact on the Council finances and demand for services. These threats are reflected in the assumptions made in this iteration of the MTFP.

5. Transformation Programme

5.1. Introduction

- 5.1.1. 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.
- 5.1.2. The progress and current financial projections of the transformation programme are 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, a Capital Strategy has been updated for 2023/24.
- 5.2.2. The Strategy, which is being presented to members alongside 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 2022 has been reviewed, re-profiled and updated to reflect the latest position in terms of capital projections to 31st March 2027. The five-year capital programme (including the current year 2022/23) is forecast at £23,721,000.

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

Service Area	2022/23	2023/24	2024/25	2025/26	2026/27	Total
	£	£	£	£	£	£
Asset Management Plan	275,490	1,080,000	1,484,440	2,371,490	852,260	6,063,680
Housing Grants	1,121,200	1,774,000	2,200,000	2,200,000	2,200,000	9,495,200
ICT Strategy	68,040	50,000	62,780	40,560	-	221,380
Fleet Management	451,190	561,000	101,500	24,700	1,496,200	2,634,590
Leisure	155,870	2,980,190	120,000	70,000	-	3,326,060
Regeneration	84,030	61,920	878,000	50,000	50,000	1,123,950
Other Schemes	256,140	600,000	-	-	-	856,140
Total Revised Programme	2,411,960	7,107,110	4,846,720	4,756,750	4,598,460	23,721,000
Financed by:-						
External Contributions	1,117,940	3,736,420	2,200,000	2,200,000	2,200,000	11,454,360
Planning Obligations	-	210,000	-	-	-	210,000
Capital Receipts	69,000	-	-	-	-	69,000
Capital Reserve	-	900,000	-	-	-	900,000
Revenue Reserves	65,000	25,500	24,000	5,500	-	120,000
Earmarked Reserves	56,140	-	-	-	-	56,140
Borrowing	1,103,880	2,235,190	2,622,720	2,551,250	2,398,460	10,911,500
Total Revised Financing	2,411,960	7,107,110	4,846,720	4,756,750	4,598,460	23,721,000

5.3.3. The capital projections above include the carry forward of £495,500 capital budgets from 2021/22.

Asset Management Plan (AMP)

5.3.4. It is essential that the Council maintains an asset base that delivers the ambitions of the Corporate Plan whilst being affordable. The Capital Strategy (presented alongside the MTFP in February 2023) sets out the outcomes and actions, including the potential capital and revenue financial implications, of maintaining the Council's current property assets over a 30-year period, as summarised below:

SMDC AMP Capital Investment & Revenue Consequence (AS AT SEPT 2016)	2016-17 – 2019-20	2020-21 – 2045-46 (26 years)	TOTAL
	£	£	£
Public Buildings	1,010,850	2,761,600	3,772,450
Car Parks	754,000	4,293,431	5,047,431
Public Conveniences	181,400	415,800	597,200
Waterways & Infrastructure Assets	479,361	448,761	928,122

SMDC AMP Capital Investment & Revenue Consequence (AS AT SEPT 2016)	2016-17 – 2019-20	2020-21 – 2045-46 (26 years)	TOTAL
	£	£	£
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

5.3.5. The table below reflects the updated capital investment requirements as at January 2023, adjusted for 2021/22 actual outturn, any in-year re-profiling that has taken place in 2022/23 and changes to spending plans. This amends the overall forecast capital spend by £1,187,327 over the 30 years from the original position.

SMDC AMP Capital Investment	2016-17 (Actuals)	2017-18 (Actuals)	2018-19 (Actuals)	2019-20 (Actuals)	2020-21 (Actuals)	2021-22 (Actuals)	MTFP		2027-28 to 2046-47 (19 Years)	TOTAL
							2022-23 to 2025-26	2026-27		
	£	£	£	£	£	£	£	£	£	£
Public Buildings	70,020	410,000	387,460	12,120	-	-	1,204,780	131,000	1,877,770	4,093,150
Car Parks	-	1,290	4,660	394,620	99,890	100,130	1,012,940	268,430	3,099,781	4,981,741
Public Conveniences	-	3,280	-	31,310	67,170	2,438	164,900	-	297,000	566,098
Industrial Sites	-	-	3,810	58,580	-	-	140,710	-	269,200	472,300
Waterways Infrastructure	5,270	261,090	1,790	84,640	14,500	3,575	294,000	420,000	343,761	1,428,626
Leisure Centres	1,700	95,170	5,090	2,410	539,910	197,985	1,132,390	-	6,293,763	8,268,418
Depots Parks Cemeteries	-	-	1,650	3,920	6,340	138,511	1,261,700	32,830	1,143,801	2,588,752
Total	76,990	770,830	404,460	587,600	727,810	442,639	5,211,420	852,260	13,325,076	22,399,085
Revenue Consequences	-	11,250	30,700	22,300	14,410	26,260	393,010	-38,210	719,840	1,179,560

5.3.6. The Council is developing an Asset Management Strategy to ensure the future delivery of efficient asset management. This work is being progressed following the recent completion of condition surveys which have provided the 30-year costs of maintaining the general fund asset stock. The above will then be reset.

5.3.7. 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.

Housing Grants

5.3.8. The District Council is the duty holder under the Housing Grants, Construction and Regeneration Act 1996 for the 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.

5.3.9. The funding for these adaptations has been given directly to the Council previously but from 2015/16, the funding has been incorporated into the Better Care Fund and paid to the County Council. 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.

5.3.10. Government funding has increased each year since 2015/16. The Disabled Facility reserve at the end of 2021/22 was £4.6m. A new service provider and fundamental changes to the way the DFG programme will be put in place from 1st April 2023. It is intended that the new arrangements will enable a wider range of grant options to be delivered; offer more advice and improved promotional activities, to increase user uptake.

ICT Strategy

5.3.11. An updated IT Strategy is being developed currently, alongside an Organisational Development Strategy and Access to Services Strategy. The aim is to drive a change in culture and deliver the systems, processes and skills required in an environment where information is shared seamlessly through connected systems. This will potentially reduce costs of services through optimisation, improving online services and enabling customers to self-serve. This will also reduce manual administrative tasks, removing paper processes and allowing Officers to focus on high-value tasks.

5.3.12. Consequently, estimated requirements have been included within the MTFP. There are other projects at initial business case or procurement stage. More accurate costings of these will be developed as business cases progress.

5.3.13. There is also £450,000 set aside in an earmarked reserve which was established specifically to support with the implementation of the ICT Strategy.

Fleet Management

5.3.14. The Council's Fleet management service is now provided by Alliance Environmental Services (AES) including procurement, whereas the responsibility for funding fleet acquisitions remains with the Council. The capital programme contains a forward plan of fleet replacement requirements based on estimates of the useful lives of the existing fleet and future business needs.

5.3.15. 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.

5.3.16. The proceeds from the sale of vehicles will be used to fund future purchases and, 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

5.3.17. The summaries below provide 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 being developed where further work is required to estimate costings:

Levelling Up Fund (LUF) £600,000

£600,000 was earmarked as match funding towards the Cheadle Leisure Centre Levelling Up Fund (LUF) round 2 bid that was unsuccessful. This amount remains earmarked towards any opportunities to match fund it with future funding, including a bid for LUF round 3 that the Government has indicated will open.

Public Sector Decarbonisation Scheme £2,175,000

Funding of £1,910,000 has been secured under the above initiative for energy efficiency works at Biddulph Valley Leisure Centre. (Matched funding of 12% (£265,000) is required.)

Hot Lane Biddulph – (Multi Use Games Area) £87,420

The Football Foundation has awarded funding of £52,420 towards the above project to provide new play 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.

Cheadle Town Council £140,000

Remaining contribution towards refurbishment works at Tean Road Recreation ground, includes building refurbishments, provision of a Youth Shelter and extension of car park

Financing the Capital Programme

5.3.18. The capital programme can be funded from several options which include external grants and contributions from third parties comprising of, for example; Government and Lottery funding; capital receipts from asset sales as part of the asset management plan; earmarked revenue reserves and borrowing.

5.3.19. The main area of spending within the current programme which is expected to be funded from external resources is support towards Disabled Facilities Grants. Revenue and capital reserves of £1.076m are forecast (at this stage) to be applied over the period.

5.3.20. Where no other resources can be applied, borrowing becomes the funding option for the programme, optimised to minimise the impact of interest rates and finance charges. The Council's estimated borrowing requirement over the 4 years is shown below:

Borrowing Requirement	2023/24	2024/25	2025/26	2026/27
	£	£	£	£
Total	2,235,190	2,622,720	2,551,250	2,398,460

5.3.21. The Treasury Management Strategy sets the financing framework, goals and objectives for the Council and 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 5.3.23.

5.3.22. 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 undertaken and suggests that the most financially viable option is to outright purchase.

Revenue Consequences of the Capital Programme

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

Revenue Consequence (changes year-on-year)	2023/24	2024/25	2025/26	2026/27
	£	£	£	£
Investment Income	22,490	33,940	27,350	29,690
Borrowing Costs	25,220	42,000	53,650	51,630
Total	47,710	75,940	81,000	81,320

5.4. Efficiency & Rationalisation Strategy

5.4.1. The current Efficiency and Rationalisation Strategy was approved by Members in February 2017 and was due to finish in 2021/22. It had the effect of both reducing expenditure and increasing income. The need to grow income is now a growing priority as the Council moves more towards being self-financing (that is, not as reliant on direct government funding such as revenue support grant).

5.4.2. The strategy was developed with the underlying principles of protecting frontline service delivery. It is 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. It focused primarily on major procurements, the asset management plan, growth, income generation and rationalisation.

5.4.3. Whilst the strategy was largely delivered, a savings target of £100,000 was incorporated into Year 4 of the 2022/23 MTFP approved in February 2022. This saving has subsequently been rolled into the following review of the strategy.

5.4.4. In conjunction with stakeholders, the outputs of an 'Ideas Lab' exercise undertaken during the Autumn of 2022 are being developed and early expectations of the outputs of this to produce a new strategy are incorporated into this MTFP: a total of £690,000 is included in the plan, profiled across 2023/24 £0, 2024/25 £200,000, 2025/26 £240,000, and 2026/27 £250,000.

5.4.5. The Authority carries a longstanding reserve earmarked to support its Efficiency Strategy, which can be drawn on to offset one-off costs of delivering the efficiency programme, such as professional advice or redundancy costs. The reserve stands at £493,000. It has not been necessary to draw on this reserve in previous years, so it remains available to underwrite performance against the future savings targets in the Efficiency Programme.

5.5. Major Contracts

Alliance Environmental Services

5.5.1. Alliance Environmental Services (AES) delivers waste, fleet, street cleansing and grounds maintenance services to both Staffordshire Moorlands District Council and High Peak Borough Council. 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.

5.5.2. The contract fee for 2023/24 has been established following discussions between the Council and AES. The contract fee is calculated based on the current year contract fee plus future inflation/growth items less forecast savings achieved.

5.5.3. Change demand items flagged by AES which will affect the management fee include: national pay award in excess of previous assumptions; fuel inflation demand; and contract inflation.

Alliance Norse Limited

5.5.4. A Joint Venture has been created between Norse Commercial Services Limited (a trading arm of the Norse Group which is wholly owned by Norfolk County Council) (75% ownership), Staffordshire Moorlands District Council (12.5% ownership) and High Peak Borough Council (12.5% ownership) to deliver housing repairs, capital investment and facilities management services across the Councils' property assets. Phase 1 of the project to deliver corporate cleaning and caretaking service went live on 1st April 2022; and phase 2 for the delivery of the remainder of the services on 4th July 2022.

5.5.5. The management fee for 2023/24 has been set in conjunction with Norse and is uplifted from the current year fee by indices in accordance with the contract for costs in repairs, cleaning and caretaking; labour and salary costs are estimated pending the pay award settlement for the year. At this early stage in the relationship, the budget will be monitored against actuals and adjustments discussed should the need arise.

6. Financial Forecasts

6.1. Interest Rates

- 6.1.1. The Bank of England base rate has increased several times in quick succession since the start of the financial year: to 1.00% on 5th May 2022 (from 0.75% previously); then again to 1.25% on 16th June; to 1.75% on 4th August, to 2.25% on 22nd September, to 3.00% on 3rd November, and again to 3.50% on 15th December.
- 6.1.2. The latest medium term forecast from Link¹ (19th December 2022) shows continuing rises throughout 2022 and into 2023, peaking at 4.50%, with a reduction back to 2.50% by September 2025. The forecast is being constantly reviewed by Link during the year due to the extreme volatility in the current climate with so many outside influences impacting decisions of the Monetary Policy Committee in setting interest rates.
- 6.1.3. A previous (September) version of the forecast had bank rates peaking at 5.00%, but market expectations have calmed since then and the views of the Link Interest Rate Strategy Group recalibrated accordingly. However, it is noted that challenges ahead (i.e. the tight labour market, sustainable economic growth and geopolitical events) could see the Bank leave rates at an elevated level for longer, once the peak is reached.
- 6.1.4. Forecast PWLB rates have also increased during this time. The interest rate forecast shows that external borrowing could be more affordable if it can be deferred until halfway through the medium term, although the opportunity cost of internal borrowing in the short term also needs to be considered.
- 6.1.5. 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	2023/24	2024/25	2025/26	2026/27
	£	£	£	£
Changes in Investment Income	(739,540)	197,420	123,940	21,470
Changes in Borrowing costs	116,980	(12,430)	64,000	93,000

6.2. Inflationary Projections

- 6.2.1. The Consumer Price Index (CPI), as at December 2022, stood at 10.5%. Inflation forecasts are made reflecting the composition of the Council's expenditure, resulting in an inflation rate specific to the Council. The current high levels of inflation arising out of the conflict in Ukraine, supply chain pressures, and increased energy prices along with the medium term outlook have informed the assumptions in the MTFP of potential increased service costs as contracts are renewed and uplifted.

¹ Treasury management advisers

6.2.2. At the end of 2021/22 the Council created an earmarked reserve to hedge against the unforeseen costs of inflation. This stands at £250,000 currently.

6.2.3. The MTFP has been updated to reflect the latest forecasts on inflation and to roll forward a further 12 months to include the 2026/27 financial year. The full costs to the Council arising from inflation are forecast in the table below.

Expenditure/Income	2023/24	2024/25	2025/26	2026/27
	£	£	£	£
Employee Costs	506,340	232,310	207,960	171,380
Premises Costs	231,220	127,170	80,120	55,010
Transport	1,410	1,430	1,440	1,460
Supplies and Services	289,500	196,750	166,860	131,760
In-Year Inflation Pressure	1,028,470	557,660	456,380	359,610

6.3. Budgetary Demand

6.3.1. The Medium Term Financial Plan presented to Council in February 2022 analysed and projected forward both income and expenditure. This has been revised to reflect known changes in budgetary demand:

Increased / (Reduced) Budget Demand	2023/24	2024/25	2025/26	2026/27
	£	£	£	£
Uniforms – Customer Services	(2,500)	2,500	(2,500)	2,500
Market Stall Arrangements		(53,000)		
Car Parks - LED Lighting upgrade	(134,000)			
Bio-Diversity Strategy	(25,000)			
ICT - Customer Services software	(11,000)			
ICT - Civica Banded Benefits software	12,410			
Community support funding		(20,000)		
Assets - Asbestos & Legionella surveys	(10,000)			
Assets - H&S Path Maintenance	(2,500)			
Assets - Asbestos works	(25,000)			
Assets - CCTV upgrade Moorlands House	(20,000)			
Assets - Feasibility works (Energy)	10,000			(10,000)
Assets - Watercourses conditions survey	30,000	(30,000)		
Assets - Call out costs	1,000			
Assets - Benches & Street Furniture	50,000	(50,000)		
Assets - Housekeeping supplies	10,000			
Assets - Door Entry Pass	2,000	(2,000)		
Local Plan - Revision & Maintenance	35,000	20,000	150,000	
Grant rolled into RSG	98,160			
Cultural Strategy	20,000	(20,000)		
AES - Pay award impact	188,740			
AES - Fuel inflation demand	129,360	18,510	16,420	14,100
AES - Contract inflation (net)	75,460	26,000	23,000	20,000

AES - Contract sum planned reduction	(25,000)	(25,000)	(25,000)	(25,000)
Elections Reserve adjustment	15,000			
OD HR Support	50,000		(50,000)	
Total	472,130	(132,990)	111,920	1,600

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

- Assets Feasibility works – relating to potential energy reduction measures. Costs to be incurred over 3 years.
- Local Plan – Build-up of costs in maintaining and revising the Plan.
- AES – adjustments to ensure the management fee is set at a realistic position for the company's effective output.
- OD HR support – development and delivery of the Organisational Development strategy.

6.3.3. 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.

6.3.4. 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 Development Strategy. 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. Budget Growth

6.4.1. In previous years, very few additions in respect of budget growth have been included in the MTFP. It is assumed, considering 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.

6.5. Pensions

6.5.1. The Pension Fund triennial valuation was undertaken during 2022 with the aim of determining the contribution rates payable by the Council during the period 2023/24 to 2025/26.

6.5.2. The results from the valuation exercise have been received which show the overall funding position has improved from 84% in 2019 to 100% in 2022.

6.5.3. However, to maintain this position the actuary has indicated a need to increase the contribution rates payable by the Council with effect from 2023/24. The cost of this (approximately £90,000 per year) is reflected in the inflation figures at 6.2 above.

7. Funding & Income Generation

7.1. Council Tax

7.1.1. The Council has the capacity to vary Council Tax levels, following the abolition of capping. However, the Council's ability to increase Council Tax by more than a certain percentage is subject to referendum. For 2023/24, this percentage has been confirmed as 3%.

7.1.2. The MTFP has been updated to reflect that the Council Tax will be frozen at a 0% increase from 2022/23 to 2023/24. In line with previous iterations of the MTFP, a 1.90% increase is assumed for the remainder of the plan from 2024/25 to 2026/27 as the Government has not provided any indication of future year increases.

7.1.3. In addition to this, provision has been included within the plan to reflect anticipated growth in the Council Tax base over the next 4 years. The assumed level of Council Tax increase included within the current Plan over the next 4 years is shown in the table below:

Increased Council Tax Income	2023/24	2024/25	2025/26	2026/27
	£	£	£	£
Council Tax increase	0	(111,240)	(114,310)	(117,430)
Revenue from future tax base growth	27,380	(50,000)	(50,000)	(50,000)
TOTAL	27,380	(161,240)	(164,310)	(167,430)
Council Tax Income Budget	(5,854,870)	(6,016,110)	(6,180,420)	(6,347,850)

7.1.4. There is an increased risk associated with non-payment as a result of the high levels of household inflation being experienced by residents, with some households potentially struggling to meet instalments. However, the financial impact will only be felt by the Council if outstanding debts are not collected in the medium term and are subsequently written off.

7.1.5. The Council is intending to make a change to the Local Tax Reduction Scheme (LCTRS) that will impact of this from April 2023, a reduction in the taxbase, is built into this plan.

7.2. Business Rates Retention

- 7.2.1. Under the 50% Business Rates Retention system, the Authority retains 40% of Business Rates income less a tariff that is payable into a pool made up of Staffordshire and Stoke-on-Trent Authorities. This amount is then compared to a Funding Baseline (£2,720,563 for 2023/24), any amount in excess of this Baseline is subject to a 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.
- 7.2.2. As part of the Staffordshire Pool, the levy or the safety net payment is made to or from the Pool instead of Central Government. If the Council was not in the Staffordshire Pool it would have to pay 50p in the £1 to the Government as a levy, effectively limiting the income the Council can gain from business rates growth. However, as part of the Pool, the Council retains 40% of this levy plus 20% or a minimum amount; 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 £557,670 in 2023/24.
- 7.2.3. Whilst central government continues to review business rates, the MTFP forecasts the Council's income from Business Rates Retention under the current system throughout the plan. Changes in the level of the Council's business rates will be impacted by a range of factors, including the Staffordshire Pool's success in generating new and retaining existing business within its area. At this stage, predicted levels of business rates income are based on expected changes to the current business rates listing including the effects of the Revaluation from 1st April 2023, with estimates of the effects of transitional arrangements, reliefs and increased appeals provisions.
- 7.2.4. The Business Rates Multiplier is set by central government based on the preceding September CPI. This was 10.1% in 2022. However, the Government announced as part of the Autumn Statement 2022 that the multiplier would be frozen for businesses during 2023/24 at the level of the 2022/23 multiplier. Thus far, where collectible income is suppressed due to a freeze in multiplier or award of reliefs announced by the government (including increased small business rate relief, public convenience relief, and extended retail, and rural relief) the Council has been compensated with funding received under Section 31 of the Local Government Act 2003. The assumption that this will continue throughout the life of the plan is included in the MTFP.

Business Rates Retention	2023/24	2024/25	2025/26	2026/27
In year:				
Baseline Funding	(2,720,560)	(2,764,910)	(2,809,980)	(2,855,780)
Achievement against Baseline	952,960	(457,580)	(486,050)	(536,360)
Section 31 Grant	(3,115,860)	(2,302,060)	(2,352,590)	(2,410,780)
Total	(4,883,460)	(5,524,550)	(5,648,620)	(5,802,920)
Change between years:				
Business Rates retained	211,190	(1,454,890)	(73,540)	(96,110)

Section 31 Grant	(749,700)	813,800	(50,530)	(58,190)
Total	(538,510)	(641,090)	(124,070)	(154,300)

7.3. Collection Fund

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

7.3.2. The Council's share of the Council Tax surplus to be distributed in in 2023/24 is £102,860

7.3.3. The Council's share of the Business Rates surplus to be distributed in in 2023/24 is £170,460

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

Changes in Collection Fund Income	2023/24	2024/25	2025/26	2026/27
	£	£	£	£
Council Tax	(41,540)	74,040	(8,490)	(2,840)
Business Rates	(1,077,040)	170,460	0	0
TOTAL	(1,118,580)	244,500	(8,490)	(2,840)

7.4. Income from Government Grants

New Homes Bonus

7.4.1. The provisional Local Government finance settlement in December 2022 included a New Homes Bonus of £59,450 for 2023/24, with no confirmation of the basis for future year receipts.

7.4.2. With an anticipation of growth and the implementation of a new reformed scheme following consultation by central government, the MTFP assumes £80,000 in New Homes Bonus in the years following.

Other Grant Support

7.4.3. The Council receives the following grant awards in 2023/24:

- Funding Guarantee Grant (£354,960)

- Services Grant (£101,870)
- Rural Services Delivery Grant (£63,440)
- Revenue Support Grant (£98,160)

7.4.4. The MTFP assumes that the Funding Guarantee Grant is a one year only award and that the other grants will continue throughout the life of the plan at the levels stated above.

Summary of Income from Government Grants

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

Government Grant (gain) / loss of funding	2022/23 (Budget)	2023/24 (forecast)	2024/25 (forecast)	2025/26 (forecast)	2026/27 (forecast)
	£	£	£	£	£
New Homes Bonus	(255,050)	(59,450)	(80,000)	(80,000)	(80,000)
Lower Tier Service Grant	(117,630)				
Services Grant	(180,780)	(101,870)	(101,870)	(101,870)	(101,870)
Funding Guarantee Grant		(354,960)	-	-	-
Revenue Support Grant		(98,160)	(98,160)	(98,160)	(98,160)
Rural Services Delivery Grant	(63,440)	(63,440)	(63,440)	(63,440)	(63,440)
Total	(616,900)	(677,880)	(343,470)	(343,470)	(343,470)
(Gain)/ Loss in Govt Funding		(60,980)	334,410	0	0

7.5. Fees and Charges

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

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

7.5.2. 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

7.5.3. The proposed fees and charges for 2023/24 are presented in **APPENDIX C** to this report.

7.5.4. The Medium Term Financial Plan would normally project that the Council will increase fees and charges (and other income) broadly in line with inflation. However, as well as taking in to account the high and volatile current inflation, it is also recognised that certain income streams (such as car parking, planning receipts) may not increase each year and that other income streams (such as grants and rental income) are fixed or subject to periodic review.

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

Increased Fees and Changes	2023/24	2024/25	2025/26	2026/27
	£	£	£	£
Revenue from increased Fees and Charges	(25,000)	(50,000)	(125,000)	(50,000)
Total	(25,000)	(50,000)	(125,000)	(50,000)
Total budgeted Income from Fees & Charges	(5,930,900)	(5,980,900)	(6,105,900)	(6,155,900)

8. Risks, Contingencies & Use of Reserves

8.1. Risk Identification and Management

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

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

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

Revenue Risks	Capital Risks
----------------------	----------------------

<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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
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8.2. Contingencies

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

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

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

8.2.4. While there is no detailed guidance on calculating the level of general reserves the Council is encouraged to take into account the strategic, operational and financial risks facing the Council. These amounts are then moderated to acknowledge the likelihood of all risk events occurring together. The table below reflects the approach taken 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	5.92	178,000
Expenditure Items (gross) – Other	3% of value	11.00	331,000

Housing Benefits	0.25% of value	11.50	29,000
Fees and Charges	5.5% of value	4.75	261,000
Interest Receipts/Payments	50% fall in average rate	0.54	277,000
Efficiency Provisions	50% of value	0.69	207,000
Council Tax Collection	2.5% of value	5.83	146,000
Business Rates Retention	6% of value	2.16	130,000
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	40,000
Total Requirement all events			1,637,000
Moderation	10% reduction		(163,700)
Total Requirement			1,473,300

8.2.5. These factors all remain valid, so it is proposed that the minimum general reserve contingency balance should remain unchanged at £1,478,000 to meet unforeseen expenditure and/or shortfalls in income.

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

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

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

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

8.3. Use of Reserves and Balances

8.3.1. The February 2022 Medium Term Financial Plan included a £7,700 contribution per annum from General Fund Reserves in respect of Section 106 (Commutated Sum); a use of the Business Rates s31 reserve of £906,580 in 2022/23; and a net contribution of £5,340 into the General Fund contingency over the lifetime of the plan.

8.3.2. Following the 2021/22 outturn position and a net use of this and other earmarked reserves movements, the general fund contingency balance as at 31st March 2022 reduced to £3.689million (£4.087million at 31st March 2021).

8.3.3. The updated MTFP shows a forecast cumulative deficit position of £309,430 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 from which it is planned to draw funding, are shown in the table below.

8.3.4. With effect from 2023/24, the MTFP reflects a £309,430 draw on Contingency reserves over the next 4 years (2023/24 £602,570 contribution, 2024/25 £209,610 usage, 2025/26 £384,980 usage, and 2026/27 £317,410 usage).

Reserve	2022/23 (Budget)	2023/24	2024/25	2025/26	2026/27
	£	£	£	£	£
Contingency Reserve	120,230	602,570	(209,610)	(384,980)	(317,410)
Section 106 Monies	(7,700)	(7,700)	(7,700)	(7,700)	(7,700)
Business Rates s31 Reserve	(906,580)	0	0	0	0
Covid Recovery Reserve	0	(600,000)	0	0	0
Total Contribution / (Usage)	(794,050)	(5,130)	(217,310)	(392,680)	(325,110)
Change in use of reserves		788,920	(212,180)	(175,370)	67,570

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

Contingency reserve	2022/23 (Budget)	2023/24	2024/25	2025/26	2026/27
	£	£	£	£	£
As at February 2023:					
Balance at year end	3,409,000	4,011,570	3,801,960	3,416,980	3,099,570
Minimum requirement (8.2)	1,480,000	1,480,000	1,480,000	1,480,000	1,480,000
Headroom	1,929,000	2,531,570	2,321,960	1,936,980	1,619,570

8.3.6. At the end of year 4 of the plan (2026/27) there would be an estimated balance of £3.1million in General Fund Contingency reserves – which would be £1.62million above the required £1.48million minimum balance.

9. Budget 2023/24

- 9.1. Budget preparation work has now been completed and an overall balanced budget position has been reached with the inclusion of a projected contribution into contingency reserves of £602,570

Proposed Budget

- 9.2. The proposed 2023/24 Budget is detailed below:

Budget Heading	2023/24
	£
Employees	7,157,260
Premises	2,543,450
Transport	142,670
Supplies & Services	8,331,080
Benefits	5,010
Borrowing	549,510
Total Expenditure	18,728,980
Fees and Charges / Other Income	(5,930,900)
Interest Receipts	(1,103,440)
Net Expenditure	11,694,640
Council Tax	(5,854,870)
Business Rates Retention	(4,883,440)
Other Government Funding	(618,430)
New Homes Bonus	(59,450)
Earmarked Reserves	(607,700)
Contingency Balances	602,570
Collection Fund	(273,320)
Total Financing	(11,694,640)
Cumulative Deficit / (Surplus)	0
Efficiency Requirement	0
In Year Deficit / (Surplus)	0

Council Tax Requirement 2023/24

- 9.3. The table below illustrates the Council Tax requirement for 2023/24:

	2023/24
	£

Net Expenditure	11,694,640
Efficiency Target	0
New Homes Bonus	(59,450)
Government Funding	(618,430)
Business Rates Retention	(4,883,440)
Use of Reserves	(5,130)
Collection Fund	(273,320)
Net Requirement from Council Tax	5,854,870

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 2023/24 in respect of Special District Expense items is set out in the table below:

Special District Expense	Net Cost
	£
<u>Leek</u>	
Brough Park	99,000
Recreation Grounds	80,820
Birch Gardens	30,320
Cemetery	133,210
Total	343,350
<u>Biddulph</u>	
Recreation Grounds	66,890
Total	66,890
TOTAL LEVY	410,240

9.6. Members should note that overall Special District Expenses have been adjusted to stay within the 0% overall increase, to accord with the Council's strategy for District Council Tax levels in 2023/24.

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	5,444,630	33,374	163.14	0%
<i>Special District Expense</i>				

Leek	343,350	6,488	52.92	0%
Biddulph	66,890	6,287	10.64	0%

10. 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	2023/24	2024/25	2025/26	2026/27
	£	£	£	£
Revenue Consequences of Capital Spend (section 5.3.23)	47,710	75,940	81,000	81,320
Interest Rate Changes (section 6.1.5)	(621,560)	184,990	187,940	114,470
Inflation Pressures (section 6.2.3)	1,028,470	557,660	456,380	359,610
Increased / (Reduced) Budget Demand (section 6.3.2)	472,130	(132,990)	111,920	1,600
Budget Growth (section 6.4.1)	0	0	0	0
Increased Council Tax Income (section 7.1.3)	27,380	(161,240)	(164,310)	(167,430)
Business Rates Retention (section 7.2.4)	(538,490)	(641,090)	(124,070)	(154,300)
Changes in Collection Fund Surplus (section 7.3.4)	(1,118,580)	244,500	(8,490)	(2,840)
Reduction in Government Grant (section 7.4.5)	(60,980)	334,410	0	0
Additional Fees and Charges (section 7.5.5)	(25,000)	(50,000)	(125,000)	(50,000)
Contribution to/(Use of) Reserves & Balances (sect 8.3.4)	788,920	(212,180)	(175,370)	67,570
In Year Change in Position	0	200,000	240,000	250,000
Efficiency & Rationalisation Plan (section 5.4)	0	(200,000)	(240,000)	(250,000)
Budget (Surplus) / Deficit	0	0	0	0
Cumulative (Surplus) / Deficit	0	0	0	0

10.2. The table above shows a balanced position over the life of the Medium Term Financial Plan assuming Efficiency Programme savings of £690,000 are achieved.

10.3. The above position includes a £309,430 draw from contingency reserves during the life of the plan.

10.4. ANNEX D shows the indicative detailed revenue budget for the period 2023/24 – 2026/27.

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 in the past 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. With the significant uncertainties, volatility and risk within this MTFP update, it is extremely difficult to have any meaningful consultation in this climate. This will be considered in more depth over the coming months to inform next year's budget setting and MTFP process. Access to consultation and social media platforms will assist in this process.

ANNEX A

Capital Schemes	2022/23	2023/24	2024/25	2025/26	2026/27	Total
	£	£	£	£	£	£
Asset Management Plan						
Public Buildings	50,000	600,000	-	554,780	131,000	1,335,780
Car Parks	-	400,000	171,590	441,350	268,430	1,281,370
Public Conveniences	64,900	-	50,000	50,000	-	164,900
Infrastructure/Waterways	-	80,000	214,000	-	420,000	714,000
Leisure Centres	-	-	353,340	779,050	-	1,132,390
Depots & Park Buildings	160,590	-	695,510	405,600	32,830	1,294,530
Industrial Units	-	-	-	140,710	-	140,710
	275,490	1,080,000	1,484,440	2,371,490	852,260	6,063,680
Private Housing Grants	21,200	-	-	-	-	21,200
Disabled Facilities Grants	1,100,000	1,774,000	2,200,000	2,200,000	2,200,000	9,474,000
ICT Projects	68,040	50,000	62,780	40,560	-	221,380
Fleet Management	451,190	561,000	101,500	24,700	1,496,200	2,634,590
Regeneration						
Conservation	84,030	61,920	70,000	50,000	50,000	315,950
Market Town Regeneration	-	-	808,000	-	-	808,000
	84,030	61,920	878,000	50,000	50,000	1,123,950
Leisure						
BVLC Energy Efficiency Works	-	2,175,000	-	-	-	2,175,000
Outdoor Sports Facilities	55,030	447,770	-	-	-	502,800
Public Parks/Play Facilities	100,840	357,420	120,000	70,000	-	648,260
	155,870	2,980,190	120,000	70,000	0	3,326,060
Other Schemes						
CCTV	56,140	-	-	-	-	56,140
Community Facilities	200,000	-	-	-	-	200,000
Levelling Up Fund(Matched Funding)	-	600,000	-	-	-	600,000
	256,140	600,000	-	-	-	856,140
TOTAL PROGRAMME	2,411,960	7,107,110	4,846,720	4,756,750	4,598,460	23,721,000
CONTRIBUTIONS	1,117,940	3,736,420	2,200,000	2,200,000	2,200,000	11,454,360
NET PROGRAMME	1,294,020	3,370,690	2,646,720	2,556,750	2,398,460	12,266,640

Proposed Capital Programme (2022/23 to 2026/27)

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 inflation & 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 takes into account the new approach.
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
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

Risk Category	Risk	Mitigation and Controls
		<p>own delivery of efficiencies.</p> <p>Chief Executive Officer acts as programme director.</p>
Programme Delivery	A number of the efficiency / rationalisation initiatives are not achieved	<p>Structured project management approach is in place for delivery including effective exception reporting</p> <p>The strategy is kept under constant review</p> <p>Identification of further efficiency / rationalisation opportunities through benchmarking / effective member working groups</p>
Political Support	Lack of Members support for Plan	Regular reporting and member briefings including effective scrutiny arrangements

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 Committee and Cabinet. These reports highlight all variances between spending and budgets.

The proposal for the 2023/24 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 Committee members scrutinised the progress of spending throughout the year and received a report on the draft MTFP in November 2022.

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 Corporate Plan.

The Council has taken all reasonable and practical steps to identify and make provision for the Council's commitments in 2023/24 in order to achieve a balanced budget.

Robustness of Income Forecasts

The level of Council Tax has been established with reference to the maximum increase allowed without requiring a referendum. A £0.00 (Band D equivalent) increase has been provided for in 2022/23, 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.

The level of fees and charges has been assessed in conjunction with Heads of Service. The proposed levels for 2023/24 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.

Key Budget Risks

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 remains challenging and unpredictable. The impacts of the coronavirus pandemic have largely receded in economic magnitude, only to be replaced by the impacts of the Ukraine war. This conflict has had a major impact on

energy and supply contracts across Europe, fuelling inflation and leading to significant increase in the Council's costs. The economic outlook will continue to be monitored particularly as to how this affects interest rates and asset valuations.

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, and
- 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.

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

- Set aside sufficient sums in earmarked reserves that it considers prudent. These reserves are established as are required and are reviewed regularly for both adequacy and purpose and levels are reporting appropriately in line with the established reporting processes; and

- General Reserves are maintained to be at least at the level of the contingency requirement calculated with reference to LAAP Bulletin 77 and reported to Council as part of the approved MTFP.

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

The proposals contained within this update require a £309,430 use of reserves over the period 2023/24 to 2026/27.

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.

Martin Owen

Executive Director Finance & Customer Services (s151)

Proposed Revenue Budget (2023/24 to 2026/27)

Budget Heading	2023/24 Projection	2024/25 Projection	2025/26 Projection	2026/27 Projection
	£	£	£	£
Employees	7,157,260	7,389,570	7,597,530	7,768,910
Premises	2,543,450	2,670,620	2,750,740	2,805,750
Transport	142,670	144,100	145,540	147,000
Supplies & Services	8,331,080	8,194,840	8,233,620	8,116,980
Benefits	5,010	5,010	5,010	5,010
Borrowing	549,510	579,080	696,730	841,360
Financing Costs	0	0	0	0
Total Expenditure	18,728,980	18,983,220	19,429,170	19,685,010
Fees and Charges / Other Income	(5,930,900)	(5,980,900)	(6,105,900)	(6,155,900)
Interest Receipts	(1,103,440)	(872,080)	(720,790)	(669,630)
Ascent LLP Income	0	0	0	0
Recharges	0	0	0	0
Net Expenditure	11,694,640	12,130,240	12,602,480	12,859,480
Council Tax	(5,854,870)	(6,016,110)	(6,180,420)	(6,347,850)
Other Grant Funding	(618,430)	(263,470)	(263,470)	(263,470)
Business Rates Retention	(4,883,440)	(5,524,530)	(5,648,600)	(5,802,900)
New Homes Bonus	(59,450)	(80,000)	(80,000)	(80,000)
Earmarked Reserves	(607,700)	(7,700)	(7,700)	(7,700)
Contingency Balances	602,570	(209,610)	(384,980)	(317,410)
Collection Fund	(273,320)	(28,820)	(37,310)	(40,150)
Total Financing	(11,694,640)	(12,130,240)	(12,602,480)	(12,859,480)
Cumulative Deficit / (Surplus)	0	0	0	0
In Year Deficit / (Surplus)	0	0	0	0