



# **Medium Term Financial Plan**

**2024/25 to 2027/28**

February 2024

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## 1. Introduction

- 1.1. The purpose of the Medium Term Financial Plan (MTFP) document and the associated planning process is to ensure that the Council's resources are directed effectively and efficiently towards the delivery of the Corporate Plan, and the Council's services and priorities. The planning process facilitates prudent management of the Council's finances, providing for the needs of residents and businesses over the long term, and building in resilience and management of the financial pressures the Council anticipates over the next four years.
- 1.2. The Council and its members are committed to consulting with residents, businesses, and other stakeholders to help inform the budget setting process and spending priorities through various forms of communication and engagement.
- 1.3. The MTFP builds on the current approved levels of spending on revenue services and capital expenditure, the financing, and the forecast reserves position. It incorporates financial forecasts of interest rates, inflation and budgetary demands, changes to funding & income generation, the refreshed capital programme, the efficiency programme, and use of reserves.

## 2. Capital Programme

- 2.1. The General Fund Capital Programme, as presented to and approved by Members in February 2023, has now been reviewed, re-profiled and updated to reflect the latest capital projections to 31<sup>st</sup> March 2028. It also includes the carry forward from 2022/23 of £481,410 approved by Resources Overview & Scrutiny Panel as part of the Finance Quarter 1 report in October 2023. This table summarises the programme with more detail shown at Annex A.

| Capital Programme      | 2023/24<br>£     | 2024/25<br>£      | 2025/26<br>£      | 2026/27<br>£     | 2027/28<br>£     | Total<br>£        |
|------------------------|------------------|-------------------|-------------------|------------------|------------------|-------------------|
| <b>Expenditure:</b>    |                  |                   |                   |                  |                  |                   |
| Asset Management       | 1,187,950        | 1,038,610         | 3,716,530         | 2,259,350        | 2,754,790        | 10,957,230        |
| Housing Grants         | 1,774,000        | 2,220,390         | 2,200,000         | 2,200,000        | 2,200,000        | 10,594,390        |
| ICT Strategy           | 52,050           | 161,570           | 40,560            |                  |                  | 254,180           |
| Fleet Management       | 181,600          | 678,250           | 27,500            | 1,496,200        | 1,071,600        | 3,455,150         |
| Leisure                | 2,589,890        | 793,440           | 140,000           | 100,000          |                  | 3,623,330         |
| Regeneration           | 106,750          | 443,000           | 50,000            | 50,000           | 50,000           | 699,750           |
| Levelling Up Fund      | 1,326,350        | 17,991,710        | 4,365,450         |                  | 600,000          | 24,283,510        |
| Waste collection       |                  |                   | 932,960           |                  |                  | 932,960           |
| Other schemes          | 56,140           |                   | 200,000           |                  |                  | 256,140           |
| <b>Total Programme</b> | <b>7,274,730</b> | <b>23,326,970</b> | <b>11,673,000</b> | <b>6,105,550</b> | <b>6,676,390</b> | <b>55,056,640</b> |

| Capital Programme      | 2023/24<br>£     | 2024/25<br>£      | 2025/26<br>£      | 2026/27<br>£     | 2027/28<br>£     | Total<br>£        |
|------------------------|------------------|-------------------|-------------------|------------------|------------------|-------------------|
| <b>Financed by:</b>    |                  |                   |                   |                  |                  |                   |
| External Contributions | 5,062,770        | 18,001,650        | 4,132,960         | 2,200,000        | 2,200,000        | 31,597,380        |
| Planning Obligations   | 83,560           | 25,000            |                   |                  |                  | 108,560           |
| Revenue Reserves       | 30,500           | 16,500            | 35,000            |                  | 1,000            | 83,000            |
| Capital Reserves       |                  |                   | 1,000,000         |                  | 600,000          | 1,600,000         |
| Earmarked Reserves     | 56,140           |                   |                   |                  |                  | 56,140            |
| Borrowing              | 2,041,760        | 5,283,820         | 6,505,040         | 3,905,550        | 3,875,390        | 21,611,560        |
| <b>Total Financing</b> | <b>7,274,730</b> | <b>23,326,970</b> | <b>11,673,000</b> | <b>6,105,550</b> | <b>6,676,390</b> | <b>55,056,640</b> |

2.2. The capital programme includes the following major programmes:

- Asset Management Plan:** it is essential that the Council maintains an asset base to facilitate provision of services and delivery of the Corporate Plan. In order to monitor affordability, the Capital Strategy in the MTFP will set out the proposed outcomes and actions, and the consequent capital and revenue financial implications, both positive and negative, of maintaining the Council's current property assets over a 30 year period. This work is progressing based on the recent completion of condition survey works.
- Housing Grants:** The Council is the duty holder under the Housing Grants, Construction and Regeneration Act 1996 for the mandatory Disabled Facilities Grant (DFG). From 1st April 2023 the Council has engaged its partner, Alliance Norse Ltd, to deliver DFG services under the 'N-Able' brand.
- ICT Strategy:** An updated 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 the 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. An earmarked reserve has been established specifically to support with the implementation of the ICT Strategy. The balance of this reserve at 1<sup>st</sup> April 2023 was £750,000.

- **Fleet Management:** The Council has a forward plan of fleet replacement requirements based on estimates of the useful lives of the existing fleet and future business needs. Current assumptions are that new vehicles will be funded via direct capital purchase, but this will be subject to further funding options appraisals prior to purchase. In response to the climate emergency, the use of clean fuel and greater efficiency is a key consideration. Proceeds from the sale of vehicles will be used to fund future purchases through use of reserves and capital receipts to further reduce the overall cost of financing the vehicle fleet by reducing borrowing costs.
- **Leisure projects:** Horticulture works in parks and play areas, energy efficiency works at Biddulph Valley via the Public Sector Decarbonisation Scheme (PSDS), and Move More sports grants fund.
- **Regeneration projects:** Cheadle Market regeneration, the annual contribution to support the Moorlands Partnership Board award of grants to improve historic buildings and structures.
- **Levelling Up Fund projects:** Brough Park Leisure Centre, Nicholson Institute, and Leek Markets.
- **Weekly food waste collections:** Weekly food recycling initiative, funded by Department for Environment Food and Rural Affairs (DEFRA). Capital elements of the programme include purchase of food bins and food collection vehicles. DEFRA has also indicated that there will be sources of funding under the 'Simpler Recycling' umbrella to resource the transition of implementing a weekly food waste collection services over 2024/25 and/or 2025/26 as well as the ongoing costs from April 2026. At this stage, the assumption has been made that the costs of this initiative can be contained within the funding allocated by Central Government.

### 2.3. Financing the Capital Programme

- 2.3.1. The capital programme is funded from several streams, including external grants and contributions from third parties, capital receipts from asset sales as part of the asset management plan, and earmarked revenue reserves.
- 2.3.2. Borrowing is undertaken to fund the shortfall after other capital resources have been used. The Council's estimated borrowing requirement for the capital programme is shown in the table above. 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.
- 2.3.3. It is proposed to utilise reserves allocated for capital spend (where possible) on the acquisition of short-life assets such as vehicles, plant, and equipment, where it is best value to do so.

### 2.4. Capital Strategy

2.4.1. In accordance with the requirements 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 2024/25.

2.4.2. The Strategy, which is being presented to members in Appendix B 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.

### 3. Efficiency Programme

3.1. The November 2023 MTFP update report included a £690,000 efficiency programme up to 2026/27. It had yet to be quantified as to whether further efficiency would be needed in 2027/28, though early indications suggested that the demand for efficiency was likely to increase. The report presented to the Resources Overview & Scrutiny Panel on 22<sup>nd</sup> November 2023 identified an achievable programme of £1.065million. Therefore the 2024.25 to 2027/28 MTFP is balanced with the inclusion of an efficiency programmed of £890,000:

|  | 2024/25<br>£'000 | 2025/26<br>£'000 | 2026/27<br>£'000 | 2027/28<br>£'000 | Total<br>£'000 |
|--|------------------|------------------|------------------|------------------|----------------|
| <b>SMDC new efficiency requirement</b> | 250              | 250              | 300              | 90               | 890            |
| <b>Cumulative efficiency</b>           | 250              | 500              | 800              | 890              |                |

3.2. The Authority also has a £492,000 reserve earmarked to support the implementation of the Efficiency Programme.

### 4. Financial Forecasts

#### 4.1. Interest Rates

4.1.1. The current view of interest rates is that the Bank of England base rate will remain at the current level of 5.25% until the second half of 2024 when it will gradually start to decrease. This relatively high level will impact both increased income from investments as well as increased external borrowing costs.

4.1.2. The strategy for external borrowing will be to keep fixed term periods short until rates start to decrease and borrowing can be locked in at lower interest rates for longer periods to provide certainty of future costs. Internal borrowing will also be used where there is a net benefit from the reduction in the external borrowing cost, compared to the reduced investment income potential.

4.1.3. This table shows the net borrowing cost to the Council across the MTFP period:

|                   | 2023/24 £   | 2024/25 £   | 2025/26 £ | 2026/27 £ | 2027/28 £ |
|-------------------|-------------|-------------|-----------|-----------|-----------|
| Investment income | (1,103,440) | (1,219,140) | (980,440) | (720,870) | (664,430) |

|                           | 2023/24 £        | 2024/25 £        | 2025/26 £        | 2026/27 £      | 2027/28 £      |
|---------------------------|------------------|------------------|------------------|----------------|----------------|
| Borrowing costs           | 549,510          | 588,020          | 830,950          | 1,060,340      | 1,210,700      |
| <b>Net (income)/ cost</b> | <b>(553,930)</b> | <b>(631,120)</b> | <b>(149,490)</b> | <b>339,470</b> | <b>546,270</b> |

## 4.2. Inflationary Projections

4.2.1. The Consumer Price Index (CPI), as at December 2023, stood at 4.0%. Current forecasts suggest this will be decreasing towards the Bank of England's target levels over the life of the MTFP. This informs the inflation forecasts applied to the Council's expenditure and income.

4.2.2. There is an earmarked reserve of £250,000 available to support any unforeseen costs of inflation.

4.2.3. The MTFP presented to members in February 2023 has been updated to reflect the latest forecasts on inflation and to roll forward a further 12 months to include the 2027/28 financial year. The full costs to the Council arising from inflation are forecast in the table below.

| Increase/ (decreased) budget demand | 2024/25 £      | 2025/26 £      | 2026/27 £      | 2027/28 £      |
|-------------------------------------|----------------|----------------|----------------|----------------|
| Employee                            | 353,830        | 172,640        | 151,320        | 153,740        |
| Premises                            | 63,080         | 37,790         | 44,950         | 45,720         |
| Transport                           | 2,280          | 1,450          | 2,490          | 2,530          |
| Supplies & Services                 | 134,920        | 92,090         | 144,500        | 132,640        |
| <b>Total inflation pressure</b>     | <b>554,110</b> | <b>303,970</b> | <b>343,260</b> | <b>334,630</b> |

## 4.3. Budgetary Demand

4.3.1. Changes in budgetary demand which have been identified since the MTFP was presented and approved to Council in February 2023, or are now anticipated during the four year MTFP period, are highlighted below:

| Increase/ (decreased) budget demand                          | 2024/25 £ | 2025/26 £ | 2026/27 £ | 2027/28 £ |
|--|-----------|-----------|-----------|-----------|
| Local Plan revision/ maintenance                             |           | 172,500   | (172,500) |           |
| Planning subscription  | 3,400     |           |           |           |
| Planning Fee income increase to be reinvested in the service | (145,000) |           |           |           |
| Planning service reinvestment funded by Fee increase         | 72,500    |           |           |           |
| Cost of Democracy - allowances                               | 115,000   |           |           |           |

| <b>Increase/ (decreased) budget demand</b>                             | <b>2024/25 £</b> | <b>2025/26 £</b> | <b>2026/27 £</b> | <b>2027/28 £</b> |
|--|------------------|------------------|------------------|------------------|
| Leisure transformation   | 508,300          | (529,540)        | (287,230)        | (40,130)         |
| Pond Desilting programme   | 35,000           | (35,000)         |                  |                  |
| AES: including recycling income impact, tonnage changes and fuel costs | 369,910          | (75,000)         | (75,000)         | (75,000)         |
| Assets - reversals of previous year one off changes                    | (82,000)         |                  | (10,000)         |                  |
| D-Day Commemorations   | 20,000           | (20,000)         |                  |                  |
| Coronation   | (20,000)         |                  |                  |                  |
| Cultural Strategy  | (20,000)         |                  |                  |                  |
| ICT systems and support costs  | 87,730           | (13,940)         | 2,250            |                  |
| HR Support   |                  | (50,000)         |                  |                  |
| Market Stall arrangements  | (53,000)         |                  |                  |                  |
| <b>Total</b>   | <b>891,840</b>   | <b>(550,980)</b> | <b>(542,480)</b> | <b>(115,130)</b> |

## **5. Funding & Income Generation**

### **5.1. Council Tax**

5.1.1. The December 2023 provisional settlement confirmed that the Council could not increase Council Tax by 3% or more for 2024/25 without being subject to a referendum. An increase of 2.99% is included in the first two years of the MTFP, and 1.90% for subsequent years. Estimates of tax base growth are included based on the trend history:

|   | <b>2024/25 £</b> | <b>2025/26 £</b> | <b>2026/27 £</b> | <b>2027/28 £</b> |
|---|------------------|------------------|------------------|------------------|
| Revenue from increased Council Tax charge | (175,060)        | (182,190)        | (120,100)        | (123,270)        |
| Revenue from tax base growth              | (63,420)         | (45,690)         | (46,560)         | (47,450)         |
| <b>Total</b>                              | <b>(238,480)</b> | <b>(227,880)</b> | <b>(166,660)</b> | <b>(170,720)</b> |

### **5.2. Business Rates Retention**

5.2.1. The multiplier used to set Business Rates charges is set by central government. In 2024/25 the multiplier has been decoupled to allow central government to set the small business and standard multipliers independently.

5.2.2. Other changes in business rates retention may come from growth or an improvement in income from the Business Rates Pool.



5.2.3. For 2024.25, the small business multiplier has been frozen, the standard multiplier has been updated by September 2023 CPI (6.7%), and Retail, Hospitality and Leisure scheme has been extended for a fifth year into 2024/25, providing eligible properties with 75% relief, up to a cap. Where freezes to a multiplier are applied or relief schemes extended, central government currently provides section 31 grant funding to local authorities to compensate for the loss in business rates income.

5.2.4. Forecasts for CPI, continuation of applicable funding, the trend history of growth and the Pool savings have been applied to this MTFP:

|  | 2023/24 £   | 2024/25 £   | 2025/26 £   | 2026/27 £   | 2027/28 £   |
|--|-------------|-------------|-------------|-------------|-------------|
| <b>Total Business Rates Retention</b>          | (2,162,880) | (2,373,640) | (2,557,590) | (2,526,550) | (2,760,550) |
| (Increase)/ decrease in retention              |             | (210,760)   | (183,950)   | 31,040      | (234,000)   |
| Owing to:                                      |             |             |             |             |             |
| Growth/ Pool improvements                      |             | (478,380)   | (126,800)   | (31,970)    | (142,240)   |
| Section 31 grant funding (increase)/ reduction |             | 267,620     | (57,150)    | 63,010      | (91,760)    |

### 5.3. Collection Fund

5.3.1. 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:

|  | 2023/24 £        | 2024/25 £      | 2025/26 £        | 2026/27 £       | 2027/28 £       |
|--|------------------|----------------|------------------|-----------------|-----------------|
| <b>Council tax (surplus)/ deficit</b>    | (102,860)        | 9,920          | (107,090)        | (23,280)        | (23,720)        |
| <b>Business Rates (surplus)/ deficit</b> | (170,460)        | 475,190        | 0                | 0               | 0               |
| <b>Total (surplus)/ deficit</b>          | <b>(273,320)</b> | <b>485,110</b> | <b>(107,090)</b> | <b>(23,280)</b> | <b>(23,720)</b> |
| <b>Change from previous year</b>         |                  | (758,430)      | 592,200          | (83,810)        | 440             |

### 5.4. Income from Government Grants

5.4.1. Government Grants to support the Council's expenditure were announced in the December 2023 Provisional Local Government Settlement for the 2024/25 financial year. The MTFP includes estimates of funding for subsequent years.

|  | 2023/24 £          | 2024/25 £          | 2025/26 £          | 2026/27 £          | 2027/28 £          |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| Formula Grant - Baseline Funding           | (2,720,560)        | (2,820,900)        | (2,849,110)        | (2,891,850)        | (2,949,690)        |
| Funding Guarantee Grant                    | (354,960)          | (545,080)          | (408,810)          | (327,050)          | (272,540)          |
| Rural Service Delivery & Services Grant    | (165,310)          | (87,590)           | (87,590)           | (87,590)           | (87,590)           |
| Revenue Support Grant                      | (98,160)           | (104,660)          | (104,660)          | (104,660)          | (104,660)          |
| New Homes Bonus                            | (59,450)           | (13,440)           | (80,000)           | (80,000)           | (80,000)           |
| <b>Total</b>                               | <b>(3,398,440)</b> | <b>(3,571,670)</b> | <b>(3,530,170)</b> | <b>(3,491,150)</b> | <b>(3,494,480)</b> |
| (Increase)/ decrease in government funding |                    | (173,230)          | 41,500             | 39,020             | (3,330)            |

5.4.2. The table above details the funding being received in the current year and that allocated for next year. The assumptions on grant funding for years 2-4 of the MTFP are also outlined. These assumptions represent a mid-way position between the best case (all funding streams maintained at highest level) of £3.8 million by year 4 and the worst case (all funding streams maintained at lowest level), i.e. £3.0 million by year 4. It reflects a prudent yet realistic assessment of where funding might land in the later years of the Plan.

5.4.3. On the 24<sup>th</sup> January the Government announced an extra £600million in local government support in addition to the funding contained in the provisional settlement as outlined in the table above This is primarily aimed at upper tier authorities with social care responsibilities, but includes an increase to the core funding guarantee, which will benefit the Council. No details are available as to how much additional funding will be allocated. For the purposes of the MTFP this additional funding will serve to underwrite some of the risks attached to the assumptions contained within the Plan.

## 5.5. General Fees and Charges

5.5.1. 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. Charges are set according to the category they fall into:

| Charging Policy | Policy Objective |
|-----------------|------------------|
|                 |                  |

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

5.5.2. The proposed fees and charges for 2024/25 are presented in Appendix C alongside this report. The MTFP assumes an overall increase in income from fees & charges from inflation, increased charges, or increased demand as applicable:

|   | 2024/25 £          | 2025/26 £          | 2026/27 £          | 2027/28 £          |
|---|--------------------|--------------------|--------------------|--------------------|
| Additional income from increased fees & charges | (100,000)          | (75,000)           | (50,000)           | (50,000)           |
| <b>Total Income from fees &amp; charges</b>     | <b>(6,030,900)</b> | <b>(6,105,900)</b> | <b>(6,155,900)</b> | <b>(6,205,900)</b> |

5.5.3. Income from the 'Income and Charges' theme in the Efficiency Programme will be additional to the existing fees & charges income streams.

## 6. Risks, Contingencies & Use of Reserves

### 6.1. Risk identification and management

6.1.1. The early identification and management of risks is critical to the Medium Term Financial Planning process. Risks to the MTFP 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 as:

| Revenue risks  | Capital risks  |
|--|--|
| Inflationary assumptions<br>Interest rates<br>Housing benefits<br>Fees and charges<br>Universal Credit | Interest rates<br>External funding<br>Capital receipts<br>Capacity to deliver capital programme<br>Project overspend |

| Revenue risks  | Capital risks   |
|--|---|
| Business Rates<br>Council Tax collection<br>Government grants<br>Financial benefits from partnerships/ shared services<br>Pension costs<br>Contract management | Project overrun<br>External factors (e.g. planning objections, judicial reviews etc. leading to project delay)<br>Weather |

6.1.2. Risk areas will be monitored closely 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.

## 6.2. Contingencies

6.2.1. The Council will carry adequate reserves as a contingency against risks that 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. The Council is required to hold a general (contingency) reserve to meet unforeseen expenditure. 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, which was previously set at £1,478,000 in the February 2023 MTFP, and is confirmed here as an appropriate minimum level for 2024/25

| Item                          | Calculation Factor                 | Value<br>£m | Amount<br>of<br>Reserve<br>£ |
|-------------------------------|------------------------------------|-------------|------------------------------|
| Gross expenditure – Employees | 3% increase in costs               | 7.4         | 222,000                      |
| Gross expenditure – Other     | 2% increase in costs               | 10.8        | 216,000                      |
| New Budget Growth             | 2% increase in costs               | 0.9         | 18,000                       |
| Fees and Charges              | 2% shortfall on income             | 7.5         | 150,000                      |
| Net interest                  | 2% impact of interest rate changes | 0.6         | 13,000                       |
| Efficiency Provisions         | 10% shortfall on achievement       | 0.3         | 25,000                       |
| Council Tax Collection        | 1.5% loss of income                | 6.1         | 91,000                       |
| Business Rates Retention      | 1.5% loss of income                | 2.4         | 36,000                       |
| Government Funding            | 25% fall in funding                | 3.6         | 893,000                      |
| Total Requirement all events  |                                    |             | 1,664,000                    |

| Item                     | Calculation Factor | Value<br>£m | Amount of<br>Reserve £ |
|--------------------------|--------------------|-------------|------------------------|
| Moderation               | 10% reduction      |             | (166,400)              |
| <b>Total Requirement</b> |                    |             | <b>1,497,600</b>       |

6.2.2. 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:

6.2.3. "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].

6.2.4. Further detail of the CFO's determination in regard to contingency balances and reserves is detailed in ANNEX B.

### 6.3. Use of Reserves and Balances

6.3.1. The February 2023 Medium Term Financial Plan included a £7,700 contribution per annum from General Fund Reserves in respect of Section 106 (Commutated Sum), and a net use of £309,430 into the General Fund contingency over the lifetime of the plan.

6.3.2. Following the 2022/23 draft outturn position, a net contribution to reserves, and other reserve movements, the general fund contingency balance as at 31st March 2023 decreased to £2.908million (£3.689million at 31st March 2022).

6.3.3. The updated MTFP shows a forecast cumulative deficit position of £1,181,580 over the four years – which represents the anticipated use of contingency reserves in maintaining a balanced 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:

|  | 2023/24<br>£   | 2024/25<br>£       | 2025/26<br>£     | 2026/27<br>£    | 2027/28<br>£  | Total<br>£         |
|--|----------------|--------------------|------------------|-----------------|---------------|--------------------|
| Contingency Reserve                    |                | (1,152,150)        | (99,240)         | (26,190)        | 96,000        | <b>(1,181,580)</b> |
| Section 106 / Other Reserves           |                | (7,700)            | (7,700)          | (7,700)         | (7,700)       | <b>(30,800)</b>    |
| <b>Total (use of)/ contribution to</b> | <b>(5,130)</b> | <b>(1,159,850)</b> | <b>(106,940)</b> | <b>(33,890)</b> | <b>88,300</b> |                    |

|  | 2023/24<br>£ | 2024/25<br>£ | 2025/26<br>£ | 2026/27<br>£ | 2027/28<br>£ | Total<br>£ |
|--|--------------|--------------|--------------|--------------|--------------|------------|
| <b>reserves</b>                              |              |              |              |              |              |            |
| (Increased)/<br>decreased use of<br>reserves |              | (1,154,720)  | 1,052,910    | 73,050       | 122,190      |            |

6.3.4. Based on the working assumptions in this MTFP, at the end of the four year period there would be an estimated balance of £1.851million in the general fund contingency reserves, which would be £0.353million above the £1.498million minimum contingency balance:

|  | 2023/24<br>£     | 2024/25<br>£     | 2025/26<br>£     | 2026/27<br>£     | 2027/28<br>£     |
|--|------------------|------------------|------------------|------------------|------------------|
| Opening balance                        | 2,908,000        | 2,910,570        | 1,758,420        | 1,659,180        | 1,755,180        |
| (Use of)/ contribution<br>to reserve   | 2,570            | (1,152,150)      | (99,240)         | (26,190)         | 96,000           |
| <b>Closing balance</b>                 | <b>2,910,570</b> | <b>1,758,420</b> | <b>1,659,180</b> | <b>1,632,990</b> | <b>1,851,180</b> |
| Minimum requirement<br>(paragraph 7.1) | 1,498,000        | 1,498,000        | 1,498,000        | 1,498,000        | 1,498,000        |
| <b>Headroom</b>                        | <b>1,412,570</b> | <b>260,420</b>   | <b>161,180</b>   | <b>134,990</b>   | <b>353,180</b>   |

## 7. MTFP Revenue Position & 2024/25 budget setting

7.1. The medium term proposed revenue position is as set out in the table below, including a balanced 2024/25 budget position with a £1,152,150 use of reserves:

|                          | 2023/24<br>£                | 2024/25<br>£                                | 2025/26<br>£      | 2026/27<br>£      | 2027/28<br>£      |
|--------------------------|-----------------------------|---|-------------------|-------------------|-------------------|
|                          | Budget set<br>February 2023 | <b>Budget<br/>setting<br/>February 2024</b> |                   |                   |                   |
| Employees                | 7,157,260                   | 7,409,960                                   | 7,582,600         | 7,733,920         | 7,887,660         |
| Premises                 | 2,543,450                   | 2,606,530                                   | 2,644,320         | 2,689,270         | 2,734,990         |
| Transport                | 142,670                     | 144,950                                     | 146,400           | 148,890           | 151,420           |
| Supplies & Services      | 8,331,080                   | 9,208,970                                   | 8,500,080         | 7,802,100         | 7,729,610         |
| Benefits                 | 5,010                       | 5,010                                       | 5,010             | 5,010             | 5,010             |
| Borrowing                | 549,510                     | 588,020                                     | 830,950           | 1,060,340         | 1,210,700         |
| <b>Total Expenditure</b> | <b>18,728,980</b>           | <b>19,963,440</b>                           | <b>19,709,360</b> | <b>19,439,530</b> | <b>19,719,390</b> |

|                                    | 2023/24 £           | 2024/25 £           | 2025/26 £           | 2026/27 £           | 2027/28 £           |
|------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Fees and Charges / Other Income    | (5,930,900)         | (6,030,900)         | (6,105,900)         | (6,155,900)         | (6,205,900)         |
| Interest Receipts                  | (1,103,440)         | (1,219,140)         | (980,440)           | (720,870)           | (664,430)           |
| <b>Net Expenditure</b>             | <b>11,694,640</b>   | <b>12,713,400</b>   | <b>12,623,020</b>   | <b>12,562,760</b>   | <b>12,849,060</b>   |
| Council Tax                        | (5,854,870)         | (6,093,350)         | (6,321,230)         | (6,487,890)         | (6,658,610)         |
| Business Rates Retention           | (2,162,880)         | (2,373,640)         | (2,557,590)         | (2,526,550)         | (2,760,550)         |
| Government Grants                  | (3,398,440)         | (3,571,670)         | (3,530,170)         | (3,491,150)         | (3,494,480)         |
| Contribution to/ (use of) Reserves | (607,700)           | (7,700)             | (7,700)             | (7,700)             | (7,700)             |
| Contribution to/ (use of) Balances | 602,570             | (1,152,150)         | (99,240)            | (26,190)            | 96,000              |
| Collection Fund                    | (273,320)           | 485,110             | (107,090)           | (23,280)            | (23,720)            |
| <b>Total Financing</b>             | <b>(11,694,640)</b> | <b>(12,713,400)</b> | <b>(12,623,020)</b> | <b>(12,562,760)</b> | <b>(12,849,060)</b> |
| <b>(Surplus)/ Deficit</b>          | <b>0</b>            | <b>0</b>            | <b>0</b>            | <b>0</b>            | <b>0</b>            |

## 7.2. Council Tax Setting Requirement 2024/25

7.2.1. The table below illustrates the Council Tax requirement for 2024/25:

| Council Tax                            | 2024/25 Budget £ |
|--|------------------|
| <b>Net Cost of Services</b>            | 12,713,400       |
| Business Rates Retention               | (2,373,640)      |
| Government Grants                      | (3,571,670)      |
| Use of Reserves                        | (1,159,850)      |
| Collection Fund                        | 485,110          |
| <b>Net Requirement for Council Tax</b> | <b>6,093,350</b> |

7.2.2. 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) |
|-------------------------------------|--------------------|----------|--------------------|----------------------|
| Staffordshire Moorlands Council Tax | £5,668,490         | 33,737   | £168.02            | £4.88 or 2.99%       |

|                                  | Budget Requirement | Tax base | Band D Council Tax | Increase/ (decrease) |
|----------------------------------|--------------------|----------|--------------------|----------------------|
| <i>Special District Expense:</i> |                    |          |                    |                      |
| Leek                             | £355,395           | 6,521    | £54.50             | £1.58 or 2.99%       |
| Biddulph                         | £69,465            | 6,338    | £10.96             | £0.32 or 2.99%       |



**Proposed Capital Programme (2023/24 to 2027/28)**

|  | 2023/24 £        | 2024/25 £        | 2025/26 £        | 2026/27 £        | 2027/28 £        | Total £           |
|--|------------------|------------------|------------------|------------------|------------------|-------------------|
| <i>Asset Management:</i>                           |                  |                  |                  |                  |                  |                   |
| <i>Public buildings</i>                            | 707,950          | 738,320          | 570,230          | 82,860           | 1,580,570        | 3,679,930         |
| <i>Car parks</i>                                   | 400,000          |                  | 131,020          | 576,030          |                  | 1,107,050         |
| <i>Public conveniences</i>                         |                  | 54,590           | 12,460           | 6,170            | 78,790           | 152,010           |
| <i>Infrastructure/<br/>waterways</i>               | 80,000           | 120,100          |                  |                  |                  | 200,100           |
| <i>Leisure centres</i>                             |                  | 33,470           | 2,660,760        | 1,380,560        | 932,460          | 5,007,250         |
| <i>Depots &amp; park<br/>buildings</i>             |                  | 75,750           | 118,410          | 77,120           | 154,780          | 426,060           |
| <i>Industrial units</i>                            |                  | 16,380           | 223,650          | 136,610          | 8,190            | 384,830           |
| <b>Asset Management</b>                            | <b>1,187,950</b> | <b>1,038,610</b> | <b>3,716,530</b> | <b>2,259,350</b> | <b>2,754,790</b> | <b>10,957,230</b> |
| <b>Private Housing<br/>Grants</b>                  |                  | <b>20,390</b>    |                  |                  |                  | <b>20,390</b>     |
| <b>Housing Grants<br/>(DFG)</b>                    | <b>1,774,000</b> | <b>2,200,000</b> | <b>2,200,000</b> | <b>2,200,000</b> | <b>2,200,000</b> | <b>10,574,000</b> |
| <b>ICT Strategy</b>                                | <b>52,050</b>    | <b>161,570</b>   | <b>40,560</b>    |                  |                  | <b>254,180</b>    |
| <b>Fleet Management</b>                            | <b>181,600</b>   | <b>678,250</b>   | <b>27,500</b>    | <b>1,496,200</b> | <b>1,071,600</b> | <b>3,455,150</b>  |
| <i>Regeneration:</i>                               |                  |                  |                  |                  |                  |                   |
| <i>Conservation</i>                                | 106,750          | 70,000           | 50,000           | 50,000           | 50,000           | 326,750           |
| <i>Market town<br/>regeneration</i>                |                  | 373,000          |                  |                  |                  | 373,000           |
| <b>Regeneration</b>                                | <b>106,750</b>   | <b>443,000</b>   | <b>50,000</b>    | <b>50,000</b>    | <b>50,000</b>    | <b>699,750</b>    |
| <i>Leisure:</i>                                    |                  |                  |                  |                  |                  |                   |
| <i>BVLC energy<br/>efficiency works<br/>(PSDS)</i> | 2,132,620        | 291,880          |                  |                  |                  | 2,424,500         |
| <i>Outdoor sports<br/>facilities</i>               | 211,850          | 245,470          |                  | 100,000          |                  | 557,320           |
| <i>Public parks/ play<br/>facilities</i>           | 245,420          | 256,090          | 140,000          |                  |                  | 641,510           |
| <b>Leisure</b>                                     | <b>2,589,890</b> | <b>793,440</b>   | <b>140,000</b>   | <b>100,000</b>   | <b>0</b>         | <b>3,623,330</b>  |

|   | 2023/24 £        | 2024/25 £         | 2025/26 £         | 2026/27 £        | 2027/28 £        | Total £           |
|---|------------------|-------------------|-------------------|------------------|------------------|-------------------|
| <i>Other schemes:</i>                   |                  |                   |                   |                  |                  |                   |
| <i>CCTV</i>                             | 56,140           |                   |                   |                  |                  | 56,140            |
| <i>Community facilities</i>             |                  |                   | 200,000           |                  |                  | 200,000           |
| <i>Food waste collection</i>            |                  |                   | 932,960           |                  |                  | 932,960           |
| <b>Other schemes</b>                    | <b>56,140</b>    | <b>0</b>          | <b>1,132,960</b>  | <b>0</b>         | <b>0</b>         | <b>1,189,100</b>  |
| <i>Levelling Up Fund (LUF):</i>         |                  |                   |                   |                  |                  |                   |
| <i>LUF matched funding</i>              |                  |                   |                   |                  | 600,000          | 600,000           |
| <i>Nicholson institute (LUF)</i>        | 203,290          | 3,670,530         |                   |                  |                  | 3,873,820         |
| <i>Leek markets (LUF)</i>               | 670,790          | 11,286,740        | 4,365,450         |                  |                  | 16,322,980        |
| <i>Brough Park leisure centre (LUF)</i> | 452,270          | 3,034,440         |                   |                  |                  | 3,486,710         |
| <b>Levelling Up Fund (LUF)</b>          | <b>1,326,350</b> | <b>17,991,710</b> | <b>4,365,450</b>  | <b>0</b>         | <b>600,000</b>   | <b>24,283,510</b> |
| <b>Total Programme</b>                  | <b>7,274,730</b> | <b>23,326,970</b> | <b>11,673,000</b> | <b>6,105,550</b> | <b>6,676,390</b> | <b>55,056,640</b> |

## **ANNEX B**

### **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 Finance and Performance Committee and Cabinet. These reports highlight all variances between spending and budgets.

The proposal for the Budget for the forthcoming year 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. Finance and Performance Committee members scrutinised the progress of spending throughout the year and received a report on the draft MTFP in the preceding November.

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 for the forthcoming year 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. 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 the forthcoming year 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**

Any changes by central government to local authority core funding and the Business Rates Retention Scheme, including resetting the baseline income, may have significant impact on the Council's finances. The provisional settlement only provides confirmation of the Council's funding for the first year of the MTFP.

The volatility of the national economic situation remains challenging and unpredictable. The potential impact of interest rates and inflation continues to be monitored.

### **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.

## **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 FCCA**

**Executive Director (Finance & Customer Services (S151 Officer))**