

**Medium Term Financial Strategy 2022/23-2026/27 –  
Initial Scoping and Assumptions**

<b>Final Decision-Maker</b>	Council
<b>Lead Head of Service</b>	Director of Finance and Business Improvement
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<b>Classification</b>	Public
<b>Wards affected</b>	All

**Executive Summary**

This report sets out the background to be considered in updating the Medium Term Financial Strategy (MTFS) and rolling it forward to cover the five-year period 2022/23 to 2026/27. It describes the issues and risks involved, starting with the Council's current financial position. It sets out key assumptions to be made in preparing the MTFS.

The report concludes by setting out the subsequent steps involved in developing an updated MTFS and includes a timetable for consideration by Members.

**This report makes the following recommendations to this Committee:**

1. That the issues and risks associated with updating the Medium Term Financial Strategy are noted.
2. That the assumptions described in this report for planning purposes and to establish the remit for detailed budget development are noted.
3. That members identify any further assumptions that they wish to be modelled.
4. The approach outlined to development of an updated Medium Term Financial Strategy for 2022/23 – 2026/27 and a budget for 2022/23 is agreed.

**Timetable**

<b>Meeting</b>	<b>Date</b>
Policy and Resources Committee	21 July 2021
All Service Committees	November 2021
Policy and Resources Committee	24 November 2021
Council	8 December 2021
All Service Committees - detailed budget proposals	January 2022

Policy and Resources Committee – final budget proposals	9 February 2022
Council	23 February 2022

# Medium Term Financial Strategy 2022/23-2026/27 – Initial Scoping and Assumptions

## 1. CROSS-CUTTING ISSUES AND IMPLICATIONS

<b>Issue</b>	<b>Implications</b>	<b>Sign-off</b>
<b>Impact on Corporate Priorities</b>	The Medium Term Financial Strategy and the budget are a re-statement in financial terms of the priorities set out in the strategic plan. They reflect the Council's decisions on the allocation of resources to all objectives of the strategic plan.	Section 151 Officer & Finance Team
<b>Cross Cutting Objectives</b>	The MTFS supports the cross-cutting objectives in the same way that it supports the Council's strategic priorities.	Section 151 Officer & Finance Team
<b>Risk Management</b>	This has been addressed in section 5 of the report.	Section 151 Officer & Finance Team
<b>Financial</b>	The budget strategy and the MTFS impact upon all activities of the Council. The future availability of resources to address specific issues is planned through this process. It is important that the committee gives consideration to the strategic financial consequences of the recommendations in this report.	Section 151 Officer & Finance Team
<b>Staffing</b>	The process of developing the budget strategy will identify the level of resources available for staffing over the medium term.	Section 151 Officer & Finance Team
<b>Legal</b>	The Council has a statutory obligation to set a balanced budget and development of the MTFS and the strategic revenue projection in the ways set out in this report supports achievement of a balanced budget.	Legal Services
<b>Privacy and Data Protection</b>	Privacy and Data Protection is considered as part of the development of new budget proposals. There are no specific implications arising from this report.	Section 151 Officer & Finance Team
<b>Equalities</b>	The MFTS report scopes the possible impact of the Council's future financial position on service delivery. When a policy, service or function is developed, changed or reviewed, an evidence based equalities impact	Equalities and Corporate Policy Officer

	assessment will be undertaken. Should an impact be identified appropriate mitigations will be identified.	
<b>Public Health</b>	The resources to achieve the Council's objectives are allocated through the development of the Medium Term Financial Strategy.	Public Health Officer
<b>Crime and Disorder</b>	The resources to achieve the Council's objectives are allocated through the development of the Medium Term Financial Strategy.	Section 151 Officer & Finance Team
<b>Procurement</b>	The resources to achieve the Council's objectives are allocated through the development of the Medium Term Financial Strategy.	Section 151 Officer & Finance Team

## 2. INTRODUCTION AND BACKGROUND

2.1 The Medium Term Financial Strategy (MTFS) sets out in financial terms how the Council will deliver its Strategic Plan over the next five years. The Council adopted a Strategic Plan for the period 2021 - 2045 in December 2018; this has been refreshed annually since then and in February 2021 the specific areas of focus for the five year period from 2021/22 to 2025/26 were updated to reflect the significant change in context arising from the Covid19 public health emergency. The existing MTFS for the period 2021/22 to 2025/26 reflects the updated Strategic Plan. The new MTFS will continue to reflect the Strategic Plan priorities.

2.2 A key outcome of the process of updating the MTFS is to set a balanced budget and agree a level of council tax for 2022/23 at the Council meeting on 23 February 2022. This report is the first step towards achieving that objective.

### Current Financial Position

2.3 A key element in developing the Medium Term Financial Strategy is a consideration of Maidstone's current financial position. This section sets out the current revenue spending position, given the final outturn for the 2020/21 financial year and the agreed budget for 2021/22.

2.4 As explained when reporting the outturn for 2020/21, Covid-19 had a major impact on the Council's finances. There was additional unbudgeted expenditure and a significant shortfall in income. However, in the end these were more than offset by central government grant and by measures taken by the Council itself to mitigate spend, leading to an underspend of £1.2 million, as shown in the table below.

2.5 The 2021/22 budget included savings of £1.5 million, agreed by Council at its meeting on 24<sup>th</sup> February 2021. These savings were developed in

anticipation of an ongoing impact from Covid-19, particularly on third party income received by the Council, and recognised that government support during the pandemic would be unlikely to continue indefinitely.

**Table 1: 2020/21 Outturn and 2021/22 Budget**

Committee	Service	2020/21			2021/22
		Final adjusted budget	Actual outturn for the year	Variance (-Adverse/ Favourable)	Budget
		£000	£000	£000	£000
CHE	Communities & Housing	3,301	3,057	243	2,911
	Environment & Public Realm	5,242	4,871	371	5,272
ERL	Heritage, Culture & Leisure	773	1,798	-1,025	675
	Economic Development	281	362	-80	292
S P I	Planning Services	1,184	1,185	-2	1,041
	Parking & Transportation	-2,243	-1,984	-259	-1,549
P & R	Property & Investment	-599	337	-935	-1,433
	Corporate and Shared Services	13,349	10,439	2,910	12,485
	<b>Total</b>	<b>21,287</b>	<b>20,065</b>	<b>1,222</b>	<b>19,695</b>

Details by service area are set out below.

#### *Communities and Housing*

- 2.6 This service area supports the corporate priority 'Housing and Communities'. The Housing Service continues to address homelessness proactively, whilst keeping costs down by making use of the council's own portfolio of temporary accommodation. The service has benefited from government grant funding, so a saving of £190,000 has been built into the 2021/22 budgets in recognition of the fact that central government support can now offset some of the budget growth experienced in this service in recent years arising from the increasing homelessness workload; ; although protections were introduced for tenants during the pandemic the Government's "Everyone In" policy resulted in a significant increase in people presenting to our service for assistance with housing. There is now a risk of a further increase in workload in this area as the protections for tenants introduced during the pandemic are removed and provisions which enable landlords to evict tenants operate again.

#### *Environment & Public Realm*

- 2.7 These services support the 'clean and green' agenda, as they include street cleaning, grounds maintenance in parks and open spaces, and household

waste collection. Waste collection is outsourced and the cost of the service is directly linked to inflation indices. The garden waste service has performed strongly, even during the pandemic, and further income growth is built into the budget. However, there are significant budget risks in future years, with costs likely to increase when the service is re-tendered in 2023, and the possibility that government will remove local authorities' ability to charge for garden waste collection. A provision of £1 million (previously £500,000) has been built into the Strategic Revenue Projections to recognise these risks, but more work will be required to quantify the exact likely budget implications.

#### *Heritage, Culture & Leisure*

- 2.8 This service area helps to make Maidstone a 'thriving place'. It includes the museum, leisure services and bereavement services. There was a very significant adverse budget variance in this area in 2021/22, owing to Serco exercising their contractual right to recover trading losses arising from the pandemic from the Council. The Serco contract comes to an end in 2024 and work is under way to assess the Council's future options. No budget growth has been assumed.

#### *Economic Development*

- 2.9 Economic Development likewise supports the priority of making Maidstone a thriving place. The Council is planning to adopt a new Economic Development Strategy. Revenue budgets in this area are supplemented by funding from the Business Rates Pool, which is potentially at risk from a reset of the business rates baseline (see paragraph 2.33 below). The service is also responsible for the Business Terrace and the Kent Medical Campus Innovation Centre.

#### *Planning Services*

- 2.10 Planning Services provide the essential framework for 'embracing growth and enabling infrastructure'. These services include spatial planning, and specifically the Local Plan review, infrastructure planning, liaison with developers on major applications, and day-to-day development management and processing of planning applications and planning enforcement. We anticipate significant change to this service as a result of changes in approach from the Government; a White Paper is anticipated later this year and pilots are currently being conducted to trial various elements of the changed approach.

#### *Parking & Transportation*

- 2.11 Parking and Transportation likewise support growth and infrastructure, as well as serving the priority of making Maidstone a thriving place. The Parking Service was very severely affected by Covid-19 in 2020/21. Recognising that a return to pre-Covid-19 levels of income cannot be expected in 2021/22, budgets have been adjusted downwards. It remains to be seen how soon, if ever, parking income recovers to pre-pandemic levels.

### *Property & Investment*

- 2.12 This service is responsible for the Council's own property and investments. Income was adversely affected in 2021/22 by Covid-19 but the budget for 2021/22 envisages a recovery, with income levels returning to normal from the Council's existing estate and new income coming on stream through Maidstone Property Holdings at Brunswick Street, Union Street and Springfield Mill.

### *Corporate & Shared Services*

- 2.13 Corporate services provide the essential support structure to enable all the corporate priorities to be realised. Shared Services continue to provide resilience and offer the potential for additional income, eg from providing payroll services to other authorities and from our debt collection service. Budget savings of £170,000 are planned in this area in 2021/22. Reviewing office accommodation offers the potential for further savings in the future.

### *Overall Position*

- 2.14 The overall outturn for 2020/21 was an underspend of £1.2 million against the budget, reflecting one-off factors at play during the year. In 2021/22 an ongoing impact from Covid-19 can be expected on Parking in particular. While budgets have been adjusted accordingly, the budget position in 2021/22 remains uncertain, with other services also being heavily dependent on external income (eg Property). Further government support is unlikely and the Council has already earmarked the government's unringfenced Covid-19 grant of £860,000 for expenditure on recovery and renewal.
- 2.15 A separate report to Policy and Resources Committee will address deployment of the unringfenced Covid-19 grant. Note that if there is a resurgence of the pandemic, resources will be required for example to remobilise the community hub.
- 2.16 Generally, it is important to discern the underlying budget position, given the additional grant funding that the government has recently made available. Whilst one-off grants have been extremely valuable, and offer the opportunity to support the recovery, eg through the Future Towns Fund, the UK Renewal Fund/Prosperity Fund and Levelling Up, they cannot be relied to fund core services.

## **Future Financial Position**

### **Government funding**

- 2.17 Maidstone Borough Council was largely self-sufficient financially prior to the pandemic, drawing most of its income from Council Tax and other locally generated sources of income such as Parking. The percentage of revenue raised locally increased from 82% in 2014/15 to 93% in 2019/20.
- 2.18 However, the local authority funding framework set by government remains a crucial determinant of the Council's future financial position. This is

primarily because central government restricts the amount by which Council Tax can be increased and it determines the share of business rates that can be retained locally. Additionally, in 2020/21 central government provided extensive support for local authorities to address Covid-19 pressures.

- 2.19 Local authority funding was subject to a four year settlement between 2016/17 and 2019/20, which provided a degree of certainty about the Council's funding position, even though the amount of central government support for local government fell steadily. The key elements of the settlement were rolled forward in 2020/21 and 2021/22, with Brexit and then Covid-19 limiting the capacity of central government to introduce any major changes. It is likely that there will be a further one year roll-forward in 2022/23.
- 2.20 It should be noted that the four year funding settlement gave no Revenue Support Grant (RSG) to Maidstone Borough Council from 2017/18. It was originally envisaged that the four year funding settlement would incorporate a clawback of £1.6 million from the Council in the form of negative RSG in 2019/20, as the level of central government support for the local authority sector as a whole was gradually reduced. Under pressure from local authorities like Maidstone and our parliamentary representatives, the government withdrew the proposal to levy negative RSG. This concession continued to apply in 2020/21 and 2021/22. However, without an overall increase in recurring funding available to local government, it is not clear how the local government financial settlement will be balanced in future years without the 'lost' negative RSG being recouped in some form.
- 2.21 At this stage it is not known when we will have clarity about the Council Tax referendum limit, the Business Rates baseline, future specific grants or negative RSG for 2022/23. The usual pattern whereby the local government finance settlement is announced just before Christmas suggests that we will not have any definitive figures until late December.
- 2.22 Whilst it is likely that the existing funding regime will be rolled forward in broadly its current form into 2022/23, there will probably be more significant changes in 2023/24. These are likely to include:
- Implementation of a 'Fair Funding Review'
  - Resetting business rates baselines.

### **Scenario Planning**

- 2.23 Given uncertainty about the pace of economic recovery, coupled with the lack of clarity about local government funding, it is proposed that, as in previous years, we model a number of different scenarios when developing the Medium Term Financial Strategy, as follows:

#### *Favourable*

There is strong economic growth, with inflation pressures contained within the government's long term target rate of 2%. This allows the Council's external income to recover to pre-Covid levels in 2022/23 and grow strongly thereafter. New house building continues at pre-Covid levels (ie 1.5% - 2%

growth per annum). Cost pressures are contained, allowing scope for budget growth.

#### *Neutral*

Growth is slower, with external income returning to pre-Covid levels over a period of 3-4 years. There continues to be growth in the Council Tax base, but constraints in the construction sector mean there is a slow-down for the first 2-3 years of the planning period. The Council maintains existing service levels and is able to fund inflationary increases in expenditure.

#### *Adverse*

Government measures to stimulate the economy are constrained by the economy's capacity to grow and the need to keep public expenditure under control. Capacity constraints and low economic growth compared with other national economies lead to prolonged inflation in excess of the government's 2% target. As a result, there is minimal growth in Council external income and increased cost pressures lead to spending cuts in order to ensure that statutory services are maintained.

- 2.24 Specific assumptions underlying each of the scenarios will be set out in the Medium Term Financial Strategy.

### **Strategic Revenue Projection**

#### *Council Tax*

- 2.25 Council Tax is a product of the tax base and the level of tax set by Council. The tax base is a value derived from the number of chargeable residential properties within the borough and their band, which is based on valuation ranges, adjusted by all discounts and exemptions.
- 2.26 The tax base has increased steadily in recent years, reflecting the number of new housing developments in the borough. See table below:

**Table 2: Number of Dwellings in Maidstone**

	2016	2017	2018	2019	2020
Number of dwellings	68,519	69,633	70,843	71,917	73,125
% increase compared with previous year	1.18%	1.63%	1.74%	1.52%	1.68%

**Note:** Number of dwellings is reported each year based on the position shown on the valuation list in September.

- 2.27 The level of council tax increase for 2022/23 is a decision that will be made by Council based on a recommendation made by Policy and Resources Committee. In practice, the Council's ability to increase the level of council tax is limited by the need to hold a referendum for increases over a government set limit. In 2021/22, the limit was 2%. The Council approved the maximum possible increase. The rationale for this approach was that:

- pressures on the Council's budget mean that even a marginal difference in Council Tax income is of value;
- the referendum limit might revert to a lower level in later years;
- because the starting point for calculating the referendum limit in any given year is the previous year's Council Tax, agreeing a lower increase reduces the Council's room for manoeuvre in later years.

2.28 The referendum limit of 2% was intended broadly to reflect the rate of inflation. In the government's estimates of local government expenditure, it is assumed that councils will increase Council Tax by the maximum amount available. Notwithstanding this, the MTFS projections have been prepared on two bases, ie (a) assuming that Council Tax increases continue to be at the referendum limit, and that this limit will be 2%; and (b) that Council Tax is frozen from 2022/23 onwards.

#### *Retained business rates*

2.29 Under the current business rates regime, local government in aggregate retains 50% of business rates income. However, most of the 50% share collected locally is lost to Maidstone, because it is redistributed to other authorities through a system of tariffs and top-ups.

**Table 3: Baseline Business Rates Income 2021/22**

	£000	%
Baseline Business Rates income	56,923	100
Government share	-28,462	-50
Kent County Council / Kent Fire & Rescue Authority	-5,692	-10
Government tariff	-19,339	-34
Baseline Business Rates income retained by MBC	3,430	-6

2.30 To the extent that business rates income exceeds the baseline, this growth element is retained locally, subject to a levy payable to central government by tariff authorities like Maidstone. The Council has been able to minimise the levy payable on business rates growth through its membership of the Kent Business Rates Pool. This is because the levy payable by some pool members (district councils) is offset against the top-up received by the major preceptors (Kent County Council and Kent Fire and Rescue).

2.31 The Council includes the non-pool element of business rates growth as part of its base budget. Maidstone Council's 30% share of the growth arising from membership of the pool is allocated to a reserve which is used for specific projects that form part of the Council's economic development strategy. A further 30% represents a Growth Fund, spent in consultation with Kent County Council. This has been used to support the Maidstone East development. Another 30% goes directly to Kent County Council; the residual 10% is held back to compensate pool members whose business rates income falls below the baseline and would otherwise have benefited from the government's safety net.

2.32 Total projected business rates income for 2021/22 and the uses to which it will be put are summarised in the table below.

**Table 4: Projected Business Rates Income 2021/22**

	£000	
Business Rates baseline income	3,430	Included in base budget
Growth in excess of the baseline	620	Included in base budget
<b>Projected income before pooling</b>	<b>4,050</b>	
Pooling gain (MBC share)	349	Earmarked for Economic Development projects
Pooling gain (Growth Fund)	349	Spent in consultation with KCC, eg on Maidstone East
<b>Total</b>	<b>4,748</b>	

- 2.33 Current projections for 2023/24 assume that we will lose the benefit of business rates growth, because of a potential baseline reset.
- 2.34 Projections of business rates income for the years after 2023/24 must, of necessity, take a cautious position on how much business rates income is likely to be retained locally, given that this is the element in our total resources that is most at risk from the vagaries of government policy.

*Local income from fees and charges*

- 2.35 Fees and charges income is an increasingly important source of funding for the Council. We have a policy that guides officers and councillors to set the appropriate level of fees and charges based on demand, affordability and external factors. The policy is not influenced directly by the MTFS with the exception that charges should be maximised within the limits of the policy.

**Revenue Projections**

- 2.36 Strategic revenue projections, based on the assumptions set out above, are summarised in table 5 below for the 'neutral' scenario. More detailed projections are included in Appendix A (2% Council Tax increase) and Appendix B (Council Tax freeze).
- 2.37 In light of the many uncertainties around future funding, it is important to note that projections like these can only represent a 'best estimate' of what will happen. These projections will be updated as more information becomes available, prior to a final version of the projections being included in the updated Medium Term Financial Strategy.

**Table 5: Current MTFS Revenue Projections 2022/23-2026/27**

	22/23	23/24	24/25	25/26	26/27
	£m	£m	£m	£m	£m
Council Tax	17.8	18.4	19.1	19.8	20.5
Retained Business Rates	3.5	3.6	3.6	3.7	3.8
Business Rates Growth	1.2	-	0.2	0.4	0.5
Collection Fund adjustment	-0.8	-0.8	-	-	-
Budget requirement	21.7	21.2	22.9	23.9	24.8

Fees and Charges	21.5	22.0	22.9	23.7	24.0
Total Funding Available	43.2	43.2	45.8	47.6	48.8
Predicted Expenditure	43.2	45.3	46.8	48.5	50.0
Budget Gap	-	-2.1	-1.0	-1.0	-1.2
Existing Planned Savings	0.9	0.7	0.2	-	-
Surplus / (Deficit)	0.9	-1.4	-0.8	-1.0	-1.2
(Surplus Carried Forward) / Surplus Utilised	-0.9	0.9			
Savings Required	-	-0.5	-0.8	-1.0	-1.2

- 2.38 The position in 2022/23 is projected to be balanced, before taking into account existing planned savings. These savings will generate a surplus of £0.9 million, which will however be needed the following year in order to reduce the deficit from £1.4 million to £0.5 million.
- 2.39 The position for 2022/23 is an improvement on that projected when the budget was set for the current year. This is mainly because business rates growth has now been assumed, based on a roll forward of the existing local government finance settlement. This growth is likely to be lost in a reset of the business rates baseline in 2023/24.
- 2.40 The effect of freezing Council Tax would be to reduce the surplus available for carry forward from £0.9 million to £0.5m. If Council Tax were not increased at all over the five year period, the deficit by year 5 would be £3.2 million (see Appendix B).

### **Updating the Medium Term Financial Strategy**

- 2.41 The Council's Strategic Plan sets four key priorities, as follows:

- Embracing Growth and Enabling Infrastructure
- Homes and Communities
- A Thriving Place
- Safe, Clean and Green.

'Embracing growth and enabling infrastructure recognises' the Council's role in leading and shaping the borough as it grows. This means taking an active role in policy and master planning for key sites in the borough, and where appropriate, investing directly ourselves.

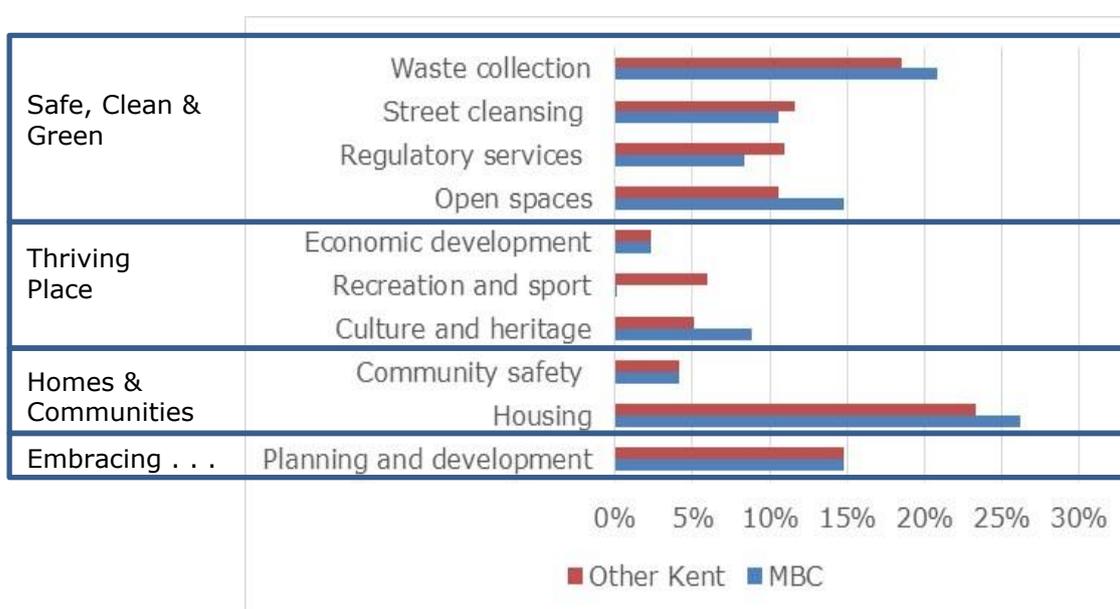
'Homes and communities' expresses the objective of making Maidstone a place where people love to live and can afford to live. This means providing a range of different types of housing, including affordable housing, and meeting our statutory obligations to address homelessness and rough sleeping.

'A thriving place' is a borough that is open for business, attractive for visitors and an enjoyable and prosperous place to live for our residents. We will work to regenerate the County town and rural service centres and will continue to grow our leisure and cultural offer.

A 'safe, clean and green' place is one where the environment is protected and enhanced, where parks, green spaces, streets and public areas are looked after, well-managed and respected, and where people are and feel safe.

2.42 The table below shows how revenue resources are allocated to the different strategic priorities. For comparison purposes, it also shows the relative allocations for the Council's peers – the other district Councils of Kent. This is not to imply that this Council is over-spending or under-spending in particular areas. Rather, it is intended to put our allocation of expenditure against the different priorities in a local context, and it should be recognised that there are other perspectives that may be relevant.

**Table 6: Spending priorities as % of service expenditure**



2.43 From this it can be seen that MBC spends more than its peers on:

- Waste Collection
- Open Spaces
- Culture and Heritage
- Housing

2.44 It spends less than its peers on:

- Street Cleansing
- Regulatory Services
- Recreation and Sport.

The very low cost of recreation and sport arises because (other than in 2020/21 because of the pandemic) the leisure contractor actually makes a contribution to the Council, as it generates an operating surplus. However, this does not take into account the capital investment that the Council has made in the Leisure Centre.

- 2.45 The next stage in development of the Medium Term Financial Strategy will be to review budgets to assess whether they are aligned with our corporate strategies. Table 5 shows that the overall budget position is broadly balanced, so additional resources for one area will need to be offset by reduced resources in another.
- 2.46 It is envisaged that the outcome of this review will be a set of growth and savings proposals that can be incorporated in an updated Medium Term Financial Strategy.

### **Capital Programme**

- 2.47 The Council sets a capital strategy, linked to the overall Strategic Plan and the Medium Term Financial Strategy, which sets the framework for the capital programme. The capital programme plays a vital part in delivering the Council's Strategic Plan, since it is only through long term investment that our ambitions for the borough can be realised. The capital programme is a rolling five year programme. The existing capital programme was approved by Council at its budget meeting on 24<sup>th</sup> February 2021. An updated capital strategy and capital programme is due to be considered by this committee in September 2021.
- 2.48 Major schemes include the following:
- Private rented sector housing programme
  - Affordable housing programme
  - Temporary accommodation
  - Gypsy and traveller sites refurbishment
  - Corporate property acquisitions
  - Biodiversity & Climate Change capital projects.
  - Kent Medical Campus Innovation Centre
  - Mall Bus Station Improvements
  - Mote Park Visitor Centre
  - Garden Community preliminary work.
- 2.49 Schemes may be included in the capital programme if they fall within one of the four following categories:
- Required for statutory reasons, eg to ensure that Council property meets health and safety requirements;
  - Self-funding schemes focused on strategic plan priority outcomes;
  - Other schemes focused on strategic plan priority outcomes; and
  - Other priority schemes which will attract significant external funding.
- 2.50 All schemes within the capital programme are subject to appropriate option appraisal. Any appraisal must comply with the requirements of the Prudential Code and the following locally set principles:
- a) Where schemes fit within a specific strategy and resources are available within the capital programme for that strategy, the schemes would also be subject to appraisal and prioritisation against the objectives of that strategy. These schemes must be individually considered and approved by the relevant service committee.

b) Where schemes can be demonstrated to be commercial in nature and require the use of prudential borrowing, a business case must first be prepared.

2.51 The Council started borrowing for the first time to fund its capital programme in 2019/20, having hitherto relied primarily on New Homes Bonus to fund the capital programme. The cost of further borrowing is factored into the MTFS financial projections.

### **Reserves**

2.52 The Council maintains reserves as a safety net to allow for unforeseen circumstances. There is no statutory definition of the minimum level of reserves: the amount required is a matter of judgement. However, the Council has agreed to set £4 million as the minimum unallocated General Fund balance.

2.53 In addition to unallocated General Fund balances, the Council holds reserves that are earmarked for specific purposes. Full details of reserves held are set out below:

**Table 6: General Fund balances as at 31 March 2021**

	31.3.20 £000	31.3.21 £000
<b>Earmarked Reserves</b>		
Local Plan	309	0
Neighbourhood Plans	75	97
Planning Appeals	286	286
Civil Parking Enforcement	165	169
Housing Prevention & Temporary Accommodation	681	773
Business Rates Earmarked Balances	3,887	3,788
Occupational Health & Safety	31	0
Lockmeadow Complex	335	0
Future Funding Pressures	1,589	969
Trading Accounts	30	30
Future Capital Expenditure	432	1,131
Invest to Save Reserve	0	500
Commercial Risk Reserve	0	500
Funding for future collection fund deficits	0	13,595
Resources carried forward from 2020/21 to 2021/22	0	1,077
<b>Sub-total Earmarked Reserves</b>	<b>7,820</b>	<b>22,915</b>
Unallocated Balances	8,819	8,910
<b>Total General Fund balances</b>	<b>16,639</b>	<b>31,825</b>
<b>Total General Fund balances excluding Collection Fund deficits</b>	<b>16,639</b>	<b>18,230</b>

The unallocated balances exceed the £4 million minimum. They are equivalent to around 20% of the gross revenue budget, which is comfortably in excess of the 10% benchmark that is sometimes cited as a reasonable level. It can therefore be seen that the level of reserves is adequate without being excessive

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### **3. AVAILABLE OPTIONS**

- 3.1 Option 1 - The approach outlined to development of an updated Medium Term Financial Strategy for 2022/23 – 2026/27 and a budget for 2022/23 is agreed.
  - 3.2 Option 2 – A decision about the approach is deferred at this stage. A number of factors that influence the annual budget and the MTFS are not yet known. However, the disadvantage of this approach is that it could take some time for full information to emerge, and in the meantime the Council needs to take steps to set a budget for the coming year.
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### **4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS**

- 4.1 The preferred option is to proceed with development of an updated MTFS. Whilst there is a considerable amount of uncertainty about the future, this can be addressed through careful consideration of the risks and by building flexibility into our financial plans.
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### **5. RISK**

- 5.1 The preceding paragraphs have indicated at several points the risks and uncertainty surrounding the Council's financial position. In order to address these in a structured way and to ensure that appropriate mitigations are developed, the Council has developed a budget risk register. This seeks to capture all known budget risks and to present them in a readily comprehensible way. The budget risk register is updated regularly and is reviewed by the Audit, Governance and Standards Committee at each meeting.
  - 5.2 It should be recognised that risks are not usually discrete. There are interrelationships between the risks, such that (for example) inaccurate inflation projections could impact the overall risk of failing to deliver a balanced budget.
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### **6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK**

- 6.1 Consultation with all relevant stakeholders is an important part of the process of developing the MTFS. A public budget consultation will take place this Autumn, then individual Service Committees will be consulted on the details of the MTFS proposals as they affect the respective Committee portfolios.

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## **7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION**

7.1 An outline timetable for developing the Medium Term Financial Strategy and budget for 2022/23 is set out below.

<b><i>Date</i></b>	<b><i>Meeting</i></b>	<b><i>Action</i></b>
21 July 2021	Policy and Resources Committee	Agree approach to development of updated MTFS and key assumptions
August - September		Update and roll forward MTFS
September - October		Public Consultation
November	All Service Committees	Consult on draft MTFS
24 November 2021	Policy and Resources Committee	Agree updated MTFS for submission to Council
8 December 2021	Council	Approve updated MTFS
October – December		Develop detailed budget proposals for 2022/23
January 2022	All Service Committees	Consider 22/23 budget proposals
9 February 2022	Policy and Resources Committee	Agree 22/23 budget proposals for recommendation to Council
23 February 2022	Council	Approve 22/23 budget

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## **8. REPORT APPENDICES**

The following documents are to be published with this report and form part of the report:

- Appendix A: Strategic Revenue Projection – Neutral Scenario – 2% Council Tax increase
- Appendix B: Strategic Revenue Projection – Neutral Scenario – 0% Council Tax increase

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## **9. BACKGROUND PAPERS**

None.