

Agenda Item 10

Cabinet Member: Councillor Stephen Cooksey, Leader of the Council
Councillor Bridget Kendrick, Cabinet Member for Finance and Organisation

Strategic Leadership Team Lead: Nick Gray, Director of Finance and Deputy Chief Executive

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Date: 24 November 2020

Ward(s) affected: All

Key Decision: Yes

A key decision is one which is likely to result in expenditure or savings of at least £100,000 or have a significant impact on two or more Wards within the District.

SUBJECT: Medium Term Financial Strategy, 2021/22 to 2023/24

Recommendation(s):

The Cabinet is asked to:

- a) Endorse the Medium Term Financial Strategy set out at Annexe D
- b) Re-confirm the existing Fees and Charges Principles, set out at Annexe F as the basis for setting fees and charges for 2021/22.

The Cabinet has the authority to determine the Recommendations

Executive Summary:

This report:

- Considers the key assumptions driving the Council's financial environment, and the (very significant) uncertainty that surrounds them, particularly in relation to the medium term impact and duration of the disruption caused by Covid19, and the Government's funding intentions, both in relation to Covid19, but also to medium term core funding.
- Concludes that as a result of the significant uncertainty of assumptions, it is

not possible to be clear about the direction of travel of the Council's underlying financial position over the next three years, which could realistically be anything between a very significant saving requirement, and the opportunity for a modest level of budgetary growth.

- Identifies that the Council continues to retain a healthy level of revenue reserves, despite the financial challenges of the current year, as a result of reduced spending implemented by the Council, combined with a significant amount of Covid19 related funding provided by Government.
- Consequently proposes and recommends a Medium Term Financial Strategy, (primarily for 2021/22), which maintains existing services and performance standards for the coming year, using revenue reserves to fund any net overspending arising from the impact of Covid19, and which is not subsequently funded by Government. (Medium Term Financial Strategy set out at Annexe D).
- Also proposes and recommends, in line with the principle of providing stability and continuity of services for residents, communities and businesses, that the current Fees and Charges Principles remain unchanged for 2021/22, resulting in only modest inflationary increases. (Fees and Charges Principles set out at Annexe F).

Council Strategy Priority Outcomes:

Of itself, this report does not lead directly to the achievement of any specific Corporate Priority outcomes. However, this report supports the achievement of two of the Guiding Principles that are set out in the Council Strategy. They are:

- 'Acting Sustainably: meeting the needs of the present without compromising future generations requires responsible decision making and innovation'; and
- 'Living within our means: be mindful of current and future costs in our approach to delivering and developing services'.

The sustainable management of MVDC's budget, (within the resources available to it), is vital, in order to deliver value for money, and to ensure that the Council continues to deliver the greatest aggregate benefit to the residents, businesses of, and visitors to, Mole Valley. This is currently even more vital than ever, given the very significant impact of the Covid19 pandemic on the Council's finances.

1.0 Background/Introduction

Purpose of report

1.1 The purpose of this report is:

- To identify the key assumptions and factors which characterise the financial environment that the Council is operating within;
- To explain the unprecedented levels of uncertainty within that environment, and to illustrate the potential range of future financial scenarios that arise from that uncertainty;

- To propose a Medium Term Financial Strategy, (MTFS), intended to manage that financial environment;
 - To consider the appropriate Fees and Charges Principles for determining the level of fees and charges in the budget/business planning cycle for 2021/22.
- 1.2 The determination of this Medium Term Financial Strategy, (and associated Fees and Charges Principles), arising from this report, will then drive the formulation of the Council's budget for 2021/22. This report does not itself set out a budget, but identifies the principles that will be adopted to do so.

List of Annexes

- 1.3 Annexe A: Key, non-Covid19-related assumptions;
- Annexe B: Definition of possible Covid19 scenarios, (optimistic, 'most likely' and pessimistic), and assumptions, B(i), and the potential financial impact of those scenarios.
- Annexe C: Possible Medium Term Financial Models, arising from the key assumptions and Covid19 scenarios, optimistic, C(i), 'most likely', C(ii), and pessimistic, C(iii).
- Annexe D: Proposed Medium Term Financial Strategy.
- Annexe E: Potential Medium Term Financial Plan arising from that proposed MTFS.
- Annexe F: Proposed, (unchanged), Fees and Charges Principles for 2021/22.

Non-Covid19-related assumptions

- 1.4 The key non-Covid19 related assumptions built into financial modelling are set out at Annexe A. These include factors that are regularly considered as part of budget planning, including interest rates, pay and price inflation and various streams of Government funding.
- 1.5 Although these have not been categorised as 'Covid19-related', most of these have a wider range of potential outcomes than is generally the case as a result of the pandemic. In some cases, normal sources of information are not available. For example the Office for Budget Responsibility has not produced a forecast of inflation rates since March, prior to the Covid19 'lockdown. As a result, the assumptions have remained the same as in the current MTFS, in the absence of any better information.
- 1.6 Despite this, most of the relevant factors are likely to be 'relatively' stable and have a lesser impact on the Council's overall financial position, than the Covid19 related factors discussed below.

- 1.7 The non-Covid19 issue which has the single greatest impact on the financial environment relates to Government funding. For a number of years, Government has trailed the introduction of a new Fair Funding system for local government, alongside a new system of business rates retention. This was originally planned for implementation in April 2019, but has already been deferred twice, firstly to April 2020, and then to April 2021. In the summer the Government announced that this will be once again be deferred, to April 2022.
- 1.8 This is significant because it is expected that MVDC will lose a significant part of its Government funding as a result of these reforms, potentially £0.9m per annum. It is therefore good news that the reforms have been deferred again, but for a Council of the size of MVDC, medium term financial planning becomes almost impossible when it is not clear when, or even if, the Council will need to respond to the loss of almost £1m per annum of its funding. Of course, the more the reforms get deferred, the greater the possibility that they may not be implemented at all, or that any loss of funding is materially different from that originally assumed. However, for now the 'most likely' assumption is that the Council will need to plan for a funding reduction of £0.9m per annum, from 2022/23.

Covid19-related assumptions

- 1.9 The above creates a material uncertainty in the Council's financial environment, but a far greater uncertainty arises from the ongoing Covid19 pandemic. The sources of that uncertainty were discussed in detail in a report to an extraordinary Cabinet meeting in July, so will not be repeated here, but in summary:
- The Council is facing significant ongoing costs in relation to homelessness and rough sleeping, as well as material pressures on benefits, revenues and environmental health services.
 - A greater financial impact arises from loss of income, particularly from parking charges, leisure and sports centres, Dorking Halls, and potentially rental income, although virtually all sources of commercial income have in some way been affected by Covid19.
- 1.10 The most recent budget monitoring forecast an overspending of £0.7m in 2020/21. The imposition of a second lockdown, announced as this report was being finalised, will inevitably tend to increase this figure. However, the extent of this is likely to be limited, given Government funding mechanisms already in place, perhaps increasing the overspending to somewhere around £1.0m, (albeit, still with a material margin of error). While this is significantly less than initially feared, it is important to recognise that the gross cost of Covid19 in 2020/21 is in excess of £5.0m, which has been offset by Government funding of £3.6m, and MVDC savings/deferral of spending of £0.8m.
- 1.11 Government funding has comprised: general support to address the cost of Covid19; some service specific funding, e.g. housing; and the commitment to

reimburse approximately 70% of lost income from reduced 'sales, fees and charges'. The Council will continue to actively seek additional funding from both Government and all other grant awarding bodies.

- 1.12 However, going into 2021/22, all of the elements that make up this balance, (costs, loss of income and Government Covid19 funding), are subject to major uncertainty. It is clear that Covid19 will continue to have an impact for some time to come, but the magnitude and duration of that impact is highly uncertain, (being largely dependent on the timing of any vaccine, restrictions on 'normal' activity in the intervening period, and the extent and speed of recovery of the economy).
- 1.13 Consequently, Annexe B attempts to create some 'reasonably plausible' Covid19 scenarios, 'optimistic', 'most likely' and 'pessimistic', Annexe B(i), and goes on to consider the potential financial impact of them, Annexe B(ii).
- 1.14 These scenarios are not intended to be 'best case' or worst case'. It would be relatively straightforward to devise a combination of factors leading to a better case than the 'optimistic' scenario, (a vaccine is certified in the next week or so, rolled out across the UK in the next 6 months, the economy and social activity bounce back to normal almost immediately with no lasting effect), but this is at best extremely unlikely.
- 1.15 Similarly it is possible to create a 'worse' case than the 'pessimistic' scenario, (no vaccine in the next 3 years, further lengthy 'lockdowns' etc), but as well as being extremely unlikely, such a scenario would create a situation in which probably no local authority could continue to meet even its statutory duties without very significant and permanent financial support from Government.
- 1.16 Rather, the scenarios are intended to be 'reasonably plausible', enabling determination of the financial boundaries within which it is reasonable for the Council to focus its actions.
- 1.17 It is also worth noting that in the 'optimistic' scenario, all the key factors, (costs, loss of income, and Government support), are assumed to go 'the right way', while in the 'pessimistic' scenario they are all assumed to go 'the wrong way'. In practice it is almost certain that some assumptions will turn out to be at the optimistic end of the range of possibilities, while others will be at the pessimistic end.
- 1.18 Indeed, some factors are probably inter-related and may tend to cancel each other out: for example it is perhaps likely that the greater the impact of Covid19 on costs etc, (pessimistic) the more support will be provided by Government, (optimistic). Consequently, reality will tend to be somewhere in between the optimistic and pessimistic scenarios, hence the 'most likely' scenario.

- 1.19 Finally, in relation to Government funding, the model considers not only additional Covid19 funding, but also underlying, ongoing, Government funding after the implementation of any funding reforms. As identified above, the Government has again deferred such reforms. Prior to Covid19 there was a growing belief that the outcome of such reforms might not be as previously intended. Consequently, the three models consider the scenarios of the outcome of any funding reform, (and associated Spending Review), being somewhat better or worse than the originally expected loss of £0.9m.

Conclusions of financial modelling

- 1.20 Combining the core assumptions set out in Annexe A, with the Covid19 scenario modelling set out at Annexe B, leads to the creation of three Financial Plans, 'optimistic, most likely and pessimistic. These have been prepared in the format normally used for consideration of the Council's budget, and are set out at Annexe C:
- C(i) optimistic
 - C(ii) most likely
 - C(iii) pessimistic
- 1.21 The bottom section of each model, ('Actions to balance budget'), considers what the Council would need to do in terms of savings, (or growth), if it was to maintain its usual practice of setting a balanced budget, with little or no use of reserves, in each financial year.
- 1.22 This shows that in order to balance the budget each year:
- Optimistic scenario
- Under the optimistic scenario, the Council would need to save £1.0m in 2021/22 but would then be able to spend an additional £1.5m on an ongoing basis from 2022/23. (i.e. £0.5m net growth over 2 years)
- Most likely scenario
- Under the most likely scenario, the Council would need to save £1.9m in 2021/22 but would then be able to spend an additional £0.7m on an ongoing basis from 2022/23. (i.e £1.2m net saving over 2 years)
- Pessimistic scenario
- Under the pessimistic scenario, the Council would need to save £4.2m in 2021/22 and would then need to save an additional £1.5m on an ongoing basis from 2022/23, (i.e. £5.7m net saving over 2 years).
- 1.23 The most striking feature of this analysis is the very significant difference between the actions which they imply. Under 'reasonably plausible' assumptions the net financial position over the next three year could be almost anything between modest growth and a very significant savings requirement. The clarity necessary to have confidence in the appropriate direction and speed of travel does not currently exist. While a savings

requirement seems more likely, it is not a certainty, and the scale of any such requirement is almost entirely unclear.

- 1.24 Further, any savings agenda implemented immediately carries the risk that those savings are ultimately found to have been unnecessary. This is significant because the achievement of any material level of savings is likely to have a detrimental impact on current services and performance levels. After more than a decade of austerity, during which MVDC has improved its underlying financial position by £10m per annum, (through efficiency savings, procurement savings, maximisation of fees and charges, and generation of new sources of income, including investment in commercial property), it is unlikely that there are major 'painless' savings opportunities yet to be exploited.
- 1.25 Ultimately there is a risk that achievement of savings at a level of say £2m, or more, might not be possible without either elimination of (some) discretionary services, and/or the performance of (some) statutory services falling below acceptable standards.

Medium Term Financial Strategy

- 1.26 It is therefore proposed that the Council continues to support current service delivery through the use of reserves in 2021/22, avoiding the risk of making damaging savings, which ultimately prove unnecessary, but which could be very difficult or impossible to reverse.
- 1.27 The Council is in a position to be able to take this approach because of its reasonable level of revenue reserves. As reported to the July Cabinet, the Council started the year with approximately £10.5m of revenue reserves. At that time it was feared that the Council might need to use as much as £5m of those reserves to support services, and respond to the Covid19 pandemic in 2020/21. However, through a combination of Government support and actions taken by the Council, the overspending, and consequent draw on reserves, in 2020/21 is now forecast as somewhere around £1m. The Council should therefore have approximately £9.5m revenue reserves, going into 2021/22.
- 1.28 If reserves are used in this way, the scenario modelling suggests that the level of reserves used in 2021/22 could be £1m under the 'optimistic' scenario, £2m under the 'most likely' scenario, and £4m under the 'pessimistic' scenario.
- 1.29 The full MTFS to implement this proposed approach is set out at Annexe D, but key elements of that Strategy include:
- Revenue reserves will be used to support Covid19 related overspending in 2021/22;
 - However, revenue reserves will not be allowed to fall below £5m;
 - Savings will not be implemented in 2021/22 which negatively impact on

current service delivery or performance;

- No 'new' spending will be agreed in 2021/22, unless a credible business case demonstrates a net benefit to Council finances by no later than 2022/23. (possibly digital transformation initiatives and renewable energy generation);
- Consequently, 2021/22 will be a year of caution with minimal change planned, in order to provide stability and continuity of service delivery, to residents, communities, businesses, and staff;
- The Council will continue to seek any and all 'efficiency savings' in 2021/22, (i.e. those that do not negatively impact service delivery and performance);
- During 2021/22 a plan will be developed, to make up to £2.5m annual savings in the revenue budget, if that proves necessary from 2022/23.

- 1.30 A Medium Term Financial Plan, based on this Strategy and the 'most likely', Covid19 scenario, is shown for information at Annexe E. It is intended to use this as the basis of budget setting for 2021/22, (although individual figures will inevitably be subject to change between now and finalisation of detailed budget proposals)

Fees and Charges Principles

- 1.31 In line with the principle of minimal change and consistency of service delivery, it is proposed that no changes are made to the Council's existing Fees and Charges Principles, which will be used to review and amend fees and charges for the coming year. These Principles are set out at Annexe F.
- 1.32 It is further anticipated that on the basis of these Principles, a) no significant variations to specific charges will be proposed in 2021/22, beyond modest inflationary increases, and b) parking pay and display charges will remain unchanged in 2021/22, (i.e no inflationary increase).

Financial Implications

- 1.33 Financial implications are contained within the body of the report.

Legal Implications

- 1.34 Relevant legal implications have been taken into consideration, but there are no direct legal implications arising as a result of this report.

Risk Implications

- 1.35 This report is in large part about the management of risk. If the Council reacts too slowly to a possible 'savings agenda', then it risks a significant draw from reserves to support services in the short term, possibly resulting in insufficient reserves being available in the medium term to support a measured implementation of any savings programme that proves necessary.
- 1.36 On the other hand, if the Council responds too quickly to a possible savings agenda, there is a risk that this can only be achieved through savings which will have a very significant impact on highly valued public services, and performance, but which might subsequently be found to have been unnecessary. (Any savings requirement of anything like £1m per annum, or more, will inevitably cause significant damage to service delivery and performance)
- 1.37 Had the Council's revenue reserves been seriously depleted due to Covid19 in the current year, then the former of these risks, (unacceptably low revenue reserves), might have been the greater. However, due to a combination of actions taken by the Council to reduce spending and very substantial funding support from Government, the use of reserves will be far less in 2020/21 than could have been the case, and the Council will enter 2021/22 with a healthy level of revenue reserves.
- 1.38 Consequently, the risk to reserves of not making significant savings in 2021/22 is low, which provides the opportunity to defer implementation of potentially damaging savings measures. This in turn provides time to hopefully obtain greater clarity regarding the medium term financial outlook, and the actual level, if any, of savings required.
- 1.39 In essence, the risk of major, and possibly unnecessary, savings leading to material harm to service delivery, (high), is greater than the risk of revenue reserves being depleted to an unacceptable level in the short term.

2.0 Options

- 2.1 The key thrust of the proposed Medium Term Financial Strategy is to defer the implementation, (but not the consideration), of a possibly harmful savings agenda, to 2022/23, when the real scale of any such requirement will be much clearer.

- 2.2 The main alternative to this approach would be to implement a major savings agenda for 2021/22, which, from a purely financial management perspective, could be considered an appropriate course of action.
- 2.3 However, for the reasons set out in the report, (particularly the harm to service delivery/performance, which would very probably result from major spending reductions, and the healthy level of revenue reserves, potentially mitigating the need for those urgent spending reductions), the use of reserves to defer service damaging savings is recommended.

3.0 Corporate Implications

Monitoring Officer Commentary

The Monitoring Officer is satisfied that all relevant legal implications have been taken into account.

S151 Officer Commentary

The report, is by its very nature a financial report, drafted by the Section 151 Officer, who confirms that all relevant financial issues are incorporated within the body of the report. The Section 151 Officer also confirms that in his view, the MTFs proposed in this report is consistent with the principles of prudent financial management of the Council's financial resources.

Equalities Implications

There are no equalities implications arising as a direct consequence of this report. An Equality Impact assessment will accompany the Business and Budget 2021/22 report to Council in February.

Employment and Resource Implications

There are no employment implications arising as a direct consequence of this report.

Sustainability Issues

There are no direct sustainability implications as a consequence of this report. That said, the Climate Change Strategy is a key document and the Council is committed to becoming carbon neutral by 2030 and the use of financial resources will be a key factor in achieving that target. The initial climate change action plan which runs through to March 2022 has been developed on the basis of no additional financial resources being available. It is recognised that external funds may become available and the opportunity to use these is being considered wherever possible. A more detailed assessment of the environmental sustainability of the MVDC budget will be considered as part of the development of the 2021/22 budget.

Consultation

There are no consultation implications arising as a direct consequence of this report, although the 2021/22 service plans and budget will be shared with parish councils, residents associations, the business community and other partners, at a later stage in the process.

Communications

There are no communications implications arising as a direct consequence of this report.

Background Papers

None

Medium term financial strategy - key non-Covid'19 related assumptions	Basis of assumption	Assumption
Council Tax Increase	Current MTFS policy, modest increases annually, up to Government 'referendum level'.	2.8% per annum increase, all years.
Council Tax base,(number of band D equivalents)	Actual as at 30 September 2020, plus an estimate of variations to 31 March 2021. Current 'growth' rate assumed for 2022/23 and 2023/24.	0.55% per annum increase, all years.
Business Rates and Government funding	The Government has again deferred the implementation of Fair Funding/Business Rate retention, which it is anticipated could lose MVDC around £0.88m per year. It is therefore now assumed that this will take place in 2022/23, not 2021/22. A major Spending Review, to be announced this autumn/winter, may impact materially on this assumption.	Loss of £0.88m in 2022/23, otherwise 2% inflationary increases.
New Homes Bonus	Government has previously stated that NHB has ended, other than legacy payments related to earlier years. (NB new allocation for 2021/22 thought possible).	Actual figures previously announced.
Interest earned on reserves/balances	Current rate on cash backed reserves, 0.1%, unlikely to change in near future. Property backed reserves based on current year dividends paid.	0.1% earned all years on cash balances, plus a c4% return on property backed investments. £275k all years.

Medium term financial strategy - key non-Covid'19 related assumptions	Basis of assumption	Assumption
Pay inflation provision (NB this is a budget assumption, not a decision)	The national local government 'cost of living' pay award for 2020 was agreed in the summer at 2.75%. There is currently little indication of future direction of awards, so the existing MTFS assumptions are retained.	2.5% all years.
Non-pay inflation	The Office for Budget Responsibility, (OBR), has not updated it's inflation forecasts since the beginning of the Covid19 outbreak in March. In the absence of any better national forecasts, existing MTFS assumptions are retained.	Waste contract, 3% all years. Other non-pay costs, 2% all years.
Sales, fees and charges increases (NB these are budget assumptions, not decisions)	In the absence of any national advice on the likely impact of inflation on costs, the existing fees and charges principles, and associated MTFS inflationary increases are assumed.	Statutory fees N/A (set nationally), 0% until notified. Pay and display charges, 0% increase, all years, following an increase in August 2018. Other fees and charges, 2.5% increase all years.
Pension contributions	2021/22 and 2022/23 are actuals based on the triennial revaluation of the Fund, implemented in April 2020. 2023/24 is assumed standstill in the absence of any better information. (NB during 'lockdown' the Fund lost significant value, which has subsequently been regained).	Primary contribution, 17.1% on pay, all years. Secondary payment, to cover Fund deficit: 2021/22 £463,000 2022/23 £478,000 2023/24 £478,000

Financial impact of Covid19 - Definition of scenarios and key assumptions	Optimistic scenario	Neutral scenario ('Most Likely'?)	Pessimistic scenario
Certification of vaccine	By spring 2021	During 2021/22	During 2022/23
Implementation of vaccine	During 2021/22	During 2022/23	During 2023/24
Final year of legacy Covid costs	2022/23	2023/24	2024/25
Financial 'normality' recovered	2023/24	2024/25	2025/26
% of forecast March 2021 Covid costs, (and loss of sales fees and charges), recurring in future years	2021/22: 50% 2022/23: 25% 2023/24: 0%	2021/22: 75% 2022/23: 50% 2023/24: 25%	2021/22: 125% 2022/23: 75% 2023/24: 50%
Impact on Asset Investment, (AI), rental properties	None	None	Loss of one major AI tenant during 21/22, without successful letting to a new tenant
Impact on Swan Centre	Rent levels and occupancy largely recover over three years	Current rent levels don't recover, but don't worsen	Rent levels worsen
Impact on other property	Possible rent defaults and vacancies quickly replaced	Possible rent defaults and vacancies not replaced	Possible rent defaults and vacancies continue to increase, and not replaced
Impact on Council Tax	In 2021/22 bad debts are 25% of the current level of late payments, (Oct 2020), but future years Council Tax recovered at 'normal' 99% rate	In 2021/22 bad debts are 50% of the current level of late payments, (Oct 2020), and bad debt level halves in each of the two subsequent years	In 2021/22 bad debts are 75% of the current level of late payments, (Oct 2020), and this bad debt level is maintained in future years
Impact on Business Rates	In 2021/22 bad debts are 25% of the current level of late payments, (Oct 2020), but future years Council Tax recovered at 'normal' 99% rate	In 2021/22 bad debts are 50% of the current level of late payments, (Oct 2020), and bad debt level halves in each of the two subsequent years	In 2021/22 bad debts are 75% of the current level of late payments, (Oct 2020), and this bad debt level is maintained in future years
Government funding of Covid costs, (and loss of sales, fees and charges). This is broadly 80% in 2020/21	2021/22: 80% 2022/23: 80% 2023/24: 80%	2021/22: 60% 2022/23: 40% 2023/24: 0%	2021/22: 40% 2022/23: 0% 2023/24: 0%
Impact of Spending Review and Fair Funding from April 2022	£880k 'negative RSG' funding reduction not implemented, plus additional funding of say £0.5m pa	£880k 'negative RSG' funding reduction not implemented	£880k 'negative RSG' funding reduction implemented in full

Model of financial impact of Covid19 scenarios	Likely per 2020/21 £'000	Optimistic scenario			Neutral scenario ('most likely?')			Pessimistic scenario		
		21/22 £'000	22/23 £'000	23/24 £'000	21/22 £'000	22/23 £'000	23/24 £'000	21/22 £'000	22/23 £'000	23/24 £'000
Costs										
Housing costs	416	192	96	0	288	192	96	480	288	192
Other costs	529	60	30	0	90	60	30	150	90	60
	945	252	126	0	378	252	126	630	378	252
Sales, fees and charges										
Parking Income	1,864	330	165	0	495	330	165	825	495	330
Leisure management fees	861	432	216	0	648	432	216	1,080	648	432
Dorking Halls Income	800	210	105	0	315	210	105	525	315	210
Other Income	294	102	51	0	153	102	51	255	153	102
	3,819	1,074	537	0	1,611	1,074	537	2,685	1,611	1,074
Rental income										
Asset Investment Strategy	0	0	0	0	0	0	0	500	1,000	1,000
Swan Centre	300	200	100	100	300	300	300	400	500	500
Other property	100	100	0	0	100	100	100	100	200	300
	400	300	100	100	400	400	400	1,000	1,700	1,800
Loss of Council Tax										
		66	0	0	132	66	33	198	198	198
Loss of Business Rates		205	0	0	410	205	103	820	820	820
Gross Covid impact on MVDC	5,164	1,897	763	100	2,931	1,997	1,199	5,333	4,707	4,144
Additional Government Funding										
Covid related funding	-3,591	-1,061	-530	0	-1,193	-530	0	-1,326	0	0
Core funding	-3,591	0	-1,380	-1,380	0	-880	-880	0	0	0
		-1,061	-1,910	-1,380	-1,193	-1,410	-880	-1,326	0	0
Net impact on MVDC	1,573	836	-1,147	-1,280	1,738	587	319	4,007	4,707	4,144

Medium Term Financial Model 2020/21 (‘Optimistic’ Covid impact)	Base Budget 2020/21	Potential Budget 2021/22	Potential Budget 2022/23	Potential Budget 2023/24
	£'000	£'000	£'000	£'000
Funding				
Council Tax	-7,478	-7,729	-7,988	-8,256
Business Rates	-2,000	-2,040	-1,160	-1,183
New Homes Bonus	-484	-326	-253	0
Interest on Financial Investments	-325	-275	-275	-275
Total Funding	-10,287	-10,370	-9,676	-9,714
Spending				
Roll-forward (standstill) budget				
Previous Year's Budget	9,130	10,529	10,390	9,666
Add Inflation	353	293	303	300
Impact of previous decisions	1,046	-906	-27	100
Roll-forward position	10,529	9,916	10,666	10,066
Cost changes 2021/22				
Extended Local Plan development		37	53	-90
Joint Waste Solutions, increased costs		167		
Annual Plan carried forward from 2020/21		570	-570	
Confirm SLT, (Executive Head), saving		-100		
Defer extension of 30 minute free parking		-80		
Building Control, reduced income		44		
		638	-517	-90
Total Spending	10,529	10,554	10,149	9,976
Budget imbalance before Covid19	242	184	473	262
Impact of Covid19/Government funding				
‘Best Case’ scenario				
Additional costs		252	-126	-126
Loss of sales, fees and charges		1,074	-537	-537
Loss of rental income		300	-200	0
Loss of Council Tax		66	-66	0
Loss of Business Rates		205	-205	0
Government support		-1,061	-849	530
		836	-1,983	-133
Budget imbalance including Covid19		1,020	-1,510	129
Actions to balance budget				
2021/22 savings		-1,000		
2022/23 'growth'			1,500	
2022/23 savings				-100
		-1,000	1,500	-100
Net budget after balancing actions	10,529	10,390	9,666	9,743
Use of reserves	242	20	-10	29

Medium Term Financial Model 2020/21 (‘Most Likely’ Covid impact)	Base Budget 2020/21	Potential Budget 2021/22	Potential Budget 2022/23	Potential Budget 2023/24
	£'000	£'000	£'000	£'000
Funding				
Council Tax	-7,478	-7,729	-7,988	-8,256
Business Rates	-2,000	-2,040	-1,160	-1,183
New Homes Bonus	-484	-326	-253	0
Interest on Financial Investments	-325	-275	-275	-275
Total Funding	-10,287	-10,370	-9,676	-9,714
Spending				
Roll-forward (standstill) budget				
Previous Year's Budget	9,130	10,529	10,392	9,700
Add Inflation	353	293	303	300
Impact of previous decisions	1,046	-906	-27	100
Roll-forward position	10,529	9,916	10,668	10,100
Cost changes 2021/22				
Extended Local Plan development		37	53	-90
Joint Waste Solutions, increased costs		167		
Annual Plan carried forward from 2020/21		570	-570	
Confirm SLT, (Executive Head), saving		-100		
Suspend extension of 30 minute free parking		-80		
Building Control, reduced income		44		
		638	-517	-90
Total Spending	10,529	10,554	10,151	10,010
Budget imbalance before Covid19	242	184	475	296
Impact of Covid19/Government funding				
‘Most likely’ scenario				
Additional costs		378	-126	-126
Loss of sales, fees and charges		1,611	-537	-537
Loss of rental income		400	0	0
Loss of Council Tax		132	-66	-33
Loss of Business Rates		410	-205	-102
Government support		-1,193	-217	530
		1,738	-1,151	-268
Budget imbalance including Covid19		1,922	-676	28
Actions to balance budget				
2021/22 savings		-1,900		
2022/23 'growth'			700	
2022/23 'growth'				0
		-1,900	700	0
Net budget after balancing actions	10,529	10,392	9,700	9,742
Use of reserves	242	22	24	28

Medium Term Financial Model 2020/21 (‘Pessimistic’ Covid impact)	Base Budget 2020/21	Potential Budget 2021/22	Potential Budget 2022/23	Potential Budget 2023/24
	£’000	£’000	£’000	£’000
<u>Funding</u>				
Council Tax	-7,478	-7,729	-7,988	-8,256
Business Rates	-2,000	-2,040	-1,160	-1,183
New Homes Bonus	-484	-326	-253	0
Interest on Financial Investments	-325	-275	-275	-275
Total Funding	-10,287	-10,370	-9,676	-9,714
<u>Spending</u>				
Roll-forward (standstill) budget				
Previous Year's Budget	9,130	10,529	10,361	9,720
Add Inflation	353	293	303	300
Impact of previous decisions	1,046	-906	-27	100
Roll-forward position	10,529	9,916	10,637	10,120
Cost changes 2021/22				
Extended Local Plan development		37	53	-90
Joint Waste Solutions, increased costs		167		
Annual Plan carried forward from 2020/21		570	-570	
Confirm SLT, (Executive Head), saving		-100		
Defer extension of 30 minute free parking		-80		
Building Control, reduced income		44		
		638	-517	-90
Total Spending	10,529	10,554	10,120	10,030
<u>Budget imbalance before Covid19</u>	242	184	444	316
<u>Impact of Covid19/Government funding</u>				
‘Worst Case’ scenario				
Additional costs		630	-252	-126
Loss of sales, fees and charges		2,685	-1,074	-537
Loss of rental income		1,000	700	100
Loss of Council Tax		198	0	0
Loss of Business Rates		820	0	0
Government support		-1,326	1,326	0
		4,007	700	-563
<u>Budget imbalance including Covid19</u>		4,191	1,144	-247
<u>Actions to balance budget</u>				
2021/22 savings		-4,200		
2022/23 savings			-1,100	
2022/23 'growth'				200
		-4,200	-1,100	200
<u>Net budget after balancing actions</u>	10,529	10,361	9,720	9,667
<u>Use of reserves</u>	242	-9	44	-47

(Medium Term) Financial Strategy 2021/22 (to 2023/24)**Key Financial Drivers**

1. The Medium Term Financial Strategy set out below is based on a small number of key factors:
 - The financial environment presents an unprecedented level of uncertainty. The impact of Covid, the duration of that impact, and the potential financial support from Government are all, currently, extremely uncertain, both in 2021/22 and beyond. Consequently, while a three year MTFs is being proposed, this will need to be kept under constant review, and specifically reviewed in autumn 2021, for 2022/23 and beyond.
 - Given the ‘one off’ nature of the Covid pandemic, (although timing and extent are uncertain, a recovery of some form is inevitable), any savings made now in order to balance the budget short term, are likely to be, at least in part reversible in the future.
 - After a decade of austerity, which has seen the Council make efficiency improvements of almost 50%, (the net budget has been halved in real terms), there is limited scope for further efficiencies, and any significant level of savings will have an inevitable impact on service delivery, at a time when the need for many services has possibly never been greater.
 - The Council continues to have sufficient reserves, (partly due to significant Government Covid funding in 2020/21), to support current service delivery in the short term, (2021/22), in most plausible scenarios.
 - However, these reserves are ultimately finite, such that a) at no time can they be allowed to fall below a certain level, and b) in the medium term any imbalance between income and expenditure must be eliminated.

Strategic Financial Aim

2. Based on the above financial drivers, the strategic financial aim of the Council is:

“To prudently use revenue reserves to fund the short term, (2021/22), costs, and loss of income, associated with Covid19, in order to avoid the threats to services arising from implementing significant budget savings, while planning for possible, (but hopefully unnecessary), savings measures should they prove necessary to ensure a balanced budget, in 2022/23 and beyond, without the need to draw further on reserves.”
3. 2021/22 will be a year of caution with minimal change planned, in order to provide stability and continuity of service delivery, to residents, communities, businesses, and staff, as far as is possible, within the constraints imposed by Covid19, until greater clarity of the financial environment is obtained, and the scale of any future financial challenge is known.

Medium Term Financial Strategy

4. Specifically, the Medium Term Financial Strategy principles are as follows:

Revenue Budget

- No service developments/projects, (whether one-off or ongoing), will be approved/implemented in 2021/22 which lead to an increase in spending.
- Service developments/projects will only be considered for funding where a credible business case demonstrates that they can generate a net income stream by no later than 2022/23. (Specific areas being considered include digital strategy and renewable energy generation).
- Savings and efficiency savings will continue to be sought and maximised in 2021/22, which do not directly threaten service delivery, in either the short or medium term.
- Savings will not be implemented in 2021/22 which directly threaten existing services, (in either the short or medium term), or in circumstances where net cash savings are not achieved in 2021/22.
- Any overspending which arises in 2021/22, (likely as a result of Covid19), will be funded from revenue reserves.
- However, in no circumstances will the level of total revenue reserves be allowed to fall below £5m, and should that be threatened at any point during 2021/22, immediate action will be taken to eliminate that risk, irrespective of the above principles.
- The Council needs to be prepared to make significant savings in the medium term, and proposals will be developed during 2021/22, to achieve savings of £2.5m per annum, deliverable, if necessary from April 2022.
- The Council's existing Fees and Charges Principles will be retained unchanged, but no material changes in charges will be implemented in 2021/22. (Fees and charges will be subject to a modest inflationary increase, other than car park 'pay and display' charges, which will remain unchanged).
- Modest Council Tax increases will be implemented, recognising the vital nature of this for the funding of public services.

Capital Programme

- new projects will only be added to the Capital Programme in the following circumstances:
 - To comply with an unavoidable statutory or health & safety imperative.
 - When a full and credible business case demonstrates a net positive impact on the revenue budget, by no later than 2022/23.

- When the project is related to maintenance of an existing MVDC asset, and when failure to undertake that maintenance in 2021/22 would lead to a materially greater cost in future years.
- As part of budget planning for 2021/22, the current Capital Programme will be reviewed to ensure consistency with the above criteria. In particular, 'standing' Capital Programme items which have ongoing funding in the Programme every year, will be removed and will need to justify their inclusion alongside all other projects

MTFS Review

5. The impact of this Strategy will be continually monitored during 2021/22, and if necessary, (particularly if the £5m minimum revenue reserves level is threatened), appropriate remedial actions will be taken.
6. This Strategy will be formally reviewed in the autumn of 2021, when there will, hopefully, be greater clarity, in relation to both the impact/duration of the Covid pandemic and the Government's medium term funding intentions, in relation to local government.

November 2020

Medium Term Financial Plan 2020/21 (‘Most Likely’ Covid impact)	Base Budget 2020/21	Proposed Budget 2021/22	Indicative Budget 2022/23	Indicative Budget 2023/24
	£'000	£'000	£'000	£'000
Funding				
Council Tax	-7,478	-7,729	-7,988	-8,256
Business Rates	-2,000	-2,040	-1,160	-1,183
New Homes Bonus	-484	-326	-253	0
Interest on Financial Investments	-325	-275	-275	-275
Total Funding	-10,287	-10,370	-9,676	-9,714
Spending				
Roll-forward (standstill) budget				
Previous Year's Budget	9,130	10,529	12,292	9,700
Add Inflation	353	293	303	300
Impact of previous decisions	1,046	-906	-27	100
Roll-forward position	10,529	9,916	12,568	10,100
Cost changes 2021/22				
Extended Local Plan development		37	53	-90
Joint Waste Solutions, increased costs		167		
Annual Plan carried forward from 2020/21		570	-570	
Confirm SLT, (Executive Head), saving		-100		
Suspend extension of 30 minute free parking		-80		
Building Control, reduced income		44		
		638	-517	-90
Total Spending	10,529	10,554	12,051	10,010
Budget imbalance before Covid19	242	184	2,375	296
Impact of Covid19/Government funding				
‘Most likely’ scenario				
Additional costs		378	-126	-126
Loss of sales, fees and charges		1,611	-537	-537
Loss of rental income		400	0	0
Loss of Council Tax		132	-66	-33
Loss of Business Rates		410	-205	-102
Government support		-1,193	-217	530
		1,738	-1,151	-268
Budget imbalance including Covid19		1,922	1,224	28
Actions to balance budget				
2021/22 savings		0		
2022/23 savings			-1,200	
2022/23 'growth'				0
		0	-1,200	0
Net budget after balancing actions	10,529	12,292	9,700	9,742
Use of reserves	242	1,922	24	28

Fees and Charges Principles, Approved November 2019**Council
Strategy and
Finances**

1. Charges should maximise income unless there is a clear decision not to do so.
2. Discretionary services should be charged on the basis of full cost recovery. If not, any subsidy from the tax payer should be the result of a decision to financially support the cost of providing the service.
3. Fees and charges policies will reflect key commitments, corporate priorities and fit with the Council's Medium Term Financial Strategy.
4. The Council will take a firm stance on fee dodgers.
7. Payment in advance and non-cash payments will be encouraged to ease collection and minimise collection costs.
8. Fee and charge levels should not be providing subsidies to commercial operators from council tax payers.
9. Where considerations are solely commercial, the budget manager should be free to set charges to maximise income.

Concessions

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10. Concessions for services should be justifiable and consistent.
 9. Council controlled concessions should have regard to Council objectives
 10. Council controlled concessions offered to commercial operators or other local authorities should be tightly controlled.
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Consistency

11. Where the impact of increases in charges is high, consideration should be given to phasing over time.
12. Charges should be determined in the context of those levied by other similar providers.
13. Charges should be reviewed and revised, at a minimum, annually.
14. There should be consistency between charges for similar services.
15. There should be a rational scale in the charge for different levels of the same service.

