

TITLE: Medium Term Financial Strategy Update

Committee: Finance & Assets Committee

Date: 5th October 2021

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[W77]

1 ISSUE

- 1.1 To provide Committee with an update on the Medium Term Financial Strategy (MTFS) since the 2021/22 budget was approved in February 2021.

2 RECOMMENDATIONS

- 2.1 Members are requested to note the contents of this report.

3 BACKGROUND

- 3.1 The Council approved the budget for 2021/22 and with it the MTFS for 2022/23 to 2024/25 at its meeting on the 23rd February 2021. At that point, via the use of its Surplus Savings Reserve, the Council had a balanced budget for 2021/22 and 2022/23, but with then significant savings to be found in the following years.
- 3.2 While the Council did not put up Council Tax in 2021/22, the MTFS was built on the basis that the Council would put Council Tax up by the maximum of £5 per year from 2022/23 onwards. This assumption remains in the papers now presented.

4 CHANGES TO THE PLAN SINCE FEBRUARY 2021

- 4.1 The Council ended the 2020/21 financial year with an underspend of £2,165,572 this has been added to the Surplus Savings Reserve and is available to support the MTFS in future years.
- 4.2 The Council is also forecasting an underspend of £73,100 in 2021/22, it has been assumed that this will be able to be added to the Surplus savings Reserve at the end of this year, so again has been included in these MTFS papers.
- 4.3 On the 7th September 2021, the Chancellor published a letter stating that a three year Spending Review will take place to cover the years 2022/23 to 2024/25, to conclude on the 27th October 2021, alongside the Autumn Budget. The Spending review will determine the overall resources made available to each of the Departments of Government, including local government, for the above years.
- 4.4 At this point Government have not announced timescales for the Fair Funding Review for local government, this (in simple terms) is the process for dividing up the money made available to local government in the Spending Review, between the respective councils. Members will remember that this should have happened in April 2020, but was delayed initially by Brexit and more recently by Covid 19 and

should be taking place in April 2022. However, most commentators, now believe that timescales to hit this deadline are too tight and are expecting a further delay.

4.5 As a district council with high Business Rate growth in the past few years, we believe that a full base reset of Business Rates, expected to be part of the Fair Funding Review processes, is going to be bad news for us, so the potential delay could provide us with some up-side in 2022/23.

4.6 One further change, is the Government have announced that Business Rates will no longer be payable on public toilets. This will provide a cost saving for the Council.

5 ASSUMPTIONS MADE

5.1 Spending Review / Fair Funding Review

In 4.3 above, I have highlighted the Spending Review will take place in the Autumn. At this time, all the Government's spending departments will be bidding for resources and with the Government having incurred massive costs to get the Country through the pandemic, it is far from clear what will be available in total and for local government specifically.

As no decision has yet been announced regarding if the Fair Funding Review will take place this year, I have assumed in the figures in this report that it will still take place, as this remains the Government's official position. On that basis, the Government grants expected by the Council remain those detailed for 2022/23 in the budget approved in February. I will of course change these, if necessary, once, a formal announcement is made.

Clearly the situation will be monitored throughout the autumn period and the budget report to be presented to Finance and Assets Committee in January, will have full details of all Government Funding announced at that point.

5.2 Council Tax

The Council and all the other preceptors determine, as part of their budget preparations, how much they wish to collect in Council Tax and set their tax level in February, prior to the year of collection, at a value to ensure that the required amount is collected. In year, this Council (as the collection authority) will pay across to the other preceptors and indeed ourselves, the budgeted value from the Council Tax Collection Fund.

The amount of Council Tax collect is determined by two factors, the Council Tax value for a band D property as determined by the Council and the number of band D equivalent properties in the District.

At the time of calculating the number of band D equivalent properties for 2021/22, there was an expectation that unemployment would rise significantly in the Country as a consequence of the pandemic, especially at the point that the Government's job retention scheme, introduced to protect jobs, was wound down. With this in-turn increasing the number of residents claiming Local Council Tax Support, thus reducing the Council tax-base and the amount of Council Tax collected.

Twelve months on, and while the job retention scheme remains active, the amount of unemployment across the Country has not risen to the rates forecast and is not now expected to do so, even when the scheme is finally withdrawn in the next few months. In-turn the number of band D equivalent properties has not declined and Council Tax receipts for 2021/22 are coming in above forecast. More work will be done on this in the coming months, but it is now anticipated that Council Tax levels will be higher than forecast in the current year's budget.

It is assumed at this stage that the value of Council Tax in 2022/23 for a band D property will be £147.14, a £5 increase on the amount charged in 2021/22, as detailed in the budget approved by Council in February 2021. It should however be noted that the Government decide each year, the maximum amount any council can put up Council Tax without having a referendum, for district councils like ourselves, this has been £5 for a number of years, but there is no guarantee at this time, that this limit will continue.

5.3 Business Rates

The Business Rate reliefs provided by Government for businesses in the retail, leisure, hospitality and child nursery sectors initially in 2020/21, were extended into 2021/22 although not at the 100% offered in the initial year. The expectation at this point, is that they will need to start paying the full cost again in 2022/23. In 2021/22 the shortfall in the amount that the Council is collecting as a result of these reliefs, is being funded by Government by the use of Section 31 Grant.

Councils are required to prepare a report to Government (called the NNDR1) by the end of January each year, detailing the amount of Business Rates they anticipating collecting during the following financial year. The final budget presented to Council in February will reflect the figures detailed in this return, but for now, the figures in the attached match those detailed in the previously approved budget.

Again, if the Fair Funding review does go ahead, then the amount of Business Rates which the Council retains within its own accounts, will be greatly changed, but for now, until the situation is confirmed, no changes have been made to that previously approved.

5.4 Inflation

As with previous years, pay and major contract inflation will be assumed to be 2% for 2022/23, however, where specific knowledge is known about a specific contract and this varies from the norm, an appropriate amount of inflation will be built into the budget.

More general budgets, such as for materials and equipment, will have no inflation provision added to them, this will be consistent with previous years.

6 IMPACT ON THE MTFS

- 6.1 As detailed above, it is very difficult at this time to forecast the longer term implications on the Council's finances, with the major unknowns being around the

forthcoming Comprehensive Spending Review, the Fair Funding Review for local government and Council Tax and Business Rate receipts.

- 6.2 The figures detailed in appendix 1, therefore need to be treated with great caution, these will be updated further during the coming months as further information becomes available, with the Finance Manager updating Finance and Assets Committee when appropriate.
- 6.3 The figures presented however show that the 2022/23 financial year remains balanced via the use of the Surplus Savings Reserve, and there is very little chance of that situation changing. But that there is a saving requirement of £1.945 million in 2023/24.
- 6.4 While therefore the Council is not expecting any issues with being able to publish a legal budget for 2022/23, work must start now on plans to make savings or increasing income levels in 2022/23, to reduce the draw from the Surplus Savings Reserve in that year, so that further funds are available in the future.
- 6.5 To this end, options to resolve the budget shortfalls in future years come from:
- Efficiencies in the cost of service delivery
 - Reductions in service levels
 - Increased income from fees and charges
 - Increased commercialisation via its trading companies

7 APPENDIX

- 7.1 Appendix 1 – MTFS Model as at 1st September 2021

Background Documents

2021/22 Budget as approved by Council on the 23rd February 2021, Agenda item 10

Location

Room 104
The Grange
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DRAFT BUDGET 2022-23

	Budget 2021-22 £	Estimate 2022-23 £	Estimate 2023-24 £	Estimate 2024-25 £	Estimate 2025-26 £
Committees:					
Operational Services	5,558,994	6,119,564	6,208,534	6,312,265	6,433,608
Finance & Assets	5,517,792	5,514,217	5,722,490	5,827,417	5,931,173
Net District Spending	11,076,786	11,633,781	11,931,024	12,139,682	12,364,781
New Homes Bonus Grant	-540,959	-179,636	0	0	0
Rural / Lower Tier Services Grant	-274,640	0	0	0	0
Covid-19 Grant	-463,270	0	0	0	0
Internal Drainage Board Levies	512,018	520,034	530,435	541,044	551,865
Contributions to / from Corporate Reserves	199,881	171,601	146,681	146,681	146,681
Net Operating Expenditure	10,509,816	12,145,780	12,608,140	12,827,407	13,063,327
Contribution from Surplus Savings Reserve	-2,072,648	-3,663,246	-2,173,722	0	0
Savings to be identified	0	0	-1,944,688	-3,892,431	-3,883,530
ECDC Budget Requirement	8,437,168	8,482,534	8,489,730	8,934,976	9,179,797
Parish Council Precepts	2,521,330	2,584,363	2,648,972	2,715,196	2,783,076
DISTRICT BUDGET REQUIREMENT	10,958,498	11,066,897	11,138,702	11,650,172	11,962,873
<u>Financed by:</u>					
Council's share of Collection Funds Surplus/De	191,008	132,686	201,376	0	0
Revenue Support Grant	-11,829	0	0	0	0
Locally retained Non-Domestic Rates	-3,687,369	-3,389,158	-3,233,142	-3,238,729	-3,238,729
Plus: NNDR from Renewable Energy	-674,728	-674,728	-674,728	-674,728	-674,728
COUNCIL TAX REQUIREMENT	6,775,580	7,135,697	7,432,208	7,736,715	8,049,416

	Estimate 2021-22 £	Estimate 2022-23 £	Estimate 2023-24 £	Estimate 2024-25 £	Estimate 2024-25 £
Unallocated Surplus Savings Reserve					
In hand at 1st April	7,836,516	5,836,968	2,173,722	0	0
Movement in year	-1,999,548	-3,663,246	-2,173,722	0	0
In hand at 31st March	5,836,968	2,173,722	0	0	0

IMPLIED BAND 'D' COUNCIL TAX (District only i.e. excluding parish levies)					
Demand on Collection Fund as above	6,775,580	7,135,697	7,432,208	7,736,715	8,049,416
Less Parish Precepts as above	2,521,330	2,584,363	2,648,972	2,715,196	2,783,076
	4,254,250	4,551,334	4,783,236	5,021,519	5,266,340
Council Tax Base	29,930.0	30,932.0	31,439.7	31,955.7	32,480.2
District Council Tax - Band D	142.14	147.14	152.14	157.14	162.14

