



from Government. It enables the Council to deliver on its commitments contained in our Corporate Plan and Covid-19 Recovery Strategy - such as investment in new economic initiatives to improve our market towns, investment in business units, investment in new housing, delivery of employment and skills programmes and the delivery of a new Crematorium.

- 3.3 This MTFS comes at the end of a difficult year, with the Covid pandemic placing many pressures on the council during 2020/21, with only a one year settlement to inform financial planning. However, we are expecting to end the 2020/21 year in balance and achieving our 15% minimum general fund target.
- 3.4 As Central Government have not issued a clear intent of what will happen in future years, this MTFS has been restricted to a three year outlook due to the high level of uncertainty, instead of the normal five year outlook. Information from ongoing consultation, and from our advisors, is not definitive, but indicates major changes to the New Homes Bonus scheme and the level of business rate income funding that can be retained. This means there is likely to be a sizeable reduction to district council funding going forward. The Council has already seen a £1.6m (32%) reduction in real spending power arising from Government cuts in funding over the last five years.
- 3.5 The current administration have agreed to difficult decisions in the face of uncertainty to ensure that these pressures are addressed, but that these actions are proportionate and balanced with the high level of uncertainty of having only a one year financial settlement. In summary these actions are:
- a £5 increase in Council Tax for 2021/22 (which would still leave us in the bottom 15 lowest charging District Councils)
  - a £6 increase in Garden Waste, to £30 (Still the lowest of the six charging councils in Leicestershire)
  - Director led savings of £0.5m to be delivered in 2021/22 to 2022/23 (including savings to the HRA)
  - the Development of a savings plan for 2023/24 of £0.96m if needed,
  - No recurring supplementary requests for the period of the MTFS, unless matched by recurring savings.
- 3.6 Without these actions the savings required in the MTFS would have been on the scale of £2m-£2.3m by 2023/24. This would not have been either sustainable or manageable without significant reductions in jobs and services. By taking these decisions now, it is anticipated the council will be in a better position to manage the pressures faced.
- 3.7 It should be noted that the Council have already taken action and is exploring new income streams to become more self-reliant. For example, the new crematorium and the on-going negotiations to invest in projects in the Mira Enterprise Zone. Other areas are:
- maintaining a 5% vacancy factor saving in the region of £0.6m a year,
  - managing working capital to minimise borrowing, with a current under-borrowed level of almost £22m saving considerable costs in interest,
  - Rentals from the Crescent investments and other tenancies, and

- Use of discretion on business rates to attract new businesses to the area to bring in new rates income,
- Delivery of the Economic Regeneration Strategy and the COVID-19 Recovery Strategy to drive future investment into the borough.

3.8 In order to drive efficiency savings within the cost of supplies and services, a rate of 0% has been applied to non-contract related expenditure. As the Retail Price Index (RPI) has stood between 1-2% in year, the application of 0% represents an effective saving on running costs.

### Summary MTFs information

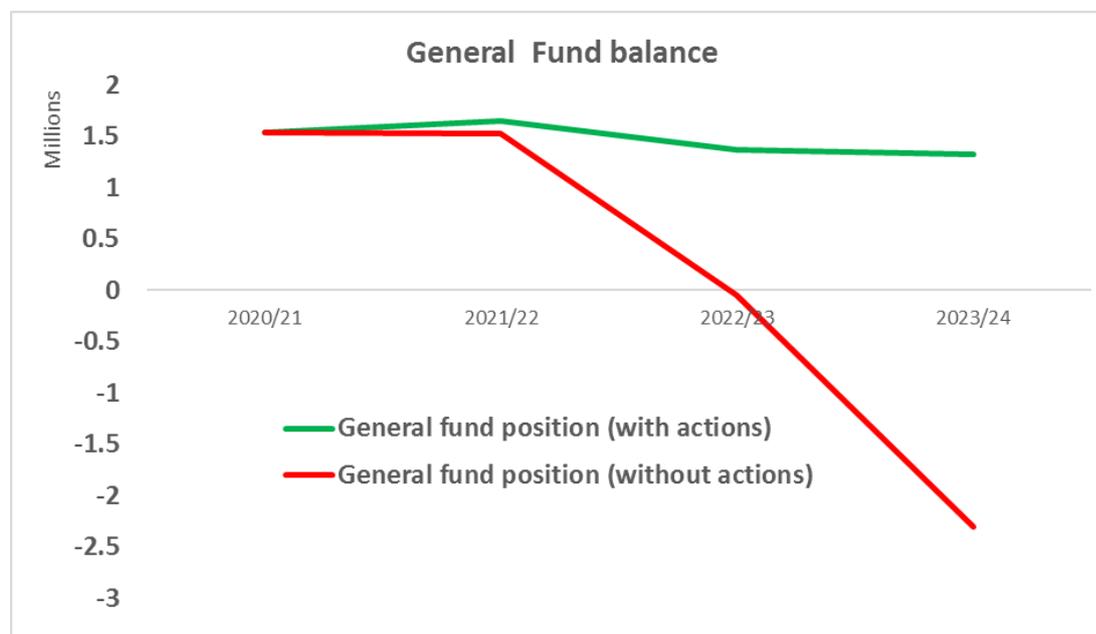
3.9 The MTFs update (full details are in the attached MTFs document at Appendix 1) is one of a suite of documents, which inform the financial strategy of the Council. These include the Capital Programme, HRA Investment Strategy and Treasury Management Policy, all of which should be read in conjunction with this document. A summary of the overall MTFs excluding Special Expenses is given in the table below. The Special expenses budget is given in the General Fund budget report, and is summarised in the Appendix to the MTFs.

3.10 The table below gives a high-level overview of the expected overall net budget requirement and general fund reserve movements between 2020/21 to 2023/24.

<b>FINANCIAL FORECAST 2020/21 to 2023/24</b>	<b>2020/21 LA £</b>	<b>2021/22 Forecast £</b>	<b>2022/23 Forecast £</b>	<b>2023/24 Forecast £</b>
Net Service Expenditure	11,082,610	12,069,472	15,805,260	11,579,042
Budget changes (net)	716,862	-90,732	-399,698	341,409
Variances forecast	-460,000	0	0	0
Supplementary/Reversals of one off supplementary budgets	601,454	0	0	0
Collection Fund Adjustment	-3,826,520	3,826,520	-3,826,520	0
Savings needed	0	0	0	-965,000
<b>NET Borough Budget Requirement</b>	<b>8,114,406</b>	<b>15,805,260</b>	<b>11,579,042</b>	<b>10,955,451</b>
Pension adjustments	-1,346,350	-1,585,970	-1,585,970	-1,585,970
Contribution to Reserves	6,280,520	660,000	1,175,990	30,000
Contribution from Reserves	-2,592,560	-4,107,432	-1,830,208	-530,000
Transfer from unapplied grants	-260,581	0	0	0
Contribution to/( from) Balances	-98,916	105,047	-279,586	-36,329
<b>NET BUDGET/FORECAST EXPENDITURE</b>	<b>10,096,519</b>	<b>10,876,905</b>	<b>9,059,268</b>	<b>8,833,152</b>
<b>Performance against target</b>	<b>15.23%</b>	<b>15.11%</b>	<b>15.05%</b>	<b>15.02%</b>
<b>Council Tax charge</b>	<b>£115.50</b>	<b>£120.50</b>	<b>£122.78</b>	<b>£125.12</b>

## General Fund Scenarios

3.11 The Table below gives the comparison of the General fund position if the actions noted above (paragraph 3.5) were not taken, with the forecast included in the table above. This indicates that these decisions and actions, should secure the financial position of the council, if delivered as expected and assumptions used are reasonable.



3.12 The main reason for the pressure on the Council's finances over the MTFs period, is the expected impact of the fair funding review and the reset of business rates. NHB is expected to be phased out, (although consultation on its replacement is promised) and business rates growth redistributed based on a needs assessment. This is an anticipated loss of over £2m by 2023/24. The table below gives the expected level of key Government funding based on the one year settlement and available information on expectation over the next few years.

	2020-21 £000	2021-22 £000	2022-23 £000	2023-24 £000
Lower Tier Support Grant	0	429	727	684
Council Tax	4,504	4,666	4,797	4,932
NNDR	3,966	4,323	3,400	3,362
Collection fund loss/Surplus	-15	567*	-145	-145
New Homes Bonus	1,642	892	281	0
<b>Total</b>	<b>10,097</b>	<b>10,877</b>	<b>9,059</b>	<b>8,833</b>

\*The higher surplus is a one off generated by the releases unused business rates appeal provision balances.

- 3.13 The 2021/22 one year financial settlement had positive news in terms of a new Lower Tier Support Grant, aimed at ensuring lower Tier Core funding – excluding business rates growth- remains at the same level as the prior year. Although no announcement has been made this will continue, it gives some insight into the Government thinking on how it may support councils during the fair funding review and business rates reset. This support is sometimes referred to as “damping”. Therefore the basis of the calculation has been used to make an assumed forecast of likely support during the MTFS period. This key assumption is not without risk. Further information is in Appendix 1, (the MTFS).

### **Risk analysis**

- 3.14 An MTFS is based on a set of key assumptions, these cover costs and income projections and what they are based on. The two most significant ones are below, but further analysis is in section 9 of appendix 1:
- 1) The Fair Funding review and business rates reset are likely to impact on the 2022/23 year leading to the need to make savings in 2023/24 of £0.96m which are yet to be scoped and finalised. If this assumption is altered, for example if Central Government delay the reforms for another year, then there would be no need for the £0.96m of savings to be made in 2023/34. Therefore this is a key assumption. Our advisers feel that the fair funding review is likely to go ahead..
  - 2) The Lower Tier Grant, or equivalent, will be continued as a method for supporting district councils for the duration of the MTFS. It will lead to a loss of £1.4m of income and will need saving of £600,000 in 2022/23 and £1,000,000 in 2023/24.

## **4. Exemptions in accordance with the Access to Information procedure rules**

- 4.1 Report is to be taken in open session.

## **5. Financial implications [AW]**

- 5.1 In the Body of the report.

## **6. Legal implications [MR]**

- 6.1 The MTFS provides the foundations to allow the Council to meet its statutory obligations in accordance with Section 32 of the Local Government Finance Act 1992 and section 25 of the Local Government Act 2003. The Council has a statutory requirement to set a budget for each financial year and approve the MTFS, including a three year capital programme.

## **7. Corporate Plan implications**

- 7.1 A robust MTFFS is required to ensure that resources are effectively allocated in order to ensure delivery of all of the aims, outcomes and targets included in the Council's Corporate Plan.

## **8. Consultation**

- 8.1 All members of the Strategic Leadership Team have been consulted in preparing this Strategy.

## **9. Risk implications**

- 9.1 It is the council's policy to proactively identify and manage significant risks which may prevent delivery of business objectives.
- 9.2 It is not possible to eliminate or manage all risks all of the time and risks will remain which have not been identified. However, it is the officer's opinion based on the information available, that the significant risks associated with this decision / project have been identified, assessed and that controls are in place to manage them effectively.
- 9.3 The following significant risks associated with this report / decisions were identified from this assessment:

Management of significant (Net Red) risks		
Risk description	Mitigating actions	Owner
That the Council has insufficient resources to meet its aspirations and cannot set a balanced budget	A budget strategy is produced to ensure that the objectives of the budget exercise are known throughout the organisation. The budget is scrutinised on an ongoing basis to ensure that assumptions are robust and reflective of financial performance. Sufficient levels of reserves and balances have been maintained to ensure financial resilience	A Wilson

## **10. Knowing your community – equality and rural implications**

- 10.1 The budget process will impact on all areas of the Borough and all groups within the population.

## **11. Climate implications**

- 11.1 The stewardship of the financial resources of the council underpin all policy actions to address the council's objectives in ensuring it manages its

resources to ensure climate considerations are achieved in accordance with the corporate plan.

## **12. Corporate implications**

12.1 By submitting this report, the report author has taken the following into account:

- Community safety implications
- Environmental implications
- ICT implications
- Asset management implications
- Procurement implications
- Human resources implications
- Planning implications
- Data protection implications
- Voluntary sector

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Background papers: Corporate Plan, Capital Programme, General Fund and HRA budgets and Treasury report

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