

## MEDIUM TERM FINANCIAL PLAN 2020/21 - 2024/25

### 1. Recommendations

Cabinet are recommended;

- a) that the Revised Medium Term Financial Plan 2021/22 onwards, as outlined in the report and Appendix 1-3 be adopted; and
- b) that the actions required as set out in the report, be progressed

### 2. Purpose of Report

- 2.1 To set out the updated Medium Term Financial Plan (MTFP) to 2024/25.

### 3. Background

- 3.1 The Council has a legal requirement to set an annual fully funded balanced budget and must plan its finances over a medium term period. The impact of COVID-19 will extend over the Medium Term and so the updated budget and MTFP report agreed by Council in September set out an updated Medium Term Financial Plan.
- 3.2 The Council's underlying financial strategy including cost reduction and the crystallisation of efficiencies from all services, supported latterly with the targeting of new and additional income generation will continue. **However, it will need to be supplemented with more fundamental delivery reviews and a re-prioritisation of services to align the budget and ultimately the funding the Council has available to Corporate Plan Priorities.**
- 3.3 To support the development and ultimate delivery of a balanced budget, it is necessary that an assessment is made of the likely financial scenario based upon latest available information. To help support the important work of Portfolio Holders and officers in developing future plans, the future outlook and the current uncertainties are set out within this report and a prudent forecast set out through appendices 1-3.
- 3.4 The long awaited Fair Funding Review (FFR) and Business Rate Reset (BRR) are still not confirmed, and the Autumn budget has now been deferred. This Council's MTFP continues to have to make assumptions on the most likely funding scenario over the Medium Term. The upcoming Comprehensive Spending Review (CSR) has the potential to have a significant impact on these assumptions.

### 4. The Medium Term Financial Plan: 2021/22 - 2024/25

- 4.1 Fundamentally, the MTFP will have regard to the Emergency budget for 2020/21, but the base starting point will be the original budget for 2020/21.

4.2 As well as allowing for typical expenditure pressures over the period, the Councils updated MTFP will have to make some judgements on the speed of financial recovery, especially in key income generating areas like Leisure and Car Parking and will need to reflect on the service reviews that are underway in order to make a significant contribution to the budget deficit over the Medium Term Period.

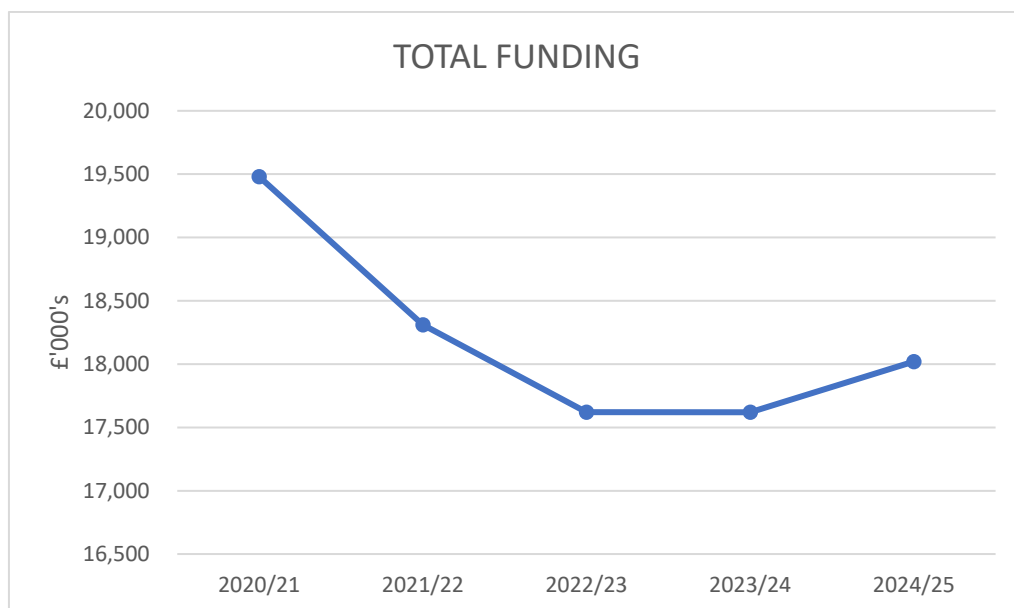
4.3 There are still many unknowns over the period covered by this MTFP (CSR, Business Rate Retention Scheme and baseline reset, the future of New Homes Bonus, on-going COVID implications to name a few), so this plan is presented on a mid-case basis, as it was in Sept.

4.4 Funding Assumptions over the Medium Term (Appendix 1)

4.4.1 The updated September 2020 MTFP outlined a mid-point scenario in relation to retained Business rates which would see the Council retain its above baseline growth to the tune of £1.2M in 2021/22, reducing to a £400k redistribution share thereafter. There is no additional information to suggest that this previous assumption isn't still valid and appropriate.

4.4.2 Assumptions also need to be made on the Council Tax Base and Collection levels. The working assumption is that the Council will have a reduced Collection Fund performance to contend with over a 3 year period (2021/22 – 2023/24) in line with the revised allowable treatment to account for losses that materialise during 2020/21.

4.4.3 There is also a working assumption that additional Council Tax Reduction claims may impact the tax base adjustment (i.e. the increase in new properties) for 2021/22. Baseline growth thereafter will be modelled on growth of 0.75% per annum.



#### 4.5 Pay & Price increases over the Medium Term

4.5.1 Increases in costs are expected to total c£2.65m over the next 4 year period, based on current activity and latest figures received. The assumptions include the following areas of pay and price increases;

- Annual Pay Award of 2% per annum (with the need to account for the additional 0.75% awarded in 2020/21)
- Incremental progression
- Fuel and Energy Cost Increases

All other increases to be absorbed within existing overall Portfolio budgets, except where they are agreed policy or strategy developments

#### 4.6 Budget Adjustments relating to one-off items

4.6.1 The September plan included assumptions as a result of decisions and reviews that have commenced in prior years, where work is currently underway or is scheduled to commence. These savings and income adjustments total £890,000 to 2021/22. Decisions will need to be taken through the budget setting process on how best to fund the ICT strategy and Community Construction Grants for 2021/22.

#### 4.7 Ongoing Savings

4.7.1 The plan also includes assumptions as a result of on-going savings / income generations totalling £170,000 that now need adding to the base budget going forward;

- Commercial Property Income (£139,000)
- Residential Property Income (£20,000)
- Reduction in Service Level Agreement to Citizens Advice New Forest (£21,000)

#### 4.8 New Budget Requirements

4.8.1 New Budget Requirements also exist over the period, including:

- The Hampshire County Council Waste Disposal Review is estimated to cost this Council £280,000 from 2021/22 and a further £400,000 the year after resulting in net additional costs to the Council of £680,000 per annum from 2022/23. More is included in this report on the implications of the National Waste Strategy at 5.5.1.
- The budget introduced to cover any costs associated with the boundary review can now be removed (£15,000)

#### 4.9 COVID-19 Recovery

4.9.1 Annual Health & Leisure Centre income levels pre covid-19 were forecast at £7m. The latest assumption as included in the MTFP is that income will be c£5M in 2021/22, taking a further 2 years to recover fully thereafter (for the start of year 3). To reflect on the lower levels of customer usage, a review of staffing has been undertaken, and mitigating savings of £150k have been identified. As customer usage and so income picks up, it is likely the majority of the staffing requirements will return. The full Financial Implications of the Health & Leisure Centres in the context of the delivery review will be picked up in a separate

report. More is covered on this in para 5.5.1.

- 4.9.2 Income generation within Parking and Planning is also likely to be impacted into the medium term, although recovery is expected to be a little swifter. To assist in balancing the income shortfalls in 2020/21 and into 2021/22, the Portfolio Holder has conducted a review of charging and has introduced new off-street parking to areas surrounding Keyhaven River (£50k annual income estimated) and has ended an arrangement with Totton and Eling Town Council, introducing charges (consistent with other areas) to the Town Centre car parks, which will generate a net additional £52k per annum.
- 4.9.3 Interest Earnings are likely to remain low during 2021/22. The base budget will need to be amended, with a partial recovery assumed within the MTFP by 2023/24.
- 4.9.4 The mitigation measures introduced and identified during 2020/21 will need to continue over the medium term. This includes;
- the removal of £375,000 of Revenue Contribution to Capital Outlay
  - £500,000 identified through the vacancy freeze (with an allowance for £100,000 of removed posts to be reinstated)
  - £303,000 identified through the budget review

## 5. Forecast Budget Deficit and Actions Required and Underway

### 5.1 Forecast Budget Deficit

- 5.1.1 The budget deficit outstanding, after allowing for the items as outlined through section 6 above, is £2.405m to 2024/25. There is a significant deficit forecast for 2021/22, predominately as a result of the income adjustment required in Health & Leisure, with the deficit reducing over the following 2 financial years. The annual budget deficits as represented by the following table:

	2021/22	2022/23	2023/24	2024/25	Total to 2024/25
Estimated Budget Deficit <b>Before</b> Council Tax Contribution (£'000)	-2,539	361	-2	-224	-2,405

### 5.2 National Waste Strategy – Impact to MTFP: cost £700k - £800k (high)

- 5.2.1 A working group has been considering options and has made a recommendation to the Overview and Scrutiny Panel to develop plans to introduce a new twin stream waste service with separate food waste collection. More detail is covered elsewhere on this Cabinet agenda. The likely financial outcome as a result of the roll-out of the NFDC service aligned to the National Waste Strategy will result in an increased cost of collection of between £700k - £800k for 2022/23. The government have consistency said that new burdens transition funding would be forthcoming and the introduction of an 'Extended Producer Responsibility' tariff may see local authorities financially supported in their collection and disposal roles, but to date no details on values and the longevity of this financial support have been announced. The Council will need to plan for a scenario which sees the cost of collection increase, with this

increase ultimately being borne by the NFDC taxpayer. Due to the current uncertainties in timing and funding, the additional cost is not currently included in the forecast deficit of £2.405M, but clearly has the ability to worsen this position quite considerably.

### 5.3 Council Tax – Impact to MTFP: income £1.618M (high)

5.3.1 The government currently allows for the maximum allowable Council Tax increases in all of their funding assumptions going forward. At the present time, this is the greater of £5 or 2.99% per annum. Applying the maximum increase, the NFDC Band D precept would be set as follows over the period;

	2020/21	2021/22	2022/23	2023/24	2024/25
NFDC Band D Precept including Maximum Allowable increase	£178.36	£183.69	£189.18	£194.84	£200.67
Value of Increase		£5.33	£5.49	£5.66	£5.83
Cumulative Value of Additional Precept to NFDC		£382,283	£778,948	£1.191M	£1.618M

5.3.2 The value of these maximum increases starts at an additional £382,283 per annum to 2021/22, increasing with the tax base growth over the period to a cumulative additional precept of £1.618M by 2024/25. Council Tax therefore has the potential to make a significant contribution to the forecast deficit of £2.405M as outlined in 5.1.

### 5.4 Commercial and Residential Property Strategies – Impact to MTFP income £666k (high)

5.4.1 Officers are working on implementing the two approved strategies to invest in Commercial and Residential Property, with an outcome of both being the generation of new additional income, targeted at £1m once fully rolled out (£666,000 currently outstanding as so allowed for within the MTFP).

### 5.5 MTFP 24/25 Savings in Progress

5.5.1 Leisure Delivery Review – Impact to MTFP saving £400k (high)  
A task and finish group is currently considering an alternative model of delivery for the Council’s Health & Leisure Centres. The financial outcome of this review combined with the management led operational review is targeted at significantly reducing the annual subsidy on Health & Leisure. ‘Significant’ has previously been given context of £400k annually. The competitive tender with negotiation process is currently underway with a decision report due to come to Council in February 2021.

5.5.2 Boundary Review – Impact to MTFP saving £80,000 (Medium)  
The Electoral Review of the District Council has progressed throughout 2020, with the Local Government Boundary Commission for England (LGBCE) due to publish final recommendations in December. Should the LGBCE include the reduction of the number of NFDC councillors from 60 to 48 in its final recommendations, this will save the Council in the region of £80,000 per annum in basic allowance payments to councillors from May 2023 onwards. In addition, pro-rata savings in travel and subsistence claims would also be

achieved. Future allowances paid to councillors will be the subject of review by the Independent Remuneration Panel.

- 5.6 Appendices 1-3 summarise in numbers the MTFP information covered throughout this report. The ultimate estimated bottom line deficit (allowing for Council Tax increase and additional Commercial Property income) for 2021/22 of £1.741M can be funded by the Council's Budget Equalisation reserve. This reserve was established for the purpose of smoothing out one-off significant budget fluctuations, as is the case in 2021/22.

## **6. Community Support**

- 6.1 The annual and now well established Community Grants Process will be commencing shortly. To be consistent with funds made available last year, the panel will work within ceiling (not target) budgets of;
- Revenue Support; £175,000
  - Construction Grants (Capital); £100,000
- 6.2 The grants that are made by this Council aim to encourage and support participation in various arts and cultural activities within the District. It is likely the scheme will be oversubscribed in 2021/22 as organisations face their own difficult financial situations and changing practices as a result of COVID-19. As seen throughout this report however, the Council also has its own financial difficulties to deal with and manage.
- 6.3 As seen in para 4.7.1, a reduction of £20,655 is proposed in the value of the SLA the Council hold with Citizens Advice New Forest. This is the final reduction in a planned 3 year programme. At a meeting of the Community and Leisure Overview and Scrutiny Panel in June, the panel supported the recommendation to set the value of the SLA for 2021/22 in line with this reduction, hence the reduction now being included in the Council's MTFP.

## **7. Capital Programme**

- 7.1 Officers are currently working on devising the Capital Programme for 2021/22 – 2023/24 and this will be included in later MTFP updates. The programme will be set in the context of facilitating approved strategy delivery and essential projects.
- 7.2 The Council's current ICT Strategy will be reflected upon during the November Corporate Overview and Scrutiny Panel and the financial implications of the necessary investment in ICT will be included in future MTFP reporting.

## **8. Reporting Timeline**

- 8.1 It is important that the Medium Term Financial Plan is continually updated based on new information. It must also support the ambition of the Council and remain driven by the objectives to be set out in the Corporate Plan. The organisation must be able to support both and must remain vigilant and susceptible to change. A timeline is set out below for Cabinet which supports the development of the MTFP, through to the final setting of the 2021/22 budget:

	<b>Cabinet Meeting</b>	<b>Report</b>
1.	November	Medium Term Financial Plan to 2024
2.	December	Setting the Council Tax Base Financial Monitoring Report
3.	February	MTFP to 2024 and setting of 2021/22 budget

## **9. Crime and Disorder / Equality and Diversity / Environmental Implications**

- 9.1 The MTFP at this stage does not include any specific sums set aside to assist in the Council's delivery of its green agenda, but there is a clear recognition that a financial commitment over the Medium term period will be required and so additional financial resources will need to be planned for. These resources will reflect on any outcomes that come about as a result of recommendations made by the Councils 'Greener Housing' Task and Finish Group that is already underway.

## **10. Portfolio Holder Comments**

- 10.1 At a time when change can occur on an almost daily basis and with government deferring decisions that could have significant impacts on this Council finances, it adds to the complexity of producing a Medium Term Financial Plan.
- 10.2 The paper before you takes a prudent approach to the numerous variables, both within the projected income and potential expenditure. This aligned with our reserves provides us with a flexibility to adapt to the changing financial world in which we find ourselves and ensures that we continue to provide not only the vital services to our community but can also respond to unforeseen events such as the Milford Sea Wall.

### **For Further Information Please Contact:**

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## MEDIUM TERM FINANCIAL PLAN 2020/21 - 2024/25: MID-CASE

	2020/21	2021/22	2022/23	2023/24	2024/25
Original					
Budget	Forecast	Forecast	Forecast	Forecast	Forecast
£'000's	£'000's	£'000's	£'000's	£'000's	£'000's
<b>FUNDING</b>					
Business Rates Baseline	3,997	4,077	4,158	4,242	4,326
- Business Rates Tariff Adjustment					
- Business Rates Retained Surplus	2,398				
- Business Rates Collection Fund Deficit(-) / Surplus	892				
Transition Grant / Business Rate Redistribution		1,200	400	400	400
Revenue Support Grant					
New Homes Bonus	286	249	182	0	0
Contribution to (-) Budget Equilisation Reserve	-1,062				
<b>Total Government Determined Resources</b>	<b>6,511</b>	<b>5,526</b>	<b>4,740</b>	<b>4,642</b>	<b>4,726</b>
Council Tax					
Base from Previous Year	12,321	12,969	12,785	12,881	12,978
Change in Collection Fund Surplus	218	-218			218
Tax Base Adjustment (Additional Properties)	73	34	96	97	98
Agreed Increase	357				
<b>Total Council Tax</b>	<b>12,969</b>	<b>12,785</b>	<b>12,881</b>	<b>12,978</b>	<b>13,294</b>
<b>TOTAL FUNDING</b>	<b>19,480</b>	<b>18,311</b>	<b>17,621</b>	<b>17,620</b>	<b>18,020</b>
Cumulative Change from Original 2020/21		1,169	1,859	1,860	1,460
%age change		6%	10%	10%	7%



## MEDIUM TERM FINANCIAL PLAN 2020/21 - 2024/25: MID-CASE

## SUMMARY OF BUDGET MOVEMENTS

## Baseline Funding 2020/21

## Budget Requirement 2021/22

## Pay &amp; Price Increases

Pay Award (2%)

Pay Award (+0.75% required in base budget for 2020/21)

Increments

Prices (Utilities, Fuel &amp; Maint.)

## Pay &amp; Price Increases

## Cumulative Pay &amp; Price Increases

## Budget adjustments relating to one-off items

Investment as outlined in ICT Strategy 18-22 (20/21)

Funding of One-off Community 'Construction Grants' (20/21)

Investment in back-up power contingency ATC

Transfer of Public Convenience to Totton &amp; Eling TC

Planning Income Adjustment (based on 19/20)

Pension Deficit Contribution

Pension Deficit Contribution to equilisation reserve

## Ongoing Savings

Commercial Property Income

Residential Property Income

Reduction in SLA to Citizens Advice New Forest

## Cumulative effect of Adjustments and Savings

## New Budget Requirements

HCC T19; Waste Collection

Investment in an Electoral Review of the District

## COVID-19 Recovery

Health &amp; Leisure Centre Income Recovery

Health &amp; Leisure Centre Mitigating Cost Reduction

Planning and Parking Income Recovery

Parking &amp; Charging Review Mitigation

Reduced Interest Earnings

Removal of RCCO

Vacancy Management

Budget Review

## Cumulative effect of New Requirements and COVID Recovery

## TOTAL BUDGET REQUIREMENT

## Total Funding Available (as above)

## Estimated Cumulative Surplus / Shortfall (-)

	2021/22	2022/23	2023/24	2024/25
	Forecast	Forecast	Forecast	Forecast
	£'000's	£'000's	£'000's	£'000's
Baseline Funding 2020/21	19,480	19,480	19,480	19,480
Budget Requirement 2021/22				
Pay & Price Increases				
Pay Award (2%)	400	400	400	400
Pay Award (+0.75% required in base budget for 2020/21)	150			
Increments	175	175	175	175
Prices (Utilities, Fuel & Maint.)	50	50	50	50
Pay & Price Increases	775	625	625	625
Cumulative Pay & Price Increases	775	1,400	2,025	2,650
Budget adjustments relating to one-off items				
Investment as outlined in ICT Strategy 18-22 (20/21)	-604			
Funding of One-off Community 'Construction Grants' (20/21)	-98			
Investment in back-up power contingency ATC	-100			
Transfer of Public Convenience to Totton & Eling TC	-50			
Planning Income Adjustment (based on 19/20)	-38	-100	-100	
Pension Deficit Contribution			1,250	
Pension Deficit Contribution to equilisation reserve			-1,250	
	-890	-100	-100	0
Ongoing Savings				
Commercial Property Income	-139			
Residential Property Income	-20			
Reduction in SLA to Citizens Advice New Forest	-21			
	-180	0	0	0
Cumulative effect of Adjustments and Savings	-1,070	-1,170	-1,270	-1,270
New Budget Requirements				
HCC T19; Waste Collection	280	400		
Investment in an Electoral Review of the District	-15			
	265	400	0	0
COVID-19 Recovery				
Health & Leisure Centre Income Recovery	2,100	-1,575	-525	
Health & Leisure Centre Mitigating Cost Reduction	-150	75	25	
Planning and Parking Income Recovery	500	-425	-75	
Parking & Charging Review Mitigation	-102			
Reduced Interest Earnings	230	-50	-50	
Removal of RCCO	-375			
Vacancy Management	-500		100	
Budget Review	-303			
	1,400	-1,975	-525	0
Cumulative effect of New Requirements and COVID Recovery	1,665	90	-435	-435
TOTAL BUDGET REQUIREMENT	20,850	19,800	19,800	20,425
Total Funding Available (as above)	18,311	17,621	17,620	18,020
Estimated Cumulative Surplus / Shortfall (-)	-2,539	-2,179	-2,180	-2,405

## MEDIUM TERM FINANCIAL PLAN 2020/21 - 2024/25: MID-CASE

## OPTIONS IDENTIFIED TO CLOSE BUDGET SHORTFALL

2.99% Council Tax Increase 2021/22  
 2.99% Council Tax Increase 2022/23  
 2.99% Council Tax Increase 2023/24  
 2.99% Council Tax Increase 2024/25

**Cumulative Council Tax Increase**

Commercial / Residential Property Investment 2020/21  
 Commercial / Residential Property Investment 2021/22  
 Commercial / Residential Property Investment 2022/23

**Cumulative Property Investment Income****MTFP 24/25 Savings In Progress**

In Progress: Leisure Delivery Review  
 In Progress: Boundary Review

**MTFP 24/25 Potential....**

Potential: Business Rate Changes  
 Potential: Fair Funding Review  
 Potential: Waste Strategy  
 Potential: Parking Strategy  
 Potential: Triennial Pension Valuation 2022  
 Potential: Asset Review

**Annual Contribution to (-) / Use of Budget Equilisation Reserves****Estimated Cumulative Surplus / Shortfall (-)**

2021/22	2022/23	2023/24	2024/25
Forecast	Forecast	Forecast	Forecast
£'000's	£'000's	£'000's	£'000's
382	382	382	382
	397	397	397
		412	412
			427
<b>382</b>	<b>779</b>	<b>1,191</b>	<b>1,618</b>
16	16	16	16
400	400	400	400
	250	250	250
<b>416</b>	<b>666</b>	<b>666</b>	<b>666</b>
<b>TBC</b>	<b>TBC</b>	<b>TBC</b>	<b>TBC</b>
		80	80
+/- ?	+/- ?	+/- ?	+/- ?
+/- ?	+/- ?	+/- ?	+/- ?
	+/- ?	+/- ?	+/- ?
	+/- ?	+/- ?	+/- ?
		+/- ?	+/- ?
+/- ?	+/- ?	+/- ?	+/- ?
<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>-1,741</b>	<b>-734</b>	<b>-243</b>	<b>-41</b>

**Reserves Supporting the MTFP**

General Fund Balance  
 Budget Equilisation Reserve

3,000	3,000	3,000	3,000	3,001
2,837	2,837	2,837	2,837	2,837