

## MEDIUM TERM FINANCIAL PLAN AND ANNUAL BUDGET 2022/23

### 1. Recommendations

- 1.1 Cabinet is asked to recommend to Council that:
  - 1.1.1 there is a General Fund Net Budget Requirement in 2022/23 of £20,674,420, as set out in appendices 5a - d to this report;
  - 1.1.2 the budget is set in accordance with the fees and charges as agreed by the Portfolio Holders and published in the lead up to the final budget approval and adoption;
  - 1.1.3 the New Forest District Council Band D Council Tax for 2022/23 shall be £188.36;
  - 1.1.4 the General Fund Capital Programme for 2022/23 of £17.174m, as set out in appendix 6 to this report be approved;
  - 1.1.5 the Section 151 officer and Chief Executive, working in consultation with the Leader and appropriate Portfolio Holder (depending on the nature of the item), have delegated approval to allocate budget from the 'Corporate Plan Delivery' funds made available within this budget to Services to achieve the objectives as laid out within this report; and
  - 1.1.6 the site licence fees and service charges at Stillwater Park be increased by 4.9% in line with RPI inflation.

### 2. Purpose of Report

- 2.1 To consider the development of the Medium Term Financial Plan, set the General Fund revenue and capital budgets for 2022/23 and set the level of Band D Council Tax.

### 3. Background

- 3.1 On 1 September 2021 and 1 December 2021 the Cabinet considered a number of issues through the established Medium Term Financial Plan reporting that would affect the annual budget for 2022/23. The budget process has been more typical this year, although there are still implications of the Coronavirus Pandemic that are addressed over the medium term period.
- 3.2 The figures as included in the September and December MTFP reports were based on latest information available at that time, before the provisional local government finance settlement had been released and before various new funding measures had been announced as part of the Government's pledge to support Local Government from the ongoing financial issues facing the sector as a whole. **The financial assumptions in this paper are based on the provisional finance settlement for 2022/23.**

- 3.3 The Medium Term position to 2025/26 forecasts a budget deficit of £1.895m. The MTFP includes options to close the gap, including the ongoing crystallisation of new income, and the delivery of savings and efficiencies in order to enable investment in services and priorities and protect frontline service delivery to the Community. A specific senior management group will focus on the Council-wide approach to opportunity and efficiencies across assets, services and our way of working. This stronger framework will ensure the Council remains well placed to invest in services and continue to deliver a balanced budget over the Medium Term Period.
- 3.4 In accordance with the Council's financial strategy this report sets out the final proposals for:
- The General Fund Net Budget Requirement for 2022/23
  - A level of Council Tax for 2022/23
  - The Medium Term Financial Plan to 2025/26
  - The General Fund Capital Programme for 2022/23
- 3.5 The Chancellor's November '21 budget statement included headline additional Local Government support of £4.8bn over a 3 year period. Overall Core Spending Power will increase by £8.5bn over the 3 year period, but this includes specific social care reform (no direct impact to this Council) and Council Tax increases. Despite 3 year funding announcements, a 1 year settlement was produced in December 2021.
- 3.6 The Levelling up White Paper, released on the 2<sup>nd</sup> February, makes it even more likely that ministers will be restarting the local government funding reforms in Spring of 2022. This means that the Fair Funding review and so Business Rate Reset will be under consideration again, with the potential to impact on 2023/24. The Council has protected itself against any immediate financial challenge that might come about as a result, through the inception and accumulation of a Budget Equalisation Reserve. It is business rate growth of c£2m as included within the Council's MTFP each year until the start of 2025/26 that is most at risk in any revised finance settlement formulae. Transitional funding is expected, but quantum and longevity are yet to be determined.
- 3.7 The Bank of England increased interest rates in December 2021, the first rise since March 2020. This isn't necessarily surprising considering CPI inflation reached 5.1% in November. Consumers, including the Council, are seeing the price of every day goods increase, and this is especially prominent in utilities, in part driven by an increase in global demand on the wholesale market. This important context is not forgotten when balancing the needs of the Council to cover its own expenditure pressures to deliver services to residents, and the proposed levels of Council Tax.

## **4. Financial Strategy**

- 4.1 The Council's financial strategy for 2022/23 includes:
- The setting aside of additional financial resources to facilitate the delivery of key Corporate Plan objectives
  - The establishment of a senior management group to ensure delivery of projects, efficiencies, income and savings to protect the delivery of frontline services provided to the Community
  - The maximisation of income, including reviews of fees and charges
  - Supporting investment in infrastructure and services through the prudent use of its reserves

- Sufficient and appropriate level of reserves are available during the period of the Medium Term Financial Plan to safeguard frontline services; and
- An understanding of balancing the needs of service users and council taxpayers.

The budget for 2022/23 is set out in line with this strategy.

- 4.2 In order to address the forecast deficit to 2025/26, the Council's financial strategy over the medium term period extends to:
- A broad Council-wide focus on delivery and transformation to identify and deliver a programmed approach to assets, services and ways of working
  - Continuation of partnering and collaboration with others to transform service delivery
  - The release of accrued short-term reserve balances to assist in the damping of the Fair Funding Review (and impact this has specifically to retained business rates) as necessary
  - The utilisation of reserve balances (and when necessary external borrowing) to invest in assets and assist in supporting a vibrant and robust New Forest Economy, whilst targeting valuable additional income
  - Ensuring strategies developed through the corporate framework appropriately feed into the Council's financial strategy; and
  - Invest in a Cleaner Greener approach to financial planning and spending.

## 5. Medium Term Financial Plan – General Fund Budget 2022/23

- 5.1 The December MTFP set out a forecast deficit position of £512,000 for 2022/23. Thanks to the ongoing delivery of savings and additional income being brought into the Council, coupled with a positive financial settlement for 2022/23, the Council is well placed to be able to invest in additional resources to deliver on its key priorities, as outlined within the updated 2021 Corporate Plan. As a result of the finance settlement for 2022/23, the Council is set to receive an additional £639,000 in 22/23 compared to earlier forecasts. Business rate retention forecasts have also been updated and have resulted in the ability for the Council to set aside £300,000 to support the Council in its ambition to remain an employer of choice through a review in local pay and conditions. The updated resource summary and budget requirements (both totalling £21.041m for 2022/23) are provided as appendix 1 and 2.
- 5.2 Typically, the backdrop of the Council's annual budget process has been in the context of available funding, including Council Tax increases, still failing to meet the additional service costs, let alone enabling a surplus for investment in enhanced activity and delivery. Within this Medium Term Financial Plan, the Council can afford to embed additional budgetary provision of £250,000 per annum over the period to 2025/26, with a supplementary additional £200,000 in 2022/23. This additional financial resource will enable the Council to deliver more, and is proposed to be targeted in the following priority areas;
- **Sustainability;** to deliver the Council's green infrastructure projects and initiatives additional resources, including new personnel to lead and manage the programme are needed to accelerate delivery
  - **Regeneration;** across the district, with a focus on the Waterside and Town Centres (initially Totton). This will require new personnel to lead and manage, including vital engagement with the communities, businesses and landowners

The funding will also look to extend to the additional following priority areas, including, but not limited to;

- **Local Employment & Economic Growth;** across the district with a focus on the creation of new job opportunities and upskilling
- **Housing Delivery;** across the District, working with key stakeholders to improve the availability of new housing
- **Waste Strategy;** to deliver a modern waste and recycling collection service with continued effective resident engagement throughout and an efficient roll out.
- **Customer and Employee Insight;** gathering an in-depth understanding of the needs of the New Forest community and the needs of our workforce.

5.3 It is proposed that the Council's Executive Management Team will support Cabinet and Portfolio Holders to prioritise projects in line with the Corporate Plan. The Council's Chief Executive and Section 151 Officer will then work in consultation with the Leader and appropriate Portfolio Holder in allocating specific funds from the amounts made available within this budget.

5.4 The pension fund was in a fully funded position at the time of the 2019 triennial valuation. This valuation set the contribution rates for 2020/21 – 2022/23, and so the Council will not be required to make an annual deficit payment to the fund in 2022/23. Recognising that the fund can fluctuate significantly in each triennial valuation, the Council is not removing this financial commitment from its budget, but instead, will make a (£1.25M) contribution towards financing the 2022/23 Capital Programme. This position will be reviewed for future years when the 2022 triennial valuation is concluded.

5.5 Material changes (greater than £50k, or worthy of note) that have been made within the budgets in comparison to 2021/22 include;

Pay & Price Increases - £1.345m to 22/23

- Costs due to Pay Award (including 2021/22 pay award not originally anticipated) and incremental progression have totalled £940k.
- £300k is included within the 2022/23 budget to provide funding for a review of local pay and conditions (with proposals reportable through the HR Committee and Council).
- Inflation, predominately in utilities and contracts has been budgeted at £105k to 2022/23.

Budget Adjustments relating to one-off items - £122,000 to 22/23

- The period covered by this MTFP assumes that a number of posts withheld as part of the COVID-19 emergency budget response will require re-instating (£100,000).
- A reduction in Grant Funding coupled with increased costs results in an increase to the Homelessness budget of £165,000 in 2022/23. It is expected that these cost increases will largely be reversed in 2023/24.
- A rent review is underway at Dibden Golf Centre and will likely result in the Council realising less of a financial surplus per annum than previously budgeted.
- A member working group recommended to increase the Councillor grants from £600 per Councillor to £1,000 per Councillor in 2022/23 to support specific events aligned to the Queens Jubilee (£24,000).
- The adopted local plan will result in fluctuating demands on planning resourcing and income over the period covered by this MTFP.

- Cumulative minor budget changes identified throughout the detailed budget preparation process have yielded net savings of £147,000 to 22/23.

#### Ongoing Savings and Income Generation - £1.086m improvement to 22/23

- **Delivery Model Reviews**
  - The revised delivery model of the Council's 5 Health & Leisure Centres has enabled a reduction in costs of £430k to 2022/23.
  - The boundary review scheduled to take effect from 2023/24 is expected to yield savings in the region of £80,000 per annum.
- **Efficiency Programme**
  - Reviews have been concluded crystallising savings of £224,000 (Exec Mgmt Team, Operations Mgmt, Enforcement and Secretarial Teams).
- **Strategy Delivery**
  - Net additional Investment Property Income of £278,000 has been added to the budget for 2022/23 reflecting the additional income earned from investments made in 2021/22.
- **Payback Projects**
  - Payback projects result in additional income / savings totalling £60,000 to 2022/23, and a further £150,000 in 2023/24.
- **Windfalls**
  - Removal of NNDR liability on Public Conveniences and Rent Reviews have yielded savings and additional income of £94,000 to 22/23 and beyond.

#### New Budget Requirements and alignment of budget to Priorities - £2.072m to 22/23

- **Investments in Service Delivery and Community Benefit**
  - Corporate Plan Delivery – ongoing; The budget for 2022/23 and MTFP through to 2025/26 gives the Council an exciting opportunity to invest in the delivery of key Corporate plan objectives.
  - Corporate Plan Delivery – one-off; The budget for 2022/23 gives the Council an exciting opportunity to invest in the delivery of key Corporate plan objectives, some of which need an immediate injection in the 2022/23 financial year, achievable through one-off funding.
  - Supporting Delivery of the Capital Programme – the General Fund is able to make a contribution towards capital project financing in 2022/23.
  - The current programme and emerging ICT Strategy for 22/23 and beyond requires funding to be set aside within the Council's financial planning (£625k per annum, with c£500k to the General Fund). The new strategy will be worked up in full and will be subject to Overview and Scrutiny and Cabinet ratification before any projects commence.
  - The 2021/22 budget removed the contribution from the General Fund to pay for the Public Convenience Refurbishment Programme. This has been reinstated to the 2022/23 budget (£300k).
  - The December MTFP confirmed that a £200,000 increase to the Asset Maintenance and Replacement programme was required to maintain Council assets and keep on track with a suitable cyclical replacement programme.
  - £100k of additional resource has been included within the proposed budget for 2022/23 to ensure delivery of a revised waste strategy.
  - As the Council continues to upgrade and modernise its suite of ICT applications, additional revenue funding is required to recognise the third-party hosing charges, as opposed to the cost of capital on-premise servers.

- The Community Grants process has identified grants totalling £85,600 for 2022/23 which will directly funded by the General Fund revenue budget.
- An additional £50k has been added to the Communication budget.
- Other items (individually less than £50k) as detailed in appendix 2 total £86k to 22/23.
- **New Budget Requirement**
  - As detailed in previous reporting, proposed changes by Hampshire County Council in income arrangements and contamination charges have the potential to impact this Council's budget in 2023/24 of up to £400k. Work is ongoing with the county council and district councils on a partnership agreement which will detail the new financial arrangements from 2023/4 onwards.

Covid-19 Recovery - £979,000 improvement to 22/23

- A partial return of pre-pandemic levels of Health & Leisure income has been assumed for 2022/23, resulting in a budget adjustment of £1.5M, with a full recovery to pre-covid levels expected by 2023/24. These forecasts are reflected within the contractual arrangements the Council has with Freedom Leisure.
- Parking levels are expected to continue to recover in 2022/23, with a full recovery to pre-covid levels expected by 2023/24.
- Interest earnings are expected to increase during 2022/23, reflecting a rise in the BoE base rate. The increase is assumed despite a forecast reduction in balances as balances are used to finance the Capital programme over the next 2/3 years.
- The one-off grants and new expenditures allowed for within the 2021/22 budget will be removed for 2022/23.

5.6 The report and appendices demonstrate that the Council is in a strong position to invest in its services and has planned for a significant level of new income and savings to help absorb the necessary cost increases and realignment of the budget to meet Corporate Plan priorities. However as outlined further in section 6 of this report, there is still work to be done over the period covered by this Medium Term Financial Plan to deliver on, and identify further options to support the production of a balanced budget to 2025/26.

5.7 **Planned use of and contributions to Reserves**

Appendix 5d outlines all movements in reserves actioned in the 2022/23 General Fund revenue budget setting. In summary, the original 2021/22 budget allowed for net transfers to reserves totalling £296,400. In 2022/23, planned net transfers from reserves total £37,800.

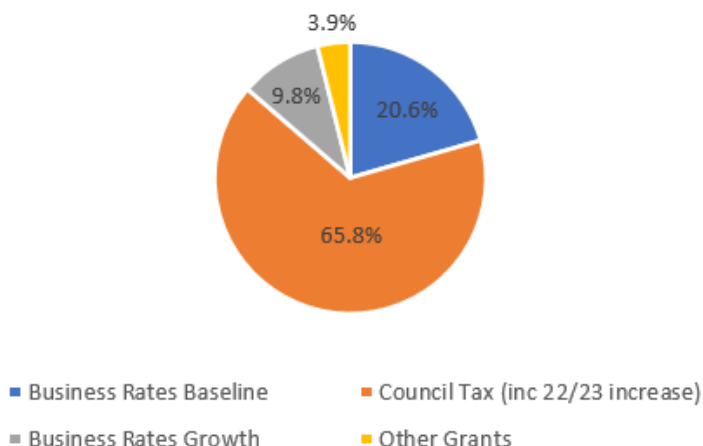
Section 9 of this report provides a commentary on the level of other useable reserves, over the period covered by this MTFP.

5.8 **Summary of Proposals and Council Tax for 2022/23**

5.8.1 The 2022/23 budget is set in the context of an ongoing pandemic. Estimates have been made on the impact into 2022/23 and over the Medium Term period. The Council's General Fund reserve is maintained at £3M to support any additional non-funded pressures that may arise, above the budget provisions allowed for.

5.8.2 The General Fund net budget requirement for 2022/23 will be £20.674m (appendix 5a & 5b), an increase of £1.383m on the 2021/22 budget requirement. The budget is funded predominantly through Council Tax and Business Rates, with further support coming via central government grants:

NFDC General Fund: Funding 2022/23



5.9.3 The proposed central support service business unit budgets have been provided at appendix 5c. Due to their nature, these costs end up across several Portfolios and so warrant separate inclusion as part of this budget setting report.

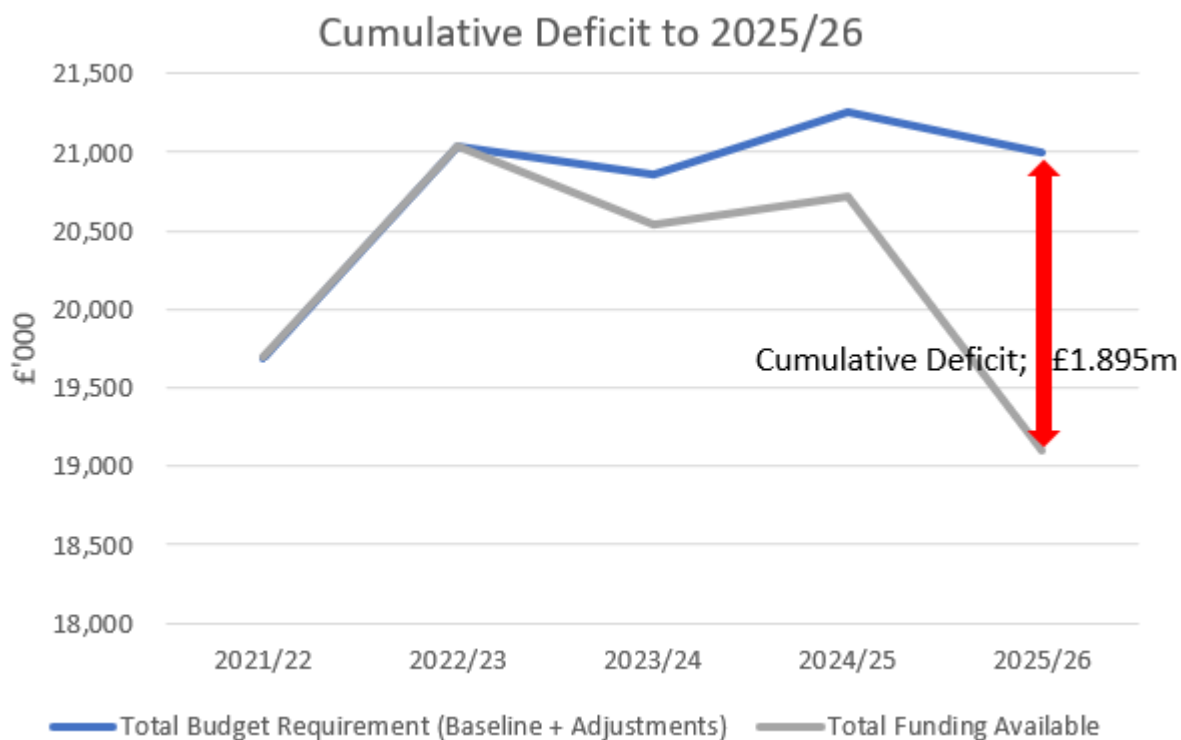
5.9.4 **The balanced budget for 2022/23 includes a proposed Band D Council Tax increase of £5 (2.7%) to £188.36 for the year. Out of the overall General Fund Net Budget Requirement in 2022/23 of £20,674,420, the overall cost to be met by council taxpayers will be £13,584,920.**

## 6. The Medium Term Position

6.1 A 1 year funding settlement has been made by the government leaving uncertainty over the medium term on the potential impact that the ongoing Fair Funding Review and the final design of the business rate retention scheme will have on individual local authorities. Both could have the ability to have a significant weighting on the availability of resources to fund Council services. The LGA and DCN continue to lobby the government on behalf of Local Government on a meaningful longer-term settlement to enable robust medium term financial planning.

6.2 In the years preceding 2022/23, the government made a clear move away from providing revenue budget support to lower tier authorities, towards a system where local authorities rely on local taxation paying for the local services provided. The 2022/23 settlement introduces some new additional funding to Local government, including this Council, but is only in the context of a 1 year settlement. The Council's reliance on Business Rates as a key funding source continues to be extremely prominent. The Medium Term Financial Plan assumes a significant proportion of the Council's funding is receivable through Business Rate income. Officers of the Council will await any government proposals with regards to changes to the current 50% retention scheme, and any other more fundamental changes to this form of taxation with interest.

- 6.3 The Medium Term summaries set out over appendices 1, 2 and 3 provide an outlook of the future years' budgets and are set out on a prudent basis using the latest known information. Over the period covered by this plan, the delivery of the strategic sites as identified in the adopted Local Plan and the potential for Freeport status within the District both have the potential to offer significant financial opportunities to the New Forest.
- 6.4 The Council will continue to work towards the financial strategy as set out in section 4 of this report to ensure the longer-term financial stability of the Council. The current Medium Term Financial Plan deficit to 2025/26 (appendix 2) of £1.895m will be closed dependant on the;
- successful implementation of the commercial and residential property strategies to bring valuable new sources of additional income into the Council,
  - Council-wide focus on delivery and transformation to identify and deliver a programmed approach to assets, services and ways of working,
  - Council's ability to maximise its revenues through local taxation; and
  - prudent use of budget equalisation reserves



- 6.5 The ongoing work on the development of the Council's new **Waste Strategy** in line with government requirements and the National Strategy has the potential to have a significant bearing on the cost of delivery of the waste and recycling service over the Medium Term. It is assumed that increased costs of delivery, which could be upwards of £1.5m per annum, will be supported with new burdens / transition grant by the government, as well as income to be received through the Extended Producer Responsibility Scheme, but the quantum and funding period is yet to be determined. As works continues on the development of the strategy, the Council is likely to face options in terms of the delivery timeline, and the risk of progressing ahead of new burdens financing being finalised. This will necessitate a review of the Medium Term Financial Plan. More detail will be made available in the emerging Waste Strategy itself.



- 6.6 The project to designate the **Solent Freeport** is progressing, and will have specific financial implications to the Council at varying stages. It is anticipated that additional costs of rate collection and planning input will be receivable as admin costs from the retained business rate pool. Over the 25 year life of the Freeport designation, the potential additional funding available for the delivery of regeneration, innovation and infrastructure that would otherwise have failed to receive the required levels of funding, has the potential to be significant. More detail will be made available within the timetabled Freeport key decision report.

## **7. Pay & Reward**

- 7.1 The working assumption in this Medium Term Financial Plan is that annual pay award of 2% will be applied to each financial year 2022/23 – 2025/26. The Council is well placed to respond to additional pay inflationary pressures, should it need to through the General and Budget Equalisation reserves. The Employee Side Liaison Panel will keep abreast of developments on the 2021/22 pay bargaining negotiations as they progress into 2022 (headline increase is 1.75% at present).
- 7.2 The Council has set aside £300k within the 2022/23 budget to provide funding for a review of local pay and conditions (with proposals reportable through the HR Committee and Council). This financial commitment demonstrates the Council's understanding that appropriate pay and remuneration are key to the achievement of service delivery standards that the Council strives to achieve.

## **8. General Fund Capital Programme and Financing**

- 8.1 The Council's proposed General Fund Capital Programme for 2022/23 totals £17.174m. This is £500,000 more than the proposed Capital Programme Budget presented to the Cabinet on the 2<sup>nd</sup> February. The additional £500,000 has been proposed within the Capital Programme to enable the Council to make further Capital investment in improved sustainability.
- 8.2 The detail at project level and the proposed financing for the 2022/23 programme is detailed in appendix 6. The overall Capital Programme budget will be further supplemented (via 2022/23 Financial Monitoring) with £2.1m of rephasing from 2021/22, as included within the 2<sup>nd</sup> February Financial Monitoring Report.
- 8.3 The Capital programme includes the New Depot project. This project was initially included within previously approved capital programmes with a caveat that design and feasibility could proceed, but delivery would require further approval from Cabinet and where necessary Full Council. This is still the case as the budget for 2022/23 is prepared.
- 8.4 The profiling of expenditure on the delivery of the Crow Lane industrial park development project has also been updated, with the substantive part of the project spend expected to take effect in 2022/23.
- 8.5 Other key elements of the Council's Capital Programme are the Commercial and Residential Property Acquisition and Development Funds. These are not shown in the programme at appendix 6 because of the uncertainty around when funds will be required. The Council has established governance arrangements in place for the approval of

funds, with each potential Commercial purchase demonstrating a strong link to supporting employment and the Economy within the District. The in-year financial reporting and updates to the Corporate Overview and Scrutiny Panel provide members with valuable updates on activity in this area.

- 8.6 The proposed budget for 2022/23 includes two additional posts to improve on the timely delivery of Recreational Mitigation Projects. Other parts of Recreational Mitigation Strategy including behaviour change initiatives, monitoring and survey work will also be picked up by this additional resource, funded by CIL / Habitat contributions.
- 8.7 A range of Prudential Indicators need to be approved prior to the start of each financial year. The Council's Capital Strategy presented to the Cabinet on 2<sup>nd</sup> February 2022 included the key capital Indicators. The Treasury Management function and Investment Strategy for 2022/23 to 2024/25 were considered by the Audit Committee on 28 January 2022 and have been recommended to the Council for approval.

## **9. Robustness of Estimates and Adequacy of Reserves**

- 9.1 There are a range of safeguards in place to help prevent local authorities overcommitting themselves financially. These include the Chief Finance Officer's duty to report on the robustness of estimates and adequacy of reserves (under section 25 of the Local Government Act 2003) when the authority is considering its budget requirement (England and Wales).
- 9.2 The 2022/23 budget has been constructed based on all latest information and considers all factors that will have an implication to 2022/23 that are in the Council's control. Budget variations in relation to the ongoing pandemic have been considered and included within the budget where appropriate. Income projections are sensible and not overinflated, inflation is allowed for where it is expected to occur, and the full cost of the Council's staffing establishment is based on latest pay assumptions and is calculated in an appropriate level of detail. Senior Management across the Council engage with the Council's central finance team on the preparation of the detailed budgets, and only budgets that have the backing of senior management make it through to this budget setting report for consideration by members of the Cabinet.
- 9.3 In setting the General Fund Revenue Budget for 2022/23, the Council is contributing to capital reserves to support the financing of the capital programme. The overall reserve transfers are clearly laid out in appendix 5d and are for specific purposes. Appendix 6 details the value of reserves to be utilised in financing the General Fund Capital Programme in 2022/23. The Council's Capital Strategy (Cabinet 1-Feb-2022) takes this further to combine the General Fund and Housing Revenue Account Capital Programmes and details how reserves will be utilised in financing the delivery of these forecast programmes over the medium-term period. Use of reserves is supplemented where appropriate with borrowing, and an assessment is made on the affordability and proportionality of financing charges to the revenue budget.
- 9.4 The General Fund Balance reserve at £3m is considered to be adequate for 2022/23 considering the overall size of the Council's budget and in the backdrop of the pandemic. This reserve balance will be reviewed during 2022/23 to take into account the Leisure delivery model adjustment, as well as any other significant delivery models that change resulting in a shift in retained risk to the Council. Variations in actual performance as compared to budget assumptions are inevitable in an organisation with a turnover as

large as the Council's, especially when also considering the diverse range and complexities of services and differing levels of demand on those services throughout a fiscal period. Reserves exist, in particular the General Fund Balance reserve, to provide a cushion for these variations.

- 9.5 The Council's Chief Finance Officer is satisfied on the robustness of the estimates as included in the budget for 2022/23 and MTFP to 2025/26 and is able to provide assurance on the adequacy of reserves held by the Council.

## 10. Stillwater Park

- 10.1 Annually, the Cabinet recommends to Council the proposed Fees and Charges increase for the licence fees and service charges at Stillwater Park.
- 10.2 In line with previous years, the level of increase being proposed is in line with September RPI inflation, equivalent to 4.9%.

## 11. Fees and Charges

- 11.1 Council Policy is to maximise income from fees and charges, and to ensure that charges are kept under review taking account of inflation and competition (where applicable).
- 11.2 Portfolio Holders have reviewed and set their fees and charges levels across several services for 2022/23. These have been published via Portfolio Holder Decision notices.
- 11.3 The published Fees and Charges reviews of note are:

Service Area	Review Information	Link to Notice
Waste & Recycling	Refuse Sacks, Garden Waste and Special Collections –inflationary increases	<a href="#">Decision - 2022-23 Fees and Charges – Waste and Recycling</a>
Beach Huts	c10% increase on site fees	<a href="#">Decision - 2022/23 Fees &amp; Charges – Beach Hut Licence Fees</a>
Keyhaven River	Fees frozen at 2021 prices	<a href="#">Decision - 2022 Fees &amp; Charges – Keyhaven River</a>
Car Parking - Clocks - Meters Town Centres - Meters Amenities	New prices for 2022 Prices frozen at 2018 levels Prices frozen at 2021 levels	<a href="#">Decision - CAR PARKING FEES AND CHARGES 2022 AND PARKING ARRANGEMENTS FOR CHRISTMAS 2021 IN SUPPORT OF LOCAL BUSINESSES</a>

## **12. Risk Management**

- 12.1 The budget for 2022/23 is based upon best estimates, but uncertainty still remains over the medium term, particularly surrounding the pandemic recovery, the potential re-design of the Business Rate retention scheme (in replacement of all other central funding) and the continuing uncertain economic climate. There have been strong suggestions that the Fair Funding review will commence during 2022 which has the potential to impact on the Council's finances over the Medium to long term. It is vitally important that the Council continues with its prudent financial planning and continues to deliver the required savings/new income over the medium term period.
- 12.2 The Council provides regular financial monitoring reports, providing valuable updates on the latest forecasts as against original expectations and has £3m in the General Fund Reserve, available to support service delivery budgets. The Council also has a Budget Equalisation Reserve, which exists to smooth out annual fluctuations in Council funding. Within this context, the budget as now presented to Cabinet is considered to be robust and deliverable.

## **13. Crime and Disorder / Equality and Diversity**

- 13.1 Over the Medium term, as the Council continually strives to provide quality services at maximum value for money, any potential Crime and Disorder AND Equality and Diversity implications will be covered as and when key decisions are made.

## **14. Environmental Implications**

- 14.1 The Council's vision to become a more sustainable authority will gather momentum in 2022/23. This is evidenced through the publication of the proposed Climate and Nature emergency action plan, covered elsewhere on the agenda. It is envisaged that the additional budget allowed for within this report will enable the Council to deliver on that action plan, and invest in carbon reduction projects and green initiatives. As the Council moves forwards with its climate action plan and longer-term strategy, the Medium Term Financial Plan will be reviewed and further reports brought forward as required.
- 14.2 Investment in the Smarter Working programme, and more lately the roll out of the Hybrid Working policy has helped to reduce travelling time for officers across several departments of the Council and has improved the efficiency of a large proportion of office space. The Asset Maintenance and Replacement Programme will see energy efficient lighting installed in more areas of Council buildings and will replace older less economic vehicles with the latest and most up to date models.

## 15. Portfolio Holder Comments

- 15.1 The medium term financial plan sets out the Council's forecast for the period up to 2025/26 and continues to show a deficit of £1.895m although I remain confident that this will be addressed over the period.

Against that backdrop the Government settlement for 2022/23, whilst ensuring that we can continue to meet today's financial pressures, is again a single year settlement adding to the longer term uncertainty and we are further restricted by the government cap limiting our ability to profile council tax in line with changing requirements.

Within the MTFP we detail the positive financial returns associated with our commercial strategy and it is worth mentioning that, when setting out this policy we believed the overriding principles should look to foster economic activity within the district and it is pleasing to see that we continue to deliver on that ideal with a diverse range of investments.

### For Further Information Please Contact:

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### Background Papers:

MTFP – Sept '21  
MTFP – Dec '21  
Financial Monitoring – Nov '21  
Financial Monitoring – Feb '22  
Asset Maint. & Repl. – Feb '22  
Capital Strategy.– Feb '22

## MEDIUM TERM FINANCIAL PLAN 2021 - 2025

## SUMMARY OF RESOURCES

## FUNDING

	2021/22	2022/23	2023/24	2024/25	2025/26
Original					
Budget	Forecast	Forecast	Forecast	Forecast	Forecast
£'000's	£'000's	£'000's	£'000's	£'000's	£'000's
Business Rates Baseline	3,997	3,997	4,077	4,159	4,242
Business Rates Baseline Indexing Compensation	208	328	328	328	328
- Business Rates Tariff Adjustment					
- Business Rates Retained Surplus	1,926	1,858	2,200	2,200	
- Business Rates Collection Fund Deficit(-) / Surplus	-424	199			
Transition Grant / Business Rate Redistribution					400
New Homes Bonus	276	366			
Local Council Tax Reduction Grant	209				
Lower Tier Services Grant (originally one-off to 21/22)	170	179			
Services Grant (one-off 22/23)		276			
Irrecoverable Tax Loss Compensation	44				
Contribution to (-) / From Budget Equilisation Reserve	138				
<b>Total Government Determined Resources</b>	<b>6,544</b>	<b>7,203</b>	<b>6,605</b>	<b>6,687</b>	<b>4,970</b>
Council Tax					
Base from Previous Year	12,969	13,023	13,838	13,937	14,037
- Council Tax Collection Fund Deficit(-) / Surplus	-312	348			
Tax Base Adjustment (Additional Properties)	8	107	99	100	100
Agreed Increase	358	360			
<b>Total Council Tax</b>	<b>13,023</b>	<b>13,838</b>	<b>13,937</b>	<b>14,037</b>	<b>14,137</b>
<b>TOTAL FUNDING</b>	<b>19,567</b>	<b>21,041</b>	<b>20,542</b>	<b>20,724</b>	<b>19,107</b>
Cumulative Change from Original 2021/22		1,474	975	1,157	-460
%age change		8%	5%	6%	-2%

## MEDIUM TERM FINANCIAL PLAN 2021 - 2025

## SUMMARY OF BUDGET REQUIREMENT

	2022/23	2023/24	2024/25	2024/25
	Forecast	Forecast	Forecast	Forecast
	£'000's	£'000's	£'000's	£'000's
<b>Baseline Funding 2021/22</b>	19,567	19,567	19,567	19,567
<b>Budget Requirement 2022/23 - 2024/25</b>				
<b>Pay &amp; Price Increases</b>				
Pay Award (2021/22 headline 1.75%)	300			
Pay Award (assumed 2%)	400	400	400	400
Increments	160	200	200	200
National Insurance Increase	180			
Reduced Pay Award and Increments - Leisure Delivery Review	-100	-100	-100	-100
Sum set aside for potential pay spine review	300			
Prices (Insurance, Utilities, Fuel & Maint.)	105	50	50	50
<b>Pay &amp; Price Increases</b>	1,345	550	550	550
<b>Cumulative Pay &amp; Price Increases</b>	1,345	1,895	2,445	2,995
<b>Budget adjustments relating to one-off items</b>				
Reversal of Vacancy Management		100		
Homelessness Grant Reduction / Cost increase	165	-120		
Dibden Rent Review 22/23 - 26/27	80			
Reduction in Community Alarms Income	30	-10	-10	-10
Taxi Licence 5 yr cyclical income	29			
Increase to Councillor Grants - HM Platinum Jubilee	24	-24		
Air Monitoring Contract			37	-37
Milford Beach Shingle Recharge (3 yr budget top-up from 21/22)			-87	
Planning: Strategic Sites		-80	40	40
Removal of Fixed Term Post - Digital	-40			
Other net Adjustments	-166			
	122	-134	-20	-7
<b>Ongoing Savings and Income Generation</b>				
Delivery Model Review - Heealth & Leisure Centres	-430			
Delivery Model Review - Electoral Review of the District		-80		
Efficiency Programme - Executive Management Team	-121			
Efficiency Programme - Operations Mangement	-45			
Efficiency Programme - Enforcement Team	-38			
Efficiency Programme - Secretarial Review	-20			
Strategy Delivery - Commercial	-165			
Strategy Delivery - Residential	-113			
Payback - Keyhaven Moorings Improvements	-53			
Payback - Solar PV investment	-7			
Payback - Car Park Clock Scheme		-150		
Windfall - Removal of NNDR on Public Conveniences	-45			
Windfall - Rent Reviews (NFEC and Hythe Marina)	-49			
	-1,086	-230	0	0
<b>Cumulative effect of Adjustments and Savings</b>	-964	-1,328	-1,348	-1,355

## MEDIUM TERM FINANCIAL PLAN 2021 - 2025

## SUMMARY OF BUDGET REQUIREMENT

## New Budget Requirements and Alignment of Budget to Priorities

	2022/23	2023/24	2024/25	2024/25
	Forecast	Forecast	Forecast	Forecast
	£'000's	£'000's	£'000's	£'000's
Investment in Delivery of Corporate Plan Objectives; ongoing funding	250			
Investment in Delivery of Corporate Plan Objectives; one-off funding	200	-200		
Supporting Delivery of the Capital Programme	200			-200
Investment in ICT Strategy to 2024/25	500			-500
Investment in Public Convenience Refurbishment Programme	300			
Investment in Asset Maintenance and Replacement Programme	200			
Investment in Waste Strategy Delivery	100		-100	
Investment in Digital Services for Residents	100	-25	-25	
Investment in Community Grants	86	14		-100
Investment in Communications	50			
Investment in Fleet Mangement	28			
Investment in Data Governance	27			
Investment in Priority Places	22	-22		
Investment in Management of Asbestos	9			
HCC T19; Waste Collection		400		
	2,072	167	-125	-800
<b>COVID-19 Recovery</b>				
Health & Leisure Centre Income Recovery	-1,500	-500		
Planning Income Recovery	-25			
Parking Income Recovery	-80	-40		
Interest Earnings	-100			
Additional Expenditure as a result of Covid-19	-360			
COVID Support Grant 2021/22	786			
Sales, Fees and Charges Scheme Q1 2021/22	300			
	-979	-540	0	0
<b>Cumulative effect of New Requirements and COVID Recovery</b>	1,093	720	595	-205
<b>Total Budget Requirement (Baseline + Adjustments)</b>	21,041	20,854	21,259	21,002
<b>Total Funding Available (as above)</b>	21,041	20,542	20,724	19,107
<b>Estimated Cumulative Surplus / Shortfall (-)</b>	0	-312	-535	-1,895



## MEDIUM TERM FINANCIAL PLAN 2021 - 2025

## OPTIONS IDENTIFIED TO CLOSE BUDGET SHORTFALL

Commercial / Residential Property Investment 2022/23  
Commercial / Residential Property Investment 2023/24

**Cumulative Property Investment Income****Targeted Efficiency / Income Yield Programme**

£5 Council Tax Increase 2022/23  
£5 Council Tax Increase 2023/24  
£5 Council Tax Increase 2024/25  
£5 Council Tax Increase 2025/26

**Cumulative Council Tax Increase****MTFP 24/25 Potential Impacts....**

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

**Total of the Options Identified****Use of Equalisation Reserves (-) / Headroom (to support Capital) +**

2022/23	2023/24	2024/25	2025/26
Forecast	Forecast	Forecast	Forecast
£'000's	£'000's	£'000's	£'000's
	120	120	120
		250	250
<b>0</b>	<b>120</b>	<b>370</b>	<b>370</b>
	126	376	626
	363	363	363
		366	366
			369
<b>0</b>	<b>363</b>	<b>729</b>	<b>1,098</b>
+/- ?	+/- ?	+/- ?	+/- ?
+/- ?	+/- ?	+/- ?	+/- ?
+/- ?	+/- ?	+/- ?	+/- ?
	+/- ?	+/- ?	+/- ?
+/- ?	+/- ?	+/- ?	+/- ?
<b>0</b>	<b>609</b>	<b>1,475</b>	<b>2,094</b>
<b>0</b>	<b>297</b>	<b>940</b>	<b>199</b>

**Reserves Supporting the MTFP**

General Fund Balance  
Budget Equilisation Reserve

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



## MEDIUM TERM FINANCIAL PLAN 2021-2025

## GENERAL FUND BUDGET 2022/23

	2021/22	2022/23	2022/23	2022/23
	£'000's	£'000's	£'000's	£'000's
	Budget	Gross Expenditure	Income	Budget
<b>PORTFOLIO REQUIREMENTS</b>				
Business , Tourism and High Streets	296	299	-2	297
Environment and Coastal Services	3,588	10,438	-6,338	4,100
Finance, Investment and Corporate Services	2,614	40,877	-37,099	3,778
Housing and Homelessness Services	1,791	5,624	-3,599	2,025
Leader	435	499	-3	496
Partnering and Wellbeing	5,153	4,777	-1,764	3,013
People and Places	3,573	4,439	-726	3,713
Planning, Regeneration and Infrastructure	2,512	4,451	-1,755	2,696
	<b>19,962</b>	<b>71,404</b>	<b>-51,286</b>	<b>20,118</b>
Reversal of Depreciation	-1,526	0	-1,589	-1,589
Contribution to/(from) Earmarked Revenue Reserves	-815	204	-242	-38
Contribution to Reserves	1,250	0	0	0
<b>NET PORTFOLIO REQUIREMENTS</b>	<b>18,871</b>	<b>71,608</b>	<b>-53,117</b>	<b>18,491</b>
Minimum Revenue Provision	1,265	1,571	0	1,571
Contribution to Capital Programme Financing (RCCO)	0	1,750	0	1,750
Interest Earnings (Net)	-569	0	-772	-772
New Homes Bonus	-276	0	-366	-366
<b>GENERAL FUND NET BUDGET REQUIREMENTS</b>	<b>19,291</b>	<b>74,929</b>	<b>-54,255</b>	<b>20,674</b>
<b>COUNCIL TAX CALCULATION</b>				
Budget Requirement	19,291	74,929	-54,255	20,674
Less:				
Settlement Funding Assessment				
Lower Tier Services Grant	-170	0	-179	-179
Services Grant	0	0	-276	-276
Council Tax Reduction Support Grant	-209	0	0	0
Business Rates Baseline	-3,997	25,983	-29,980	-3,997
	<b>-4,376</b>	<b>25,983</b>	<b>-30,435</b>	<b>-4,452</b>
Locally Retained Business Rates	-2,134	1,495	-3,680	-2,185
Budget Equalisation Reserve	-138	0	0	0
Estimated Collection Fund (Surplus)/Deficit Business Rates	424	0	-199	-199
Estimated Collection Fund (Surplus)/Deficit Council Tax	94	0	-253	-253
Irrecoverable Tax Loss Grant	-44	0	0	0
<b>COUNCIL TAX</b>	<b>13,117</b>	<b>102,407</b>	<b>-88,822</b>	<b>13,585</b>
<b>TAX BASE NUMBER OF PROPERTIES</b>	<b>71,538.70</b>			<b>72,122.10</b>
<b>COUNCIL TAX PER BAND D PROPERTY</b>	<b>183.36</b>			<b>188.36</b>
<b>GENERAL FUND BALANCE 31 MARCH</b>	<b>3,000</b>			<b>3,000</b>

## MEDIUM TERM FINANCIAL PLAN 2021-2025

ANALYSIS OF GROSS PORTFOLIO  
REQUIREMENTS

	Employees	Premises	Transport	Supplies and Services	Support Services	Capital Charge	Gross Expenditure	Income	Budget
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
<b>2022/23</b>									
Business, Tourism and High Street	209	0	0	51	39	0	299	-2	297
Environment and Coastal Services	5,503	1,538	1,750	982	425	240	10,438	-6,338	4,100
Finance, Investment and Corporate Services	4,403	285	21	35,768	399	1	40,877	-37,099	3,778
Housing and Homelessness Service Leader	1,922	274	0	3,063	365	0	5,624	-3,599	2,025
Partnering and Wellbeing People and Places	321	7	3	117	51	0	499	-3	496
Planning, Regeneration and Infrastructure	2,591	800	0	875	480	31	4,777	-1,764	3,013
	2,440	630	447	646	194	82	4,439	-726	3,713
	3,515	0	0	270	666	0	4,451	-1,755	2,696
	<b>20,904</b>	<b>3,534</b>	<b>2,221</b>	<b>41,772</b>	<b>2,619</b>	<b>354</b>	<b>71,404</b>	<b>-51,286</b>	<b>20,118</b>
<b>2021/22</b>									
Business, Tourism and High Street	198	0	0	66	34	0	298	-2	296
Environment and Coastal Services	5,027	1,498	1,665	743	343	272	9,548	-5,960	3,588
Finance, Investment and Corporate Services	3,935	260	21	35,358	346	1	39,921	-37,307	2,614
Housing and Homelessness Service Leader	1,868	334	0	2,720	303	0	5,225	-3,434	1,791
Partnering and Wellbeing People and Places	288	7	3	101	43	0	442	-7	435
Planning, Regeneration and Infrastructure	7,197	2,186	1	1,395	765	35	11,579	-6,426	5,153
	2,286	702	427	627	162	82	4,286	-713	3,573
	3,335	0	0	241	571	0	4,147	-1,635	2,512
	<b>24,134</b>	<b>4,987</b>	<b>2,117</b>	<b>41,251</b>	<b>2,567</b>	<b>390</b>	<b>75,446</b>	<b>-55,484</b>	<b>19,962</b>

## MEDIUM TERM FINANCIAL PLAN 2021-2025

## CENTRAL SUPPORT SERVICE BUSINESS UNITS

## 2022/23

	Employees	Premises	Transport	Supplies and Services	Support Services	Capital Charge	Gross Expenditure	External Income	Budget
	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's	£'000's
Human Resources (704)	327	13	3	58	169	0	570	-34	536
Community & Business Improvement (713)	88	3	0	1	6	0	98	0	98
Communications (716)	225	8	0	7	19	0	259	0	259
Legal Services (742)	279	8	1	48	133	0	469	-1	468
Secretarial Services (724)	182	8	0	16	33	0	239	0	239
ICT (736)	1,232	39	6	82	141	0	1,500	-65	1,435
ICT Maint./Licences/Phones (738)	0	0	0	1,452	0	0	1,452	0	1,452
ICT Communications (740)	0	0	0	212	50	0	262	-23	239
The Design Room (734)	42	0	0	16	11	0	69	0	69
Customer Services (732)	244	13	1	4	60	0	322	0	322
Courier (722)	30	0	11	0	2	0	43	0	43
Information Offices (731)	290	65	2	79	14	0	450	-8	442
Support Services (762)	247	20	0	23	37	0	327	0	327
Transactional Finance (766)	100	10	0	21	23	0	154	-2	152
Accountancy (780)	445	10	1	11	143	0	610	-25	585
Internal Health and Safety (822)	200	4	2	17	14	0	237	0	237
Hsg Maint - Shared Support Hub	524	46	2	11	81	0	664	0	664
Hsg Maint - Operations Management	510	49	39	11	45	0	654	0	654
Site Officers (960)	113	11	0	1	24	0	149	0	149
Central Procurement (964)	213	5	1	13	44	0	276	-1	275
Valuers (970)	289	6	3	20	55	0	373	-80	293
Property Services (976)	211	8	3	4	67	0	293	0	293
Building Cleaning - Offices	76	0	0	2	19	0	97	0	97
	<b>5,867</b>	<b>326</b>	<b>75</b>	<b>2,109</b>	<b>1,190</b>	<b>0</b>	<b>9,567</b>	<b>-239</b>	<b>9,328</b>

## MEDIUM TERM FINANCIAL PLAN 2021-2025

GENERAL FUND REVENUE BUDGET -  
MOVEMENT IN RESERVES

	Contribution From(-) / To Reserves in 2021/22	Reserve Transfers not required / possible in 2022/23	Contribution From(-) / To Reserves for 2022/23	Use of (-) / Contributions to reserves in 2022/23
	£'000's	£'000's	£'000's	£'000's
<b>Contribution from Reserves</b>				
Asset Maintenance Project Rephasing	-68	68		0
Community Housing Fund	-44		-1	-45
Open space Maintenance	-56			-56
Lymington STP	-172	172		0
ICT Strategy 18-22 (GF proportion)	-437	437		0
Community Grants	-80	80		0
Use of COMF for Env. Health Post			-49	-49
Arts Council Grant Received in advance			-15	-15
Rough Sleepers Grant	-77			-77
	-934	757	-65	-242
<b>Contribution to Reserves</b>				
District Council Elections	44			44
Rough Sleepers Grant	75			75
Lymington STP			20	20
Coastal Protection (b/fwd to 20/21)			65	65
	119	0	85	204
<b>Budget Equilisation Reserves</b>				
Budget Stabilisation	-138	138		0
Pension Adjustment 2019 Valuation	1,250	-1,250		0
	1,112	-1,112	0	0
<b>Total Contribution from (-) / to reserves</b>	<b>297</b>	<b>-355</b>	<b>20</b>	<b>-38</b>

MEDIUM TERM FINANCIAL PLAN 2021-2025

CAPITAL PROJECTS REQUIREMENTS WITH FINANCING

	Portfolio	PROJECT REQUIREMENTS £				ORIGINAL 2022/23 PROJECT FINANCING £			
		2021/22 £ Budget Revised	2022/23	2023/24	2024/25	NFDC Resources / Loan	Better Care Fund	Grant	DC / CIL
Sustainability Fund	LEADER / ALL		500,000			500,000			
Disabled Facilities Grants	HOU (GF)	1,200,000	1,200,000	1,200,000	1,200,000		1,200,000		
Strategic Regional Coastal Monitoring (22-27)	ENV & COAST	2,118,000	1,978,000	1,783,000	1,811,000			1,978,000	
Strategic Regional Coastal Monitoring (18-21)	ENV & COAST	399,000							
Strategic Regional Coastal Monitoring (12-17)	ENV & COAST	291,000							
Barton Drainage Test (19-21)	ENV & COAST	200,000							
Barton Horizontal Directional Drilling Trials	ENV & COAST		225,000	50,000		25,000		200,000	
Emergency Works - Milford Sea Wall	ENV & COAST	15,000							
Milford Promenade Handrail	ENV & COAST		115,000			115,000			
Milford Beach and Cliff Study	ENV & COAST			300,000					
Milford Beach Scheme plus BMP	ENV & COAST				100,000				
Hurst Spit Beach Shingle Source Study	ENV & COAST		100,000	50,000				100,000	
Public Convenience Modernisation Programme	PEOPLE & PL	30,000	300,000	300,000	300,000	300,000			
Public Convenience Refurb Scheme - Lym Quay Enhancem	PEOPLE & PL	198,000							
Health & Leisure Centres	PART & WELL	2,400,000							
New Depot Site: Hardley	F,I & CS	100,000	4,000,000	1,900,000	100,000	4,000,000			
New Depot Site: West	F,I & CS	100,000							
V&P; Replacement Programme	F,I & CS	3,145,000	3,081,000	1,755,000	1,148,000	3,081,000			
Smarter Working; Future Delivery	F,I & CS	250,000							
Economic Sustainability & Regeneration Projects	F,I & CS								
- Crow Lane Ringwood	F,I & CS	3,200,000	4,995,000	250,000		4,995,000			
Commercial Acquisitions	F,I & CS	3,270,000							
Residential Acquisitions	F,I & CS	204,000							
Open Space Schemes	P&I	88,000							
Mitigation Schemes	P&I	70,000	680,000	420,000	100,000				680,000
<b>TOTAL GENERAL FUND CAPITAL PROGRAMME</b>		<b>17,278,000</b>	<b>17,174,000</b>	<b>8,008,000</b>	<b>4,759,000</b>	<b>13,016,000</b>	<b>1,200,000</b>	<b>2,278,000</b>	<b>680,000</b>
									<b>17,174,000</b>
<b>LOAN FINANCED</b>					<b>V&amp;P</b>	<b>-3,081,000</b>			
					<b>80% of Economic Regeneration</b>	<b>-3,996,000</b>			
<b>RESIDUAL NFDC RESOURCES</b>						<b>5,939,000</b>			