



EAST SUFFOLK COUNCIL

**MEDIUM TERM FINANCIAL STRATEGY
2023/24 – 2026/27**

NOVEMBER 2022

1 INTRODUCTION

- 1.1 The **Medium Term Financial Strategy** (MTFS) sets the strategic financial direction for the Council. It sets out the key financial management principles, budget assumptions and service issues.
- 1.2 The MTFS provides a framework for the detailed budget setting process to ensure that resources are managed effectively and are able to deliver the aspirations of the Council as set out in the Strategic Plan. It provides a sound basis for planning and decision making, and is reviewed and updated at the following key points in the year:
- November/December – as a framework for initial detailed budget discussions for the forthcoming financial year.
 - January – an update to include additional information received at a national level and corporate issues identified through service planning and the detailed budget build.
 - February – with the final Budget for the new financial year.
- 1.3 The vision of the East Suffolk Strategic Plan is to “deliver the highest quality of life possible for everyone who lives in, works in and visits East Suffolk”. The MTFS underpins the new plan and vision for East Suffolk, focussing on five key themes.
- Growing Our Economy
 - Enabling Our Communities
 - Remaining Financially Sustainable
 - Delivering Digital Transformation
 - Caring For Our Environment
- 1.4 The MTFS provides an integrated view of the Council’s finances, recognising that the allocation and management of its human, financial and physical resources play a key role in delivering its priorities and ensuring that the Council works effectively with its partners locally, regionally and nationally.
- 1.5 The key underlying principles of the MTFS are:
- securing a balanced budget with reduced reliance on the use of reserves and general balances to support its everyday spending;
 - setting modest increases in Council Tax when appropriate; and
 - delivering service efficiencies and generating additional income where there are opportunities to do so.
- 1.6 Part of the process of delivering a robust MTFS to enable the Council to manage its affairs soundly, is to have regard to both external and internal risks, and to identify actions to mitigate those risks. MTFS key principles and a risk analysis together with mitigating actions are provided in **Appendix A1**.
- 1.7 Sections 2 to 4 provide an update on the financial challenge facing the Council, taking into account the economic factors, the local government finance environment, and the Council’s key funding streams. Sections 5 to 7 outline how the Council will respond to the challenges, as expressed in terms of its Budget and strategies towards reserves and capital.

2 PUBLIC FINANCES

- 2.1 On 23 September 2022 the Chancellor delivered a Mini-Budget/Growth Plan 2022. There were also a number of other policy announcements that are relevant to the Council's financial position, including the reversal of the National Insurance increase, Energy Bill Relief Scheme and Investment Zones. No measures were announced in respect of the Council's key income streams of council tax or business rates, nor on any specific details regarding Government departmental spending, of which local government finance forms a part.
- 2.2 A statement by the Chancellor on 17 October 2022, reversed some of the measures announced in the Mini Budget, and brought forward a number of the measures from the Medium-Term Fiscal Plan scheduled for 31 October, to support fiscal sustainability. There were no announcements which changed the Council's financial position.
- 2.3 On the 31 October, the Chancellor will deliver the full Medium-Term Financial Plan alongside the Office for Budget Responsibility (OBR) forecast.

3 ECONOMIC INDICATORS

- 3.1 The national economic background affects the costs the Council incurs, the funding it receives, and contributes to the demand for services as residents are affected by economic circumstances. The inflation rate impacts on the cost of services the Council purchases, as the Council delivers much of its service provision through contractual arrangements where inflationary pressures must be negotiated and managed. Specific contractual inflation has been incorporated into the Council's financial position, where appropriate, based on the actual contractual indices.
- 3.2 Following the pandemic, the UK economy is being impacted by a series of other events, including rising energy costs, the Russian invasion of Ukraine, a labour shortage, and UK fiscal policy and financial market turbulence.
- 3.3 The OBR economic and fiscal outlook and forecast to be published on 31 October will provide an independent judgement about the economic and fiscal prospects and impact of the Government's policies.
- 3.4 The next publication of the Monetary Policy Committee (MPC) projections is on 3 November 2022.

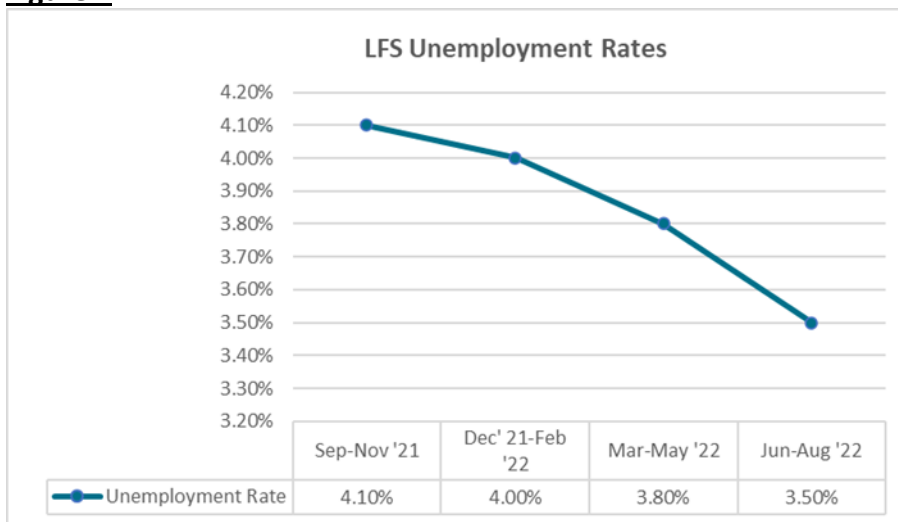
Gross Domestic Product (GDP)

- 3.5 Data released by the Office for National Statistics (ONS), estimates GDP to have fallen by 0.3% in August 2022, after growth of 0.1% in July and a fall of 0.6% in June. This latest figure for August strengthens predictions that the UK economy will fall into recession.

Unemployment

- 3.6 As per the ONS Labour Force Survey (LFS), the UK unemployment rate fell to 3.5% in the three months to August 2022 compared to 3.8% in the previous three months. This latest figure is also 0.5 percentage points below pre-pandemic levels and the lowest level since February 1974. **Figure 1** below show the three months LFS since September 2021 to August 2022.

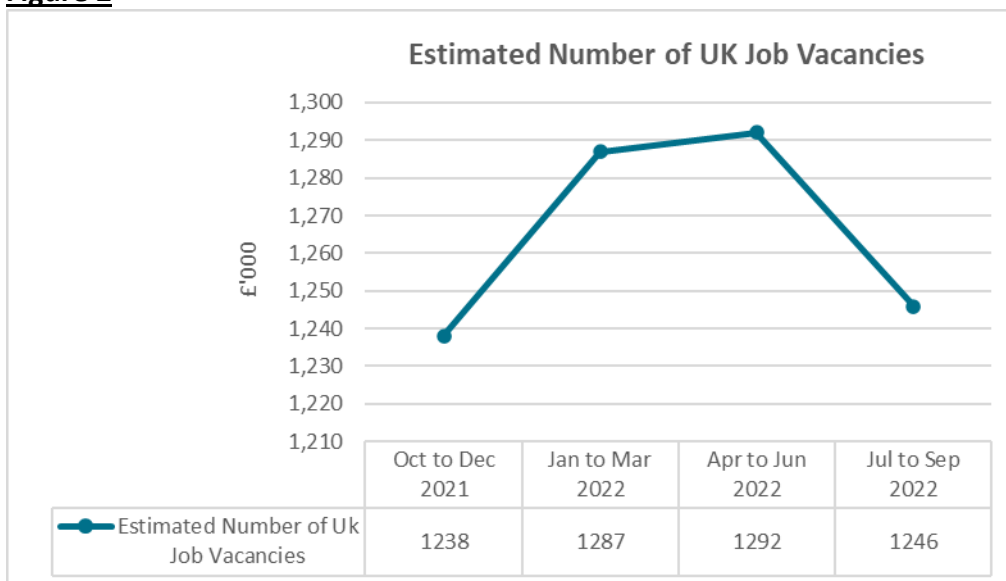
Figure 1



Source: ONS October 2022

- 3.7 As per the ONS, in July to September 2022 the estimated number of job vacancies in the UK was 1,246,000. Compared to April to June 2022, this was a decrease of 46,000. July to September 2022 vacancies were 450,000 above the pre-pandemic level (January to March 2020) and near to 117,000 above the level one year ago. This is illustrated in **Figure 2** below.

Figure 2

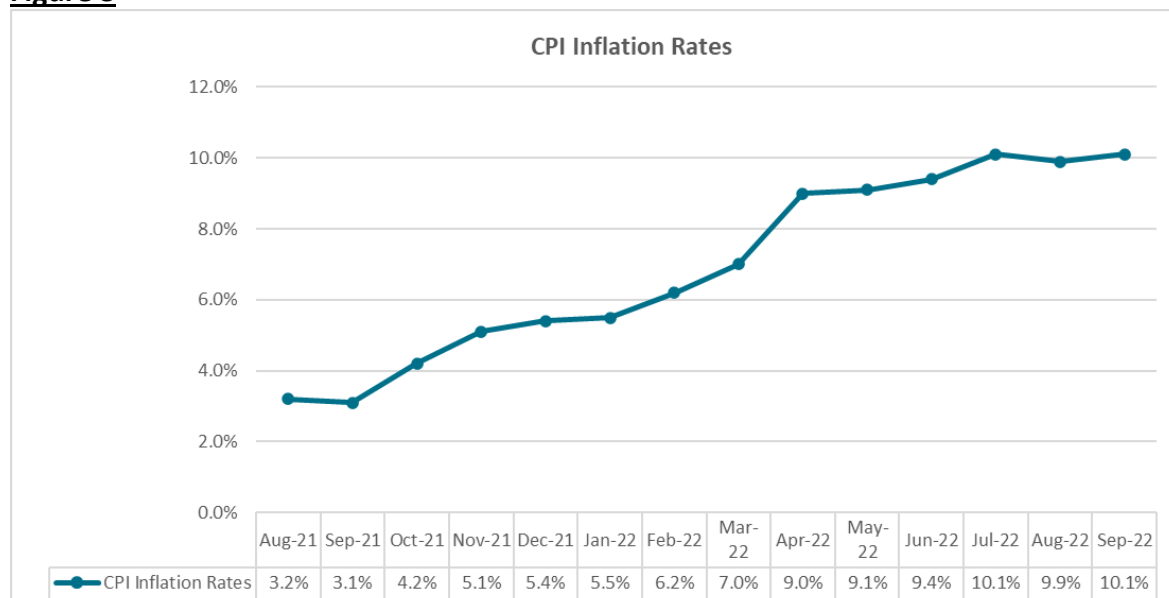


Source: ONS October 2022

Consumer Pricing Index (CPI)

- 3.8 Twelve-month CPI inflation rose from 9.9% in August to 10.1% in September, mainly driven by rising food prices. The Bank of England projects for CPI inflation to peak at 11% in October and to remain above 10% for the following few months. It expects inflation to fall to the official target of 2% in around two years. **Figure 3** below shows the CPI rates from August 2021 to date.
- 3.9 The Governments inflation target for the bank of England currently remains at 2%.

Figure 3



Source: ONS October 2022

Bank Interest Rate

- 3.10 At its 21 September 2022 meeting, five members of the MPC voted to increase the bank rate by 0.5% to 2.25%. Three members preferred an increase of 0.75% to 2.5% and one member preferred an increase of 0.25% to 2%. The Committee voted to increase the bank rate to 2.25% after taking into consideration the CPI inflation rate and the labour market. This is the highest level in 14 years. The next meeting of the MPC to review the bank rate is 3 November 2022.

4 LOCAL GOVERNMENT FINANCE

- 4.1 The introduction of the Local Business Rates Retention System in 2013/14, together with the Government's programme of fiscal consolidation since 2010, have combined to both reduce the level of funding available to the Council, and to shift the balance of funding significantly away from central to local sources.
- 4.2 The Spending Review 2021, which covered 2022/23 to 2024/25 was broadly positive for local government, with funding better than expected. Increased funding was largely front loaded with growth in grant funding in 2022/23 and no further general increases in the following two years.
- 4.3 There were various smaller allocations within the core funding announcement, including £200m for the "cross-government Supporting Families programme", £37.8m for cyber security and £34.5m for "strengthen local delivery and transparency".
- 4.4 Following the Chancellor's Mini Budget/Growth Plan 2022 in September and the Medium-Term Financial Plan measures brought forward on 17 October, it is unlikely that there will be additional funding for local government for 2023/24 and 2024/25, with the exception being social care. The worse-case scenario would be for cuts to be made to the Spending Review 2021 funding allocations.
- 4.5 In June 2022, the then Secretary of State, Michael Gove, announced at the LGA Conference a two-year settlement from next year. A consultation was due to be launched soon after, but this has been delayed. This delay is not expected to change the outcome and funding reforms are now most likely for 2025/26 at the earliest.

- 4.6 It is unlikely that there will be any additional support for inflationary pressures.
- 4.7 The Chancellor's publication of the full Medium-Term Fiscal Plan at the end of October may provide some further indications of changes to funding allocations for local government and how a two-year settlement may be presented.
- 4.8 The Provisional Local Government Finance Settlement is anticipated in early December.
- 4.9 **Core Funding Streams** – this includes the Revenue Support Grant and the Rural Services Delivery Grant.

Revenue Support Grant (RSG)

- 4.10 For the purpose of update the MTFS, it will be assumed that the grant will continue on the basis as in the current MTFS (2% annual increase) until further information is available.

Revenue Support Grant	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
MTFS (February 2022)	(340)	(346)	(353)	(360)	(360)
MTFS (November 2022)	(340)	(346)	(353)	(360)	(360)
MTFS Update (November 2022)	0	0	0	0	0

Rural Services Delivery Grant (RSDG)

- 4.11 The Rural Services Delivery Grant (RSDG) is a government grant recognising cost pressures associated with service delivery in rural sparse areas. A continuation of the grant as per the current MTFS will be assumed until further information becomes available.

Rural Services Delivery Grant	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
MTFS (February 2022)	(260)	(266)	(271)	(276)	(276)
MTFS (November 2022)	(260)	(266)	(271)	(276)	(276)
MTFS Update (November 2022)	0	0	0	0	0

- 4.12 **Non-Core Funding Streams** - the below grants are non-core funding streams and they are usually seen as temporary or one-off. This potentially gives the Government scope to make changes to funding distributions.

Lower Tier Services Grant (LTSG)

- 4.13 The Lower Tier Service Grant (LTSG) was referred to as a one-off grant in 2021/22 to support local authorities with the pressures of Covid. However, it did continue into 2022/23 but at a reduced amount, £0.311m from £0.389m. Continuation of the grant under this heading is unlikely from 2023/24 but this funding should continue in some form when the local government finance system is reformed. Consequently, it has been assumed in the MTFS that the grant will continue at the lower allocation from 2023/24 onwards, with no annual increase. No update is proposed to the MTFS at this time.

Lower Tier Services Grant (LTSG)	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
MTFS (February 2022)	(311)	(311)	(311)	(311)	(311)
MTFS (November 2022)	(311)	(311)	(311)	(311)	(311)
MTFS Update (November 2022)	0	0	0	0	0

Services Grant/Transition Funding

- 4.14 For 2022/23 the Local Government Finance Settlement included a new one-off Services Grant. The Council received £0.477m. The Government says that the new grant will provide funding to all tiers of local government in recognition of the vital services, including social care, delivered at every level of local government. It also includes funding for local government costs for the increase in Employer National Insurance Contributions (now to be reversed from 6 November 2022). At the time the Government said it would work closely with local government on how to best use this funding from 2023/24 onwards, but this has not yet happened.
- 4.15 As with the LTSG, although this funding would not appear under this name, it could be expected to figure in some form when the local government finance system is reformed. Consequently, it has also been assumed in the MTFS that grant funding at the 2022/23 level would be available from 2023/24 onwards. Until further details are announced from Government on the funding settlement, there are no changes proposed to the MTFS at this time.

Services Grant/Transition Funding	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
MTFS (February 2022)	(477)	(477)	(477)	(477)	(477)
MTFS (November 2022)	(477)	(477)	(477)	(477)	(477)
MTFS Update (November 2022)	0	0	0	0	0

Business Rates – Business Rates Retention and Fair Funding Review

- 4.16 In its 2015 Spending Review, the Government announced proposals for Councils to retain all locally raised Business Rates by the end of the decade, and to end the distribution of core grant from central Government. In December 2017, the Government announced proposals for the proportion of business rates income to be retained by the local authority sector to be increased from the current 50% to 75% from April 2020, a development which does not require primary legislation, unlike the move to 100% local retention. Due to Covid-19, this was also delayed, and it has now been announced that this move to 75% retention has been abandoned.
- 4.17 The Government also announced a Fair Funding Review in February 2016, which will affect how funding is allocated and redistributed between local authorities. Implementation of this review was also delayed and as referred to above is now likely to be implemented until 2025/26 at the earliest.
- 4.18 Implementation of the Fair Funding Review is likely to include a 'reset' of the business rates system, which would involve assigning a new baseline funding level and subsequent new tariff or top-up values. Reset of the system and the establishment of new funding formulae could result in East Suffolk losing some of the financial advantage that it has under the current system. As a result of the delay in implementing Business Rates reforms, the Council has benefited from additional years under the current regime including 2022/23. As referred to above, 2022/23 is a roll forward year with no changes or reset of the system, with these changes, and as a base assumption it is now assumed that this roll forward position will extend to 2023/24 and 2024/25.

Business Rates

- 4.19 Since 2013/14, business rates income has tended to be characterised by a high degree of volatility and uncertainty. Variances between estimated and actual business rate income are realised in the form of deficits or surpluses on the business rates element of the Collection Fund. For each year, the amount of business rates income credited to the General Fund is the amount estimated on the National Non-Domestic Rate (NNDR1) return to Government submitted in January in the preceding year, including a calculation of the estimated Collection Fund deficit or surplus to be charged to the General Fund. As a result, in practice, variances between business rates estimates and actual figures are reflected as an element of the Collection Fund deficit or surplus two years after they take place.
- 4.20 **Business Rates Collection Fund** - As a result of Covid-19, there was a considerably larger-than-normal deficit on the 2021/22 Collection Fund for Business Rates as changes to Retail and Nursery relief were announced after the NNDR1 was submitted in January 2021. These reliefs were paid to precepting authorities in the form of additional Section 31 Grant in 2021/22. Local authorities estimated the deficit in January 2022 and budgeted for it in 2022/23. In addition, additional reliefs for businesses were awarded in respect of 2021/22 under the Covid Additional Restrictions Fund (CARF), which was funded by Section 31 Grant amounting to around £7.9m.
- 4.21 On 5 November 2020 the Local Authorities (Collection Fund: Surplus and Deficit) (Coronavirus) (England) Regulations 2020 were laid before Parliament and came into force on 1 December 2020. The regulations implement the announcement made by the Secretary of State on 2 July 2020 that “the repayment of collection fund deficits arising in 2020/21, will be spread over the next three years rather than the usual period of a year, giving councils breathing space in setting budgets for next year.” Therefore, the final third of that deficit is shown in 2023/24.
- 4.22 The Business Rates Collection Fund position over the past couple of years has been complicated by a range of measures in response to the Covid-19 pandemic, and timing differences relating to grant funding in respect of these. The Government funded a range of reliefs by Section 31 Grant, which was accounted for by the Council in 2021/22, but the Collection Fund deficit impacted on the Council’s own budget in 2022/23. Consequently, the Council’s share of this Section 31 Grant, was contributed to the Covid Reserve in 2021/22, enabling the Council to meet its share of the deficit in 2022/23. This position is illustrated in the table below. These deficits will be entirely funded from the Covid Reserve, i.e., the associated Section 31 Grant received and transferred to the reserve.

Business Rates Collection Fund – Deficit/(Surplus)	2022/23 £’000	2023/24 £’000	2024/25 £’000	2025/26 £’000	2026/27 £’000
MTFS (February 2022)	6,393	785	0	0	0
MTFS (November 2022)	6,393	391	0	0	0
MTFS Update (November 2022)	0	(394)	0	0	0

- 4.23 **Suffolk Pool** – In October all Suffolk councils agreed to continue a pooling arrangement for 2023/24, which would allow them to retain a larger proportion of their share of growth by reducing the overall levy rate for Suffolk to nil. The updated MTFS includes a Pooling Benefit estimate for 2022/23 of £2.035m based on current monitoring and estimates of £2.000m for the following two years. The estimate for 2023/24 will be confirmed after January when Suffolk County Council, as the administering authority for the Pool, collates the NNDR1 returns of all of the Suffolk authorities.

- 4.24 Business Rates income for 2023/24 is based on the NNDR1 return. All Business Rates estimates included in the MTFS will be updated following the completion of the return at the end of January 2023. This will include the split between Section 31 Grant and actual rates income.
- 4.25 As referred to earlier, the Business Rates system may be subject to reform in 2025/26. The approach taken in the table below and the MTFS is to only include estimates of Baseline income and Section 31 Grant from 2025/26. The MTFS assumption is that the Council will continue to retain 100% Business Rates income from Renewables, and this has been reflected in the table below. It is also worth noting that even if the current treatment of existing Renewables is revised, new Renewable hereditaments are coming online during the MTFS period.

Business Rates Income	Original 2022/23 £'000	Revised 2022/23 £'000	Estimate 2023/24 £'000	Estimate 2024/25 £'000	Estimate 2025/26 £'000
Business Rates Income	(6,158)	(6,158)	(7,205)	(7,349)	(7,496)
Business Rates Renewables	(1,203)	(1,203)	(1,253)	(1,278)	(1,303)
Total Business Rates Income	(7,361)	(7,361)	(8,458)	(8,627)	(8,799)
Share of Pooling Benefit	(1,861)	(2,035)	(2,000)	(2,000)	0
Section 31 Grant	(8,655)	(8,655)	(7,466)	(7,555)	(4,647)
Total Income Relating to Business Rates	(17,877)	(18,051)	(17,924)	(18,182)	(13,446)
MTFS Update (November 2022)	0	(174)	(5,000)	(5,000)	0

Council Tax

- 4.26 Council Tax is one of the Council's most important and stable income streams, funding approximately 50% of the net budget requirement of the Council. For Shire District Councils in two-tier areas, the referendum limit for 2022/23 was the higher of 2% or £5 and this is expected to remain for 2023/24. Details of referendum limits for next year are expected to be confirmed as part of the provisional settlement.
- 4.27 **Council Tax Base** – The CTB1 Council Tax Base Return was submitted to Government on 5 October 2022.
- 4.28 The increase in the tax base for East Suffolk is currently estimated to be 1,186.55 (1.33%) Band D equivalent properties, increasing the overall tax base for East Suffolk from 89,023.43 to 90,209.98 for 2023/24. This equates to around £0.209m of additional Council Tax income to the Council based on the current District Band D Council Tax of £176.22.
- 4.29 The Council Tax Base will be reported for approval to Cabinet on 6 December 2022.
- 4.30 **District Band D Council Tax 2023/24** – An increase of £4.95 for 2023/24 would equate to a District Band D Council Tax for East Suffolk of £181.17 and generate approximately £0.447m of additional income for East Suffolk. Total income to the Council from Council Tax would be £16.3m.
- 4.31 Based on the above data, the table below sets out the estimated Council Tax income and current assumptions on Council Tax as included in the current update of the MTFS.

Council Tax Income	2022/23 £'000	Estimated 2023/24 £'000	Estimate 2024/25 £'000	Estimate 2025/26 £'000	Estimate 2026/27 £'000
Council Tax Income - Base	(14,959)	(15,688)	(16,344)	(16,857)	(17,375)
Growth in Tax Base	(288)	(209)	(65)	(67)	(69)
Council Tax Increase	(441)	(447)	(448)	(450)	(452)
Total Council Tax Income	(15,688)	(16,344)	(16,857)	(17,374)	(17,896)
Council Tax Band D	£176.22	£181.17	£186.12	£191.07	£196.02
Council Tax Base	89,023.43	90,209.98	90,570.82	90,933.10	91,296.84
Growth/Reduction(-) in Tax Base	1.93%	1.33%	0.40%	0.40%	0.40%
Council Tax Increase £	£4.95	£4.95	£4.95	£4.95	£4.95
Council Tax Increase %	2.89%	2.81%	2.73%	2.66%	2.59%

Assumptions from 2023/24: Council Tax increases of 2% or £5, whichever is the higher.

- 4.32 The February 2022 MTFS for 2023/24 had assumed growth to the tax base of 0.92% compared to the current estimate of 1.33%. This additional growth of 0.41% is just under £0.070m of additional income. From 2024/25 a cautious approach continues to be taken to growth in the overall tax base and this is forecast to fall for the remainder of the MTFS period. This is a combination of completion of development sites levelling off, and prudent assumptions regarding LCTRS reliefs and collection rates. The below table shows the November update to the MTFS.

Council Tax Income	2022/23 £'000	2023/24 £'000	Estimate 2024/25 £'000	Estimate 2025/26 £'000	Estimate 2026/27 £'000
MTFS February 2022	(15,688)	(16,277)	(16,789)	(17,302)	(17,302)
MTFS November 2022	(15,688)	(16,344)	(16,857)	(17,375)	(17,896)
MTFS Update (November 2022)	(0)	(67)	(68)	(73)	(594)

- 4.33 **Council Tax Collection Fund** – The current estimate for the Council Tax Collection Fund for 2023/24 is a surplus of £2.64m, with East Suffolk's share equating to £0.343m. The remaining balance of the surplus is shared by Suffolk County Council and the Police and Crime Commissioner for Suffolk.
- 4.34 Regulations were implemented on 1 December 2020 that the repayment Collection Fund deficits arising in 2020/21, will be spread over three years from 2021/22 to 2023/24 rather than the usual period of a year. Both the 2022/23 and 2023/24 figures include a deficit figure of £0.032m - the Council's share of the deficit.
- 4.35 The Council's share of the Council Tax Deficit for 2021/22 and 2022/23 is profiled over the MTFS as follows;

Council Tax Collection Fund – Deficit/(Surplus)	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
Deficit/(Surplus) (February 2022)	(223)	32	0	0	0
Deficit/(Surplus) (November 2022)	(223)	(343)	0	0	0
MTFS Update (November 2022)	0	(375)	0	0	0

- 4.36 The Collection Fund is monitored closely throughout the financial year and the Collection Fund position will be confirmed in January 2023.

New Homes Bonus (NHB)

- 4.37 The Government established the New Homes Bonus (NHB) in 2011 to provide an incentive for local authorities to encourage housing growth in their areas. NHB is funding allocated to councils based on the building of new homes and bringing empty homes back into use. The intention for the New Homes Bonus is to ensure that the economic benefits of growth are returned to the local authorities and communities where growth takes place. Over the past few years, NHB has become an extremely important source of incentivised income.
- 4.38 In recent years there has been much uncertainty as to the future of NHB, with the last three years (2020/21 to 2022/23) being a one-year settlement.
- 4.39 There has been no announcement following a consultation paper in early 2021 and the Spending Review 2021, gave no indication as to its future and whether it will disappear completely within the next two years or continue in some form. For the purpose of updating the MTFS, it is assumed no new NHB allocations for 2023/24 and beyond, but this position is expected to be clarified in the Provisional Local Government Finance Settlement. The table below shows the remaining legacy payment ending in the current year.

NHB	2022/23 £'000
Year 7	0
Year 8	0
Year 9	(525)
Year 10	0
Year 11	0
Year 12	(1,124)
Total	(1,649)

- 4.40 The Council uses NHB funding to support specific community related projects and initiatives across East Suffolk. This is balanced against the overriding need to retain financial sustainability. NHB funding is transferred to the NHB reserve and released when required.
- 4.41 The current position on the NHB Reserve over the MTFS period is summarised in the table below.

NHB Reserve	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
Opening Balance	(5,580)	(5,572)	(3,672)	(3,272)	(2,972)
Add: Allocation Received	(1,649)	0	0	0	0
Less: Proposed Use	1,657	1900	400	300	200
Closing Balance	(5,572)	(3,672)	(3,272)	(2,972)	(2,772)

5 MEDIUM TERM FINANCIAL POSITION

MTFS Forecasts 2022/23 to 2026/27

- 5.1 The Finance team works with Service Areas to review their budget requirements and budget monitoring is an ongoing process between Finance, Service Areas, and the Corporate Management Team. This work leads to continual updating of the MTFS for the Council. As of November 2022, key areas of the budget that are yet to be finalised include;
- Establishment (staffing) costs
 - Utility costs
 - Partnerships
 - Revenue implications of the capital programme
 - Business rates income
 - Council Tax income
 - Fees and Charges income
 - Announcement of the Local Government Settlement for 2023/24
 - Use of reserves.
- 5.2 At the October 2022 Cabinet meeting the Quarter Two Financial Performance Report was presented. The report highlighted items as having potential revenue budget implications for this financial year and over the MTFS period. Some areas cannot yet be quantified or quantified with a degree of certainty, i.e., figures are currently being worked on and/or insufficient information available.
- 5.3 The below list has been updated since the Quarter 2 review. More information has become available on the Triennial review of the Pension Fund, and it is now possible to quantify its impact. This is now covered in sections 5.16 and 5.17. New areas have been added, including non-core Government funding and fees and charges income from discretionary services.

Budget Area to be Monitored	Areas Impact	Nature of Impact	Timing of Impact
Fuel cost inflation.	Operations partnership fee.	Increased partnership fee. This cost is currently mitigated within the existing partnership budget due to savings on waste disposal costs.	Current year and potentially the following two years.
Utility Cost inflation.	Council owned property, in particular the Leisure Centres.	Increased running costs of Council property. Energy costs for Leisure Centre Operators are being closely monitored. Current year estimate is £0.250m.	Current year and potentially the following two years.
National pay award for 2022/23 is not yet agreed.	Council staffing costs and its Operations partner.	The Original budget assumption was a 2% increase for Council staffing. Net impact for the General Fund is currently estimated	Current year and future years.

		at £1.1m for direct staffing, £0.5m via the Operations Partnership.	
Other inflationary pressures on materials, supplies and services, and supply shortages.	Operations Partner and Council contracts (revenue and capital).	Increased contract cost and supplies and services across the Council.	Current year and potentially the following two years.
Workforces pay pressure/grade inflation.	Council staffing costs and Operations partner.	Increased staffing costs.	Impact being seen in the current year.
Recruitment difficulties.	Particularly areas of specialism.	Agency/contractor support has been required which can be more costly. Current year is estimated at £0.600m additional cost to the General Fund.	Impact being seen in the current year.
Planning applications	Planning fee income	Reduced income due to economic climate.	Current year is running in line with the budget for the year to date.
Demand for discretionary services.	Fees and Charges income for discretionary services	Reduced fee income to the Council. Baseline reduction to car parking income of £0.200m. Green waste income currently down by £0.100m in the current year.	Impact being seen in the current year.
Non-core Government funding, e.g., Lower Tier Services Grant and Services/Transition Grant.	General Fund.	Loss or reduction of non-core funding which will impact the General Fund. This may not be confirmed until the provisional settlement.	Impact from 2023/24.
Felixstowe Dock strike action.	Port Health Account.	Loss of income. Currently estimated at £0.014m per strike day, can be funded from the Port Health Reserve.	Impact in the current year.

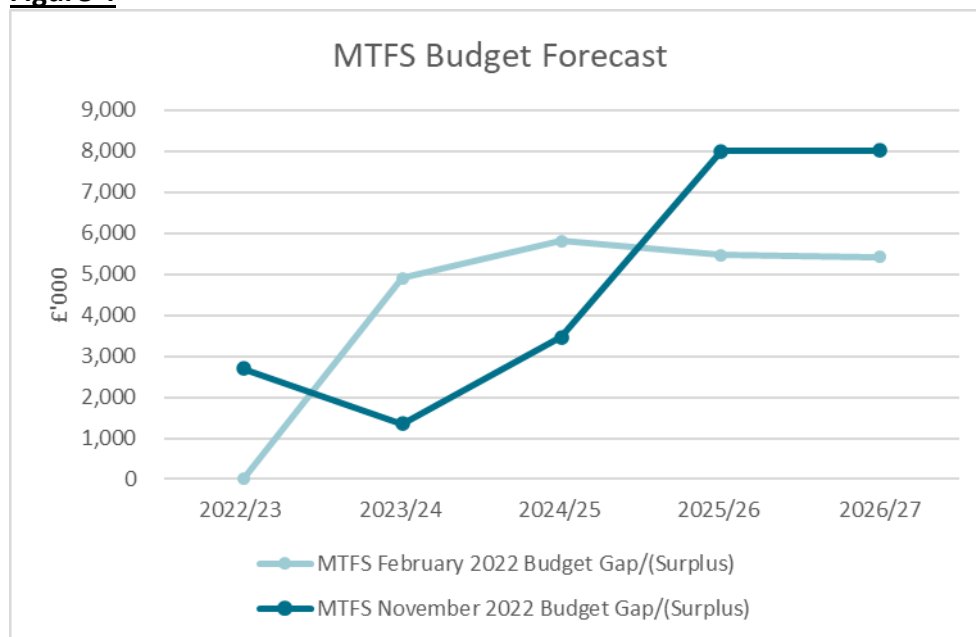
5.4 The MTFS was last updated in February 2022. A summary analysis of the key movements as of November 2022 is shown in the following table. This table is supported by **Appendix A2**. As noted in paragraph 5.1 above, there is continual updating of the MTFS and there are key areas of the budget still to be finalised which are not included in this update.

MTFS Updates	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
Additional Cost	3,383	3,613	3,788	3,429	3,949
Additional Income	(764)	(6,086)	(5,068)	(73)	(594)
Reduced Income	1,400	1,400	1,300	1,300	1,300
Saving	(970)	(2,132)	(2,112)	(2,118)	(2,067)
Use of Reserves	(355)	(345)	(245)	0	0
Net Total	2,694	(3,550)	(2,337)	2,538	2,588

5.5 **Appendix A3** provides a visual analysis of the updates across the MTFS period by Strategic Theme/Other Factor that has primarily required the MTFS to be updated.

5.6 The updated MTFS position resulting from these movements as of November 2022 is shown below in **Figure 4**. The budget gap for the next financial year has reduced from £4.9m to £1.2m, predominately due to the deferral of the Business Rates system for at least one more year. East Suffolk is in an advantageous position under the current system and deferral of the reform by another year will enable the Council to benefit from this delay in 2023/24 and 2024/25 - £3m additional income in Business Rates income and £2m Pooling Benefit.

Figure 4



MTFS Position	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
MTFS February 2021 Budget Gap/(Surplus)	0	4,908	5,805	5,457	5,417
Net Total of MTFS Updates	2,694	(3,550)	(2,337)	2,538	2,588
MTFS November 2022 Update Budget Gap/(Surplus)	2,694	1,358	3,468	7,995	8,005

Budget Planning Assumptions

5.7 The Council's financial planning assumptions are summarised below:

Budget Area	Assumption
Inflation	
<i>Goods & Services</i>	Met within existing budgets (exception is contract).
<i>Utilities (Gas & Electricity)</i>	2023/24 50% increase , 2024/25 maintain at 2023/24 budget, 2025/26 20% reduction, 2026/27 maintain at 2025/26 budget.
<i>Utilities (water & Sewage)</i>	2023/24 13% increase, 204/25 8.4%, 2025/26 0.9%, 2026/27 0.3%. Commercial rates are set in April. Assumptions based on the CPI forecasts as per the Bank of England Monetary Policy Report August 2022.
Fees & Charges	5% increase is applied were appropriate.
Staffing Costs	2022/23 Current offer of an additional £1,925 on all SCP 1 and above, 2023/24 4% increase, plus incremental progression, 2024/25 3% increase, plus incremental progression, 2025/26 onwards 2% increase, plus incremental progression. 2% per annum of staffing costs for vacancy allowance
Investment Income	1.37% Term Investments (average as of September 2022) 2.15% Call Account (September 2022) 1.73% Money Market Fund (September 2022) 3.40% Property Fund (September 2022) 4.05% Diversified Income Fund (September 2022)

Goods & Services – Inflationary Pressures

- 5.8 The Council's financial strategy assumes that any inflationary pressures incurred on goods and services expenditure are contained within existing budgets, or through more efficient spending. As mentioned in Section 3, there is an expectation for inflation to be at 10% for the next few months. The impact of this is most likely to be realised in the Capital Programme and our Partnerships, with the latter directly impacting on the Council's revenue budgets. This will be kept under review to ensure this planning assumption remains adequate. This does not impact on inflation for specific contracts where the budget planning assumptions reflect specific contract increases.
- 5.9 Contracts have been inflated based on the specified inflation indices within each individual contract. Additional negotiation has taken place with contractors to determine how these cost increases can be reduced where possible. This negotiation and retendering of contracts is part of the Council's strategy for cost reduction and will continue over the medium-term.

Fees and Charges

- 5.10 Fees and Charges are based on the Council's agreed principles of increasing existing fees and charges on a market forces basis whilst having regard to the Council's policies and objectives. The usual approach of the Council is for fees and charges to be increased by price inflation as a minimum. However, given the current level of inflation, this approach was not applied for the review of 2023/24 fees and charges. The Council will also review opportunities to introduce new fees as appropriate. Proposed fees and charges for 2023/24 will be considered by Cabinet on 3 January 2023.

Interest Payable and Receivable

- 5.11 **Interest Payable** - The budget for debt interest over the current MTFS period totals £1.587m. This has not been revised in this update of the MTFS. The existing loans are all fixed rate loans and therefore not susceptible to market increases. Where the capital programme requires future additional borrowing, the budget will be updated as and when projects are completed and actual borrowing is known.
- 5.12 **Interest Receivable** – The total budget for investment income over the MTFS period is over £3m and is based on the current investment portfolio of short and long-term investments. Whilst the Council is benefiting from higher investment rates as a direct result of the Bank of England increases in base rate since December 2021 as it tries to grapple with high inflation it is difficult to predict what will happen to rates over the next 6 to 12 months as the cost-of-living bites during the winter months. In the event of the economy entering a recession we may well see a sharp decline in base rate which would result in lower investments rates available.

Establishment Costs

- 5.13 Establishment costs total approximately are the single largest revenue cost for the Council and represents 50% of its total direct expenditure.
- 5.14 **Public Sector Pay** –The 2022/23 pay offer by the National Employers is a £1,925 increase on all pay points 1 and above. This is yet to be agreed but has been incorporated into this update of the MTFS. The pay award assumption for 2023/24 and 2024/25 has also been increased from 2% to 5% and 3% respectively. A 1% pay award represents an increase of approximately £0.370m to the General Fund.
- 5.15 **National Insurance Contribution Increase** – Also referred to as the Health and Social Care Levy, the Government increased the Employer National Insurance Contribution by 1.25% from April 2022. However, in the Chancellor's Mini-Budget announcement, the Government has reversed this increase from 6 November 2022. The reduction in employer NICs will produce savings against the General Fund budget in the current year of £0.080m and £0.200m in subsequent years. However, it should be noted that local government received funding of around £400m for the employer NICs increase through the 2022/23 local government finance settlement, although the actual amounts for local government, either collectively or individually, were never explicitly confirmed. If this funding is going to be removed from local government, then the Settlement Funding Assessment (SFA) or Services Grant would have to be reduced in 2023/24 and 2024/25. If this is the case, there may consequently be some offset to these forecast savings, although it will probably be difficult to ascertain the quantum of this from the settlement. No offsetting has been assumed at this time.
- 5.16 **Actuarial Valuation** - The latest triennial actuarial valuation of the assets and liabilities of the Suffolk County Pension Fund was completed on 31 March 2022. The Fund's Actuary have reported the actuarial funding position for the Pension Fund of 107%, an increase of 8% since the last valuation exercise in 2019. This is the first time that the Fund has reached 100% funding.
- 5.17 The Pension Fund specially relating to East Suffolk Council is 110% funded, an increase from 99% at the time of the last review on 31 March 2019. The triennial review also sets the employer contribution rates for the next three years – 2023/24 to 2025/26. This is currently out for consultation until 30 December 2022. The Council currently pays an employer contribution rate of 32% and the lowest rate allowed by the actuary for the next

three years is 19%. The Council is proposing a reduction of 7% to 25%. This would provide 88% probability of success that over 20 years the Pension Fund will remain or achieve 100% funded. This level of reduction results in a significant annual saving to the General Fund of £1.4m and has been built into this MTFS update.

Other Pressures

- 5.18 In formulating its detailed spending plans, the Council has also taken account of past performance and the previous year's outturn position.
- 5.19 Ranging from increased demand for services or changes in national policy, the Council's MTFS will be adjusted to reflect the financial implications of these changes. The budget monitoring work is ongoing with the Finance Team working with service areas to review their budget requirements. This work will continue to update the MTFS over the coming weeks.

Operations Partnership (Norse)

- 5.20 The current MTFS does not take into consideration any financial implications associated with the contract with Norse coming to an end in July 2023.

Green Agenda - Caring For Our Environment

- 5.21 The Council has pledged to be Carbon Neutral by 2030 and the Council's Strategic Plan includes the theme of 'Caring For Our Environment'. To delivery on these ambitions and priorities of the Council, inevitable requires investment without necessarily generating savings or additional income. That being said, the use of technology for homeworking and remote Committee meetings over the last two years, has reduced the need for staff and Members to travel and resulted in a continued saving of £0.200m per annum compared to pre-pandemic levels.
- 5.22 **Appendix A4** includes details of budgets and reserves specifically provided to assist with the delivery of the Council's Green Agenda.

6 RESERVES AND BALANCES

- 6.1 In order to manage its financial affairs soundly, the Council needs to hold an appropriate level of reserves and balances. These allow it to:
- a) manage its cash flows economically and avoid temporary borrowing pending receipt of income due during the year;
 - b) deal promptly and efficiently with emergencies if they occur, as this year;
 - c) take previously unseen opportunities to secure benefits that may arise during the year;
 - d) mitigate reliance on volatile sources of funding;
 - e) set money aside for known events but where the timing or precise amount required is not yet certain; and
 - f) accumulate monies to meet costs that it would be unreasonable for taxpayers to meet in a single year.
- 6.2 In addition to the General Fund Balance, the Council keeps a number of earmarked reserves on the Balance Sheet. Some are required to be held for statutory reasons, some

are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans or potential liabilities.

- 6.3 The Council has continued to develop its prudent financial management arrangements, through the development of earmarked reserves to mitigate potential future risks. As issues arise, the potential requirement for an earmarked reserve is considered. New earmarked reserves are formally considered as part of the detailed budget process, to ensure that risks identified are adequately mitigated, and throughout the annual budget monitoring process as risks arise or become clearer.

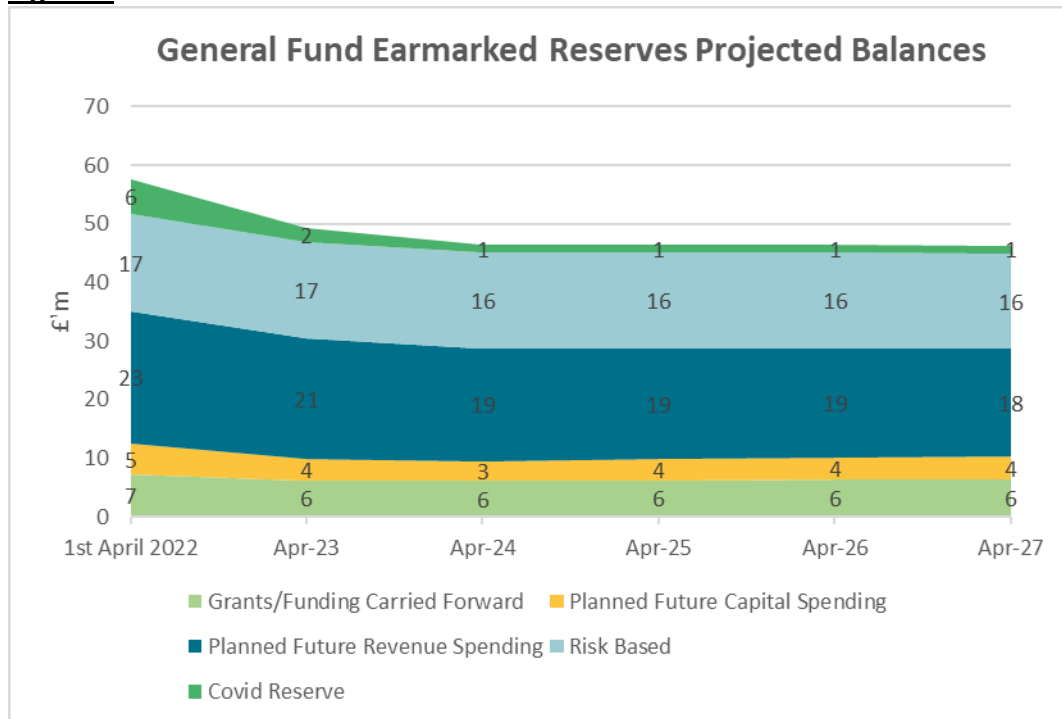
General Fund Balance and Earmarked Reserves

- 6.4 The detailed budget process includes an assessment of risk, the adequacy of General Fund Reserves and a review of earmarked reserves. This review evaluates the need to create and/or change earmarked reserve levels and to also release reserves which are no longer required, thereby becoming a one-off resource for the Council. A risk assessment of the General Fund Balances informs the Chief Finance Officer's view of the adequacy of reserves to provide assurance to the budget. Having regard to the financial risks surrounding the budget planning process; the Council maintains the level of General Fund balances at around 3%-5% of its budgeted gross expenditure (in the region of £130 million for East Suffolk). This would equate to maintaining a General Fund balance for East Suffolk, in the region of between £4m and £6m. As of 1 April 2022, the opening General Fund balance of East Suffolk stood at £6m.
- 6.5 Further use of the General Fund balance will be evaluated against an assessment of risk, to ensure financial sustainability for the Council is maintained, whilst supporting the strategy direction and ambitions of the Council. The current update of the MTFS does not include any use of the General Fund balance.
- 6.6 One of the key underpinning financial principles of the MTFS is to not use the Council's Reserves (and other one-off resources) as a primary method to balance the ongoing pressures in the budget. Earmarked reserves are used for specific one-off purposes to support the delivery of corporate objectives and to mitigate risks.
- 6.7 The opening balances for 2022/23 are subject to conclusion of the external audit review for 2021/22.
- 6.8 The total balance of General Fund Earmarked Reserves was £57.6m (excluding Port Health) as of 1 April 2022. Earmarked Reserves are categorised into the following groups;
- **Grants/Funding Carried Forward** – this is external funding the Council has received for specific purposes and is drawn down from reserves when spend is incurred.
 - **Planned Future Revenue Spending** – Council funding has been set aside for specific service areas and/or projects.
 - **Planned Future Capital Spending** – this is revenue funding set aside to provide funding for the capital programme.
 - **Risk Based** – Council funding has been set aside for unforeseen budget pressures and fluctuations in budget areas of volatility. The Business Rate Equalisation Reserve is the main reserve within this group. This reserve is held to manage fluctuations in Business Rates income, due to the timing of accounting treatments. The balance on this reserve as of April 2022 was £15.2m.

- **Covid Reserve** – Mainly consisting of Section 31 Grants to fund Covid related Business Rate Reliefs and the Local Authority support grant.

6.9 The projected balances on reserves will continue to be reviewed and updated throughout the budget process. **Figure 5** below shows the current projections for the General Fund Earmarked Reserve over the MTFS, categorised as above. This summary does not include use of reserves to address the updated budget gaps as presented in **Appendix A2**. If the budget gaps identified at this early stage of the MTFS for the current year and 2023/24, are still present at the end of the budget process, then use of the In-Year Savings Reserve and the risk based reserves will be made to balance the budgets.

Figure 5



- 6.10 The Covid reserve will be used further in 2022/23 to deal with accounting timing differences related to the pandemic impact on business rates, and to fund post pandemic grant work and recovery initiatives. There is currently in the region of £1m of the Covid support grant being held in the reserve. The balance of this funding will be monitored and transferred to an appropriate reserve at the end of the year if no longer required for post pandemic recovery work.
- 6.11 The Planned Revenue Spending group of reserves contains some key individual reserves to highlight which are used to fund future budget gap pressures and projects and initiatives to support the delivery of the Strategic Plan. These are set out in the table below and currently show balances declining with no further contributions to increase available funds over the current MTFS. This position will be reviewed and updated as the budget setting progresses.

	April 2022 £'000	MTFS April 2023 £'000	MTFS April 2024 £'000	MTFS April 2025 £'000	MTFS April 2026 £'000	MTFS April 2027 £'000
Reserves						
Better Broadband	7	7	7	7	7	7
Business Rates Pilot	1,385	747	710	673	636	599
In-Year Savings	3,572	4,121	4,121	4,121	4,121	4,121
New Homes Bonus (NHB)	5,580	5,572	3,672	3,272	2,972	2,772
Transformation - Digital	296	243	209	229	249	269
Transformation - Environmental	500	483	483	483	483	483
Transformation - Financial Sustainability	2,769	1,758	1,525	1,525	1,525	1,525

7 CAPITAL STRATEGY

7.1 The Capital Strategy gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services in East Suffolk, along with an overview of how associated risk is managed and the implications for future financial sustainability. The Capital Strategy for the period 2023/24 to 2026/27 will be considered by the Audit & Governance Committee and Cabinet before approval by Full Council in February 2023. Capital planning is about financial investment on the purchase of new assets, the creation of new assets and enhancing and/or extending the useful life of existing assets. The Council aims to achieve the optimum balance between the future needs of East Suffolk, including the need to drive growth, whilst ensuring affordability in the short and long term. Key principles include:

- Developing asset and capital strategies that facilitate a long-term approach to decision-making.
- Ensuring that assets are only held as needed to achieve Council objectives.
- Maximising efficiency in the management and use of assets.
- Ensuring that pressure to achieve short-term savings does not compromise the value of assets through lack of investment.
- Ensuring that capital investment is targeted where it will achieve the greatest long-term benefit.

7.2 Enhancing the management of the Council's existing asset base and looking beyond the traditional medium-term financial planning horizon is a major priority. The current Asset Management Strategy was approved in July 2019, broken down into four key components:

- Administrative Improvements
- Compliance and Sustainability
- A strategic approach to assets
- Reducing expenditure and increasing income

7.3 For the purposes of setting the budget for 2023/24 and medium-term financial planning, the current rolling Capital Programme is being updated to reflect existing projects and the latest capital investment plans for the period 2022/23 to 2026/27 are included.

Capital Programme

- 7.4 The Capital Programme including both General Fund and HRA elements is subject to the scrutiny process and formally adopted by Full Council each year. The decision to accept individual projects onto the Programme is driven by the overriding requirement to support the priorities communicated in the East Suffolk Strategic Plan, providing they are affordable.
- 7.5 As well as adequately maintaining the asset base, a range of other important factors are considered when deciding upon the allocation of General Fund resources. Consideration is given to:
- Legislation – the need for capital investment due to changes in legislation, including those with health and safety implications.
 - Resource Availability – the sustainability of the Capital Programme is a primary consideration and integral to the MTFS.
- 7.6 Where required, capital projects are supported by a detailed business case, which demonstrates a set of clear objectives and measurable benefits, as well as detailed financial implications. This includes the on-going revenue implications of a capital project, to ensure these are built into the MTFS revenue assumptions.
- 7.7 Major capital projects are delivered by dedicated project managers within the Council, with leadership and oversight provided by the Senior Management Team.
- 7.8 Due to the economic climate and significant changes to major schemes in the current Capital programme for 2022/23 to 2025/26, a mid-year revised General Fund Programme was presented to Cabinet and approved by Full Council in September 2022.
- 7.9 The 2022/23 to 2026/27 Capital Programme is continuing to be reviewed and revised as part of the normal budget setting process. An updated Programme for the MTFS period will be presented to Cabinet on 3 January 2023, Scrutiny Committee on 19 January 2023, and then Cabinet and Full Council on 7 and 22 February 2023 respectively.

EAST SUFFOLK MEDIUM TERM FINANCIAL STRATEGY - KEY PRINCIPLES

1 PRIORITIES, AIMS AND OBJECTIVES

- 1.1 The **East Suffolk Strategic Plan** provides the overarching vision for East Suffolk. In fulfilment of the Plan, the Council makes use of significant resources to achieve its aims including money, people, property and technology. In order to allocate resources to competing demands, achieve effective and efficient use of its resources, best value and ultimately achieve its vision, the Council has several strategies and plans which give a clear sense of direction and underpin the deployment of those resources. The Long Term and **Medium Term Financial Strategies** sit under the **Strategic Plan**, and combined with other strategies and plans, they support and embrace the strategic direction of East Suffolk.

2 STRATEGY OBJECTIVES

- 2.1 The Council's MTFS aims to ensure the provision of the best quality services possible within the resources available. To do so it must maximise the use of its resources to ensure they are used efficiently and effectively to support the development of longer term sustainable objectives.
- 2.2 The specific objectives of the MTFS are to:
- a) ensure that the Council sets a balanced, sustainable budget year by year, so that forecast spending does not exceed forecast resources available to it;
 - b) plan for a level of Council Tax that the Council, its residents and Government see as necessary, acceptable and affordable to ensure that it has the financial capacity to deliver the Council's policies and objectives;
 - c) redirect resources over time to adequately support and resource the priorities of the both the Council and the wider community; and
 - d) maintain sufficient reserves and balances to ensure that the Council's long-term financial health remains sound.

3 STRATEGY PRINCIPLES

- 3.1 The principles set out below provide a framework within which the Council will develop its detailed financial plan over the medium term.

General

There are a number of overarching principles that will apply across the Council's detailed financial accounting, planning and monitoring:

- a) that the Council's budgets, financial records and accounts will be prepared and maintained in line with approved Accounting Standards, the CIPFA Code of Practice on Local Government Accounting, the CIPFA Prudential Code and the relevant sections of the Council's Constitution and Finance Procedure Rules;
- b) prior to setting a budget, the Council will always analyse potential risks and ensure these are minimised in line with its Risk Management Strategy;

- c) that the Council's Corporate Management Team will review the budget proposals for reasonableness and adherence to corporate policies and objectives prior to the budget being submitted to Cabinet;
- d) the Council will monitor its revenue and capital budgets effectively. Monitoring will be undertaken quarterly by Heads of Service together with their portfolio holders, and integrated quarterly monitoring reports will be reported to Cabinet. In cases where significant financial and service performance deviates from that planned, action plans setting out corrective action will be drawn up by Heads of Service / Portfolio Holders and reported to Cabinet as appropriate;
- e) that the Council's Corporate Management Team will take appropriate steps to continue to maintain and improve the accuracy and quality of data that it uses throughout the Council thereby ensuring that budget and other decisions are taken on a sound basis; and
- f) the Council will seek to maximise external contributions towards revenue and capital spending for example through bidding for specific grants, attracting levered funding, participating in new funding streams and engaging in further strategic partnering opportunities where appropriate.

General Fund (Revenue)

3.2 In relation to its revenue budgets the Council will:

- a) set a balanced budget each year that will be constructed to reflect its objectives, priorities and commitments. In particular, the budget will influence and be influenced by the Strategic Plan, the Organisational and Development Strategy, Capital and Asset Management Strategies, the Risk Management Strategy, its Comprehensive Equality Scheme and its Consultation and Engagement Strategies;
- b) within the constraints of the resources available to it, set a sustainable budget each year that meets on-going commitments from on-going resources. The Council will continue to aim to maintain its level of general balances when it sets its revenue budget each year now that a prudent level of balances has been achieved;
- c) seek to identify annual efficiency savings through business process improvement, shared service initiatives, service best value reviews and benchmarking and strategic partnering opportunities within and across county borders;
- d) review the appropriateness of service delivery between the Council, parishes and other partners;
- e) increase existing fees and charges on a market forces basis whilst having regard to the Council's policies and objectives. As a minimum fees and charges should be increased by price inflation. The Council will also review opportunities to introduce new fees as appropriate; and
- f) within Government guidelines, set a level of Council Tax that the Council, its residents and Government see as necessary, acceptable and affordable to deliver the Council's policies and objectives.

Capital

- 3.3 When considering capital investment, the Council will:
- a) maximise the generation of capital receipts and grants to support its planned investment programmes
 - b) enhance its capital investment by applying specific grants and contributions, capital receipts, earmarked reserves and revenue contributions, with any balance being met by external borrowing
 - c) not recognise capital receipts until there is certainty that the receipt will materialise, and these will not be earmarked against specific developments without express Cabinet approval
 - d) allocate its capital resources in line with its Capital Strategy and Asset Management Plan whilst recognising that other priorities may emerge that may require those plans to be amended and resources to be diverted
 - e) annually review and prioritise capital schemes in accordance with Council objectives having regard to:
 - i) the business case for any given project; asset management planning
 - ii) affordability in line with the application of the Prudential Code.

Balances and Reserves

- 3.4 In relation to its balances and earmarked reserves, the Council will:
- each year maintain the level of General Fund balances at around 3% - 5% of its budgeted gross expenditure. This would lead the Council to maintain a General Fund balance in a range of around £4m to £6m.
 - have regard to the financial risks surrounding the budget planning process, including those associated with the structural deficit, inflationary pressures, interest rates, partnerships, the treatment of savings, new burdens and demand led expenditure.
 - review its earmarked reserves, which have been established to meet known or predicted liabilities, to ensure that the level of those reserves are still appropriate; and
 - return reserve balances no longer required to the General Fund as appropriate.

Treasury Management and Investment

- 3.5 The Council will:
- a) having regard to risk, maximise investment income and minimise borrowing costs within the overall framework set out in the Council's annual Treasury Management and Investment Strategy; and
 - b) secure the stability of the Council's longer-term financial position rather than seeking to make short-term one-off gains which may lead to higher costs in the long term.

- c) having regard to risk, seek to diversify its investment portfolio; maximise investment income; and deliver economic development objectives through the Asset Investment Strategy (in development).

4 OTHER CONSIDERATIONS

4.1 The Council's spending will have regard to:

- a) the base budget position for the current financial year, adjusted for in year grant changes;
- b) the Council's medium term priorities;
- c) the refocusing of service expenditure through transactional, shared services and other efficiencies to support the achievement of its medium term priorities and satisfy Government funding changes;
- d) demographic and welfare changes;
- e) the impact of the current pandemic;
- f) consultation outcomes;
- g) fiscal matters including:
 - price inflation.
 - the effect on the level of General Fund balances and reserves.
 - the impact of any changes to the capital programme on the potential costs of borrowing.
 - triennial revaluation of the pension fund.
 - ongoing commitments, arising in part, from initiatives that have previously been funded from specific grants.
 - achieving budgeted savings from outsourcing, shared services and service reviews.
 - the likely passporting of some Government departmental savings targets to councils.

RISKS	PROBABILITY HIGH (H) MEDIUM (M) LOW (L)	IMPACT HIGH (H) MEDIUM (M) LOW (L)	MITIGATING ACTIONS
<p>Strategic Risks</p> <p>The absence of a robust Medium Term Financial Strategy could adversely affect the Council's budget and resource planning and projections.</p> <p>Failure to understand changing community needs and customer expectations can result in the Council providing levels of service which are not appropriately aligned to the needs of communities and customers.</p> <p>Local Government funding is under continuous pressure and review. Failure to respond to these funding pressures may adversely impact on the Council's ability to service delivery.</p> <p>Budget pressures arising from housing, economic, social and other demographic changes.</p> <p>Financial</p> <p>Uncertain medium term sustainability of incentivised income areas subject to Government policy, economic factors, and revaluation e.g. Brexit, business rates and New Homes Bonus.</p>	<p>L</p> <p>M</p> <p>H</p> <p>H</p> <p>H</p>	<p>H</p> <p>H</p> <p>H</p> <p>H</p> <p>H</p>	<p>Continually monitor and refine the strategy in line with changing influences. Update Corporate Management Team and Cabinet.</p> <p>Continuously engage with key stakeholders and take advantage of existing consultation methodologies. Continue to monitor and more closely align service levels to demand and need.</p> <p>Take advantage of the Council's growth opportunities to reduce dependency on government funding. Align service delivery to funding levels, improve exist strategy to minimise risk.</p> <p>Take advantage of technological advancements to understand and reduce unit costs, monitor demand for services and proactively manage resourcing requirements, invest in schemes to promote skills and developments.</p> <p>Constantly monitor information and update risk appraisals and financial projections. Provide timely briefings and updates to Members/ key stakeholders to facilitate decision making. Adopt prudent budgeting approach not placing undue reliance on uncertain funding sources.</p>

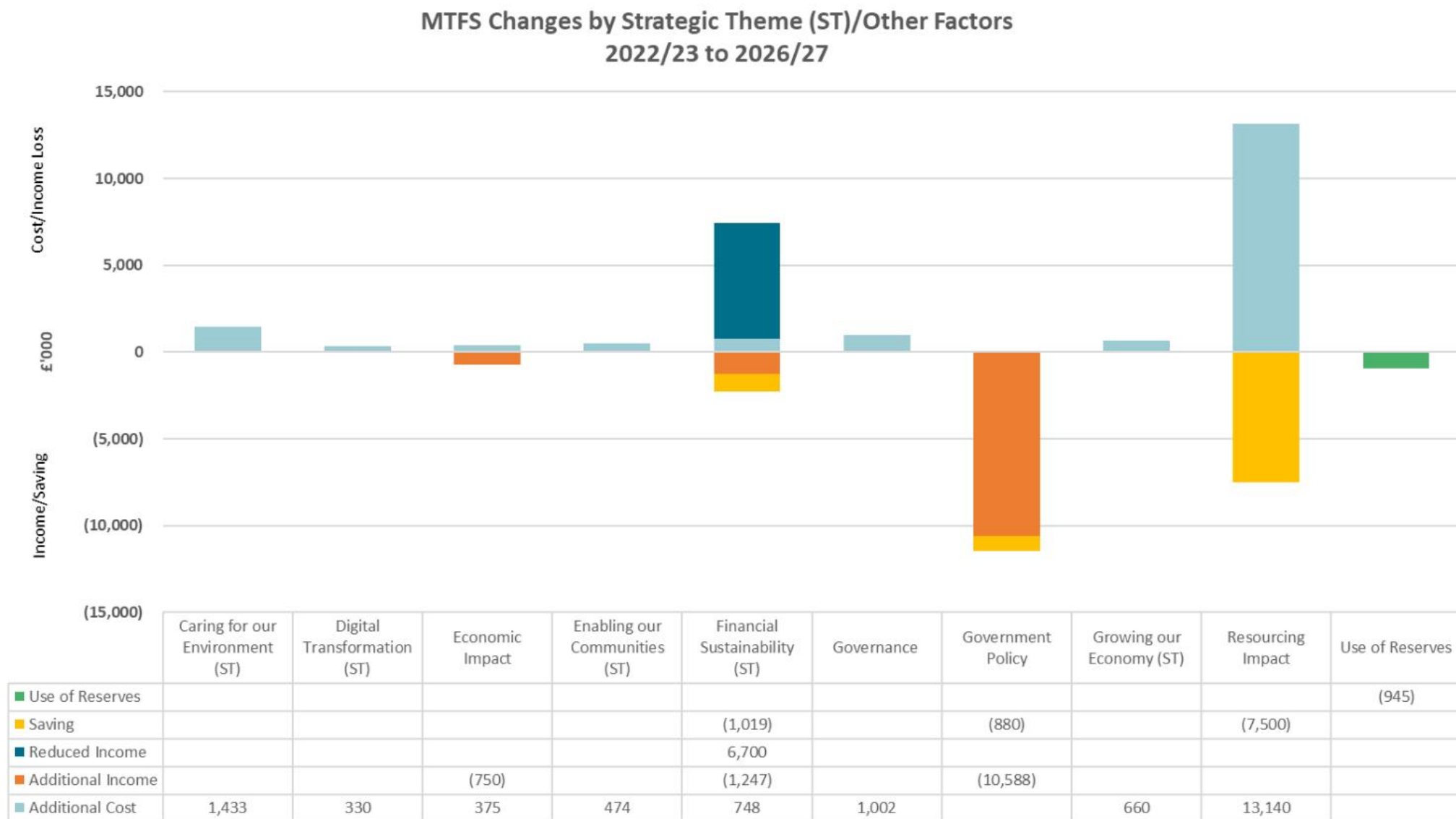
RISKS	PROBABILITY HIGH (H) MEDIUM (M) LOW (L)	IMPACT HIGH (H) MEDIUM (M) LOW (L)	MITIGATING ACTIONS
Uncertainty surrounding the Government's change agenda including, business rates and welfare reform over the medium term.	H	H	Constantly monitor information from Government and update risk appraisals and financial projections. Provide timely briefings and updates to Members/ key stakeholders to facilitate decision making. Lobby through the LGA as appropriate.
Budget pressures from demand led services and income variances reflecting the wider economy.	H	H	Monitor pressures throughout the budget process and take timely actions.
Costs arising from the triennial review of the Local Government Pension Scheme.	L	L	Review and monitor information from Government and actuaries. Update forecasts as necessary.
Interest rate exposure on investments and borrowing.	H	M	Review cash flows, ensuring the Council has a flexible and forward looking Treasury management policy.
Information			
The Council itself has no influence over the outcome of some of the other bigger assumptions such as formula grant, national pay awards, interest rates, inflation and statutory fees and charges.	H	M	Key assumptions made are regularly reviewed from a variety of sources. Forecasts are updated as necessary.
Operational			
The Council has entered into strategic partnerships and contracts and is therefore susceptible to economic, social and demographic changes	L	M	Effective negotiation, sound governance arrangements and reviews of partnerships performance.
There is a potential risk to the Council if there is a financial failure of an external organisation, providing services to the public on behalf of the Council.	L	M	Ensure rigorous financial evaluations are carried out at tender stage. Consideration of processes to ensure annual review of the successful organisation and review any external auditor comments.

RISKS	PROBABILITY HIGH (H) MEDIUM (M) LOW (L)	IMPACT HIGH (H) MEDIUM (M) LOW (L)	MITIGATING ACTIONS
<p>People</p> <p>Loss of key skills, resources and expertise.</p>	H	M	Continue to invest in staff developments, service continuity measures. Monitor succession planning. Keep staff consulted and informed. Ensure employment terms and conditions are competitive and development needs identified through 'My Conversation' programme with staff are satisfied.
<p>Regulatory</p> <p>Changes of responsibility from Government can adversely impact on service priorities and objectives.</p>	L	L	Sound system of service and financial planning in place. Lobby as appropriate.
<p>Reputation</p> <p>Loss of reputation if unforeseen resource constraints result in unplanned service reductions.</p>	L	H	Identify and implement robust solutions in response to changes. Consult widely. Seek to achieve a prudent level of balances and reserves.

MTFS CHANGES BY STRATEGIC THEME/OTHER FACTORS

MTFS Update	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	Total over MTFS period £'000	Strategic Theme/Other Factors	Comments
Additional Cost								
Freeport East	80	80	0	0	0	160	Growing our Economy	Approved growth for upfront funding to support the delivery of objectives. Funded from reserves.
First Light Festival	180	170	150	0	0	500	Growing our Economy	Approved growth for match funding over three years to 2024/25. Funded from reserves.
Trial programme to tackling long-term empty properties	95	95	95	0	0	285	Enabling our Communities	Approved growth for additional resourcing to support the trial programme.
Data analytical capacity	66	66	66	66	66	330	Digital Transformation	Approved growth for data analyst resourcing to meet the needs of the organisation.
Increasing Strategic Management capacity	38	151	151	151	151	642	Governance	Approved growth following outcome from recent Corporate Peer Review.
Parking Services Resourcing	21	42	42	42	42	189	Enabling our Communities	Approved growth for resourcing to support the review and implementation of changes to parking management regulations.
Environmental Services Resourcing	153	320	320	320	320	1,433	Caring for our Environment	Approved growth for additional capacity to respond to new legislative requirements, to support the Planning team in the Nationally Significant Infrastructure (NSIP), to deliver the Environmental aspirations of the Council's Strategic Plan and to expand and develop new income opportunities has been recognised for some time.
National Employers pending pay award for 2022/23 - Operations Partnership	500	0	0	0	0	500	Financial Sustainability	Based on current offer by National Employers.
National Employers pending pay award for 2022/23 - Council Direct Staffing	1,400	1,400	1,400	1,400	1,400	7,000	Resourcing Impact	Based on current offer by National Employers.
Future year pay award assumptions	0	760	1,140	1,160	1,680	4,740	Resourcing Impact	Assumptions for pay awards from 2023/24 increased from 2% to 5% in 2023/24 and to 3% in 2024/25.
Agency/Contractor costs	600	200	200	200	200	1,400	Resourcing Impact	Cover for staffing vacancies, particularly in areas of specialism. Increase annual budget to prior years average.
External audit fees	0	90	90	90	90	360	Governance	PSAA announcement of procurement outcome for appointment of external auditors for 2023/24 to 2027/28 (national scheme). Public bodies have been advised of a 150% increase on top of the 2022/23 fee.
ARP partnership contribution	0	114	134	0	0	248	Financial Sustainability	Increased staffing costs due to pay awards.
Inflationary pressures - utilities	250	125	0	0	0	375	Economic Impact	Estimate for the impact of inflation on utility costs, particularly on Leisure Centres.
	3,383	3,613	3,788	3,429	3,949	18,162		
Additional Income								
Housing Benefit Admin grants	(20)	0	0	0	0	(20)	Government Policy	Additional grant received above provisional estimate.
Beach Hut and Yacht Stations	(70)	0	0	0	0	(70)	Financial Sustainability	Over achieved on income compared to the budget.
Business Rates Pooling Benefit	(174)	(2,000)	(2,000)	0	0	(4,174)	Government Policy	Current year increased based on in-year monitoring. The update for the following two years is due to reform of the funding system being delayed to 2025/26 at the earliest.
Business Rates Income	0	(3,000)	(3,000)	0	0	(6,000)	Government Policy	Delays to funding reform to 2025/26 at the earliest.
Business Rates Collection Fund Deficit	0	(394)	0	0	0	(394)	Government Policy	Updated estimate of the year end deficit on the Collection Fund.
Council Tax income	0	(67)	(68)	(73)	(594)	(802)	Financial Sustainability	The growth in the tax base has been better than originally forecast.
Council Tax Collection Fund Surplus	0	(375)	0	0	0	(375)	Financial Sustainability	The growth in the tax base has been better than originally forecast.
Interest income	(500)	(250)	0	0	0	(750)	Economic Impact	Higher investment rates as a direct result of the Bank of England increases in base rate since December 2021.
	(764)	(6,086)	(5,068)	(73)	(594)	(12,585)		
Reduced Income								
Parking services	500	500	500	500	500	2,500	Financial Sustainability	Recognising a reduction in baseline income for parking services. Further analysis to be done.
Green waste	100	100	0	0	0	200	Financial Sustainability	A reduction in green waste subscriptions the current year.
Waste recycling credits	800	800	800	800	800	4,000	Financial Sustainability	Correction to baseline budget.
	1,400	1,400	1,300	1,300	1,300	6,700		
Savings								
Direct staffing vacancies	(700)	(300)	(300)	(300)	(300)	(1,900)	Resourcing Impact	Staffing costs underspend, over and above vacancy saving budget (c£600k). Some areas are facing recruitment difficulties.
Health & Social Care Levy	(80)	(200)	(200)	(200)	(200)	(880)	Government Policy	Reversal of the Employer National Insurance increase (1.25%) introduced from 1 April 2022. The reversal is to take effect from 6 November 2022.
Employer superannuation rate	0	(1,400)	(1,400)	(1,400)	(1,400)	(5,600)	Resourcing Impact	Triennial review of the pension fund. The employer contribution rate for the next three years from 2023/24 is to reduce from 32% to 25%.
Leisure contracts	(190)	(232)	(212)	(218)	(167)	(1,019)	Financial Sustainability	Savings generated on costs compared to the budget and income exceeding original budget(cautious budget estimates for post-pandemic recovery).
	(970)	(2,132)	(2,112)	(2,118)	(2,067)	(9,399)		
Use of Reserves								
In-Year approved use of reserves	(355)	(345)	(245)	0	0	(945)	Use of Reserves	
	(355)	(345)	(245)	0	0	(945)		
Net Total of MTFS Updates - November 2022	2,694	(3,550)	(2,337)	2,538	2,588	1,933		

MTFS CHANGES BY STRATEGIC THEME/OTHER FACTORS



FINANCIAL PROVISION TO SUPPORT THE COUNCIL'S GREEN AGENDA – CARING FOR OUR ENVIRONMENT

General Fund Revenue Budgets

Budget Area	Budget 2022/23 £'000	Budget 2023/24 £'000	Budget 2024/25 £'000	Budget 2025/26 £'000	Budget 2026/27 £'000	Comments
Environmental challenge/sustainability/climate change resourcing	127	131	135	139	142	Resourcing to help coordinate and support the delivery of the Council's environmental and climate change commitment.
Fleet decarbonisation, move to Hydrotreated Vegetable Oil (HVO) fuel	174	174	174	174	174	Additional budget provision for investing in alternative fuel. Migration of a significant element of the Council's diesel fleet from fossil-fuel derived diesel to HVO.
Green Print	3	3	3	3	3	Annual contribution to the Green Print Forum.
Green Print – Nature Small Grants Scheme	10	0	0	0	0	Funded from the Climate change Reserve.
Green Print – Sustainable Travel	40	0	0	0	0	Project related to quiet lanes funded from the Climate Change Reserve.
Green Print – Plastic Action	1	0	0	0	0	Funded from the Climate Change Reserve.
Local Air Quality Management (LAQM)	25	25	25	25	25	Budget for Air Quality Management works.
ESH Green Space Maintenance	10	10	10	10	10	Environmentally friendly planting for bees/wildlife corridors.
Lowestoft Kittiwake Partnership	17	0	0	0	0	Funding to support the partnership.
Design & Conservation Team Resourcing	133	138	144	147	150	Design and conservation Team –(one existing post and one new post) which look at the environmental impact of planning applications.
Total	540	481	491	498	504	

FINANCIAL PROVISION TO SUPPORT THE COUNCIL'S GREEN AGENDA – CARING FOR OUR ENVIRONMENT

Reserves

Reserve Name	Balance 31 March 2022 £'000	Balance 31 March 2023 £'000	Balance 31 March 2024 £'000	Balance 31 March 2025 £'000	Balance 31 March 2026 £'000	Balance 31 March 2026 £'000	Purpose of Reserve
Transformation Reserve – Environmental Theme	500	583	583	583	583	583	Funding set aside in the Transformation Reserve to support Initiatives under the 'Caring For Our Environment' Strategic theme.
Air Quality Reserve	80	80	80	80	80	80	Funds held for large scale projects that may require Air Quality works to be carried out.
Climate Change	63	23	23	23	23	23	climate change related projects.