

APPENDIX A



EAST SUFFOLK COUNCIL

**MEDIUM TERM FINANCIAL STRATEGY
2021/22 – 2024/25**

NOVEMBER 2020

1 INTRODUCTION

- 1.1 The **Medium Term Financial Strategy** (MTFS) sets the strategic financial direction for the Council and is regularly updated as it evolves and develops throughout the year to form the framework for the Council's financial planning. This ensures Members have a sound basis for planning and decision making, the MTFS is reviewed and updated at 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.
- 1.2 The purpose of the MTFS is to set out the key financial management principles, budget assumptions and service issues. It is then used as the 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, over the medium term.
- 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. The key focus of the Financial Sustainability theme will be the development, monitoring and achievement of the savings and income increases required to ultimately close the Council's budget gap.
- 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. As part of the implementation of the CIPFA Financial Management Code, the MTFS will also be developed to form the key component of the Long Term Financial Strategy (LTFS).
- 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 ongoing pandemic, 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 11 March 2020 the Chancellor set out a £12 billion action plan in response to the economic impact of the coronavirus (Covid-19) outbreak. This included a set of measures to support public services, businesses and individuals. Since March 2020, the Government has introduced further economic support measures. It is estimated that this may cost the Government over £200 billion by the end of the financial year. Government borrowing is at historically high levels and the longer the current crisis continues, the cost to Government will rise. The budget deficit for 2020/21 is likely to reach levels last seen during World War II.
- 2.2 Amid the economic uncertainty caused by the Covid-19 pandemic, the Government has cancelled the Autumn Budget and the Comprehensive Spending Review and will concentrate on a one-year Spending Review that is scheduled to be announced on 25 November 2020.
- 2.3 Economic uncertainty in respect of the current crisis is having a significant effect on public sector finances in the short term, and the medium and longer term outlook is extremely difficult to predict. The outlook will depend on the strength of the economy to recover and how much permanent damage may have been done. The behavioural responses by consumers and businesses will play a major part in how quickly the economy can recover.

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.

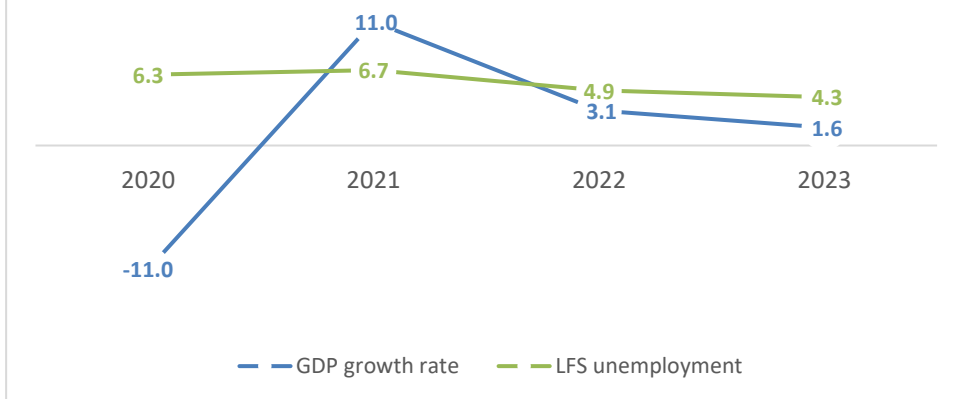
Gross Domestic Product (GDP)

- 3.2 The Bank of England's overall forecast for growth in Gross Domestic Product as outlined in its November 2020 Monetary Policy Report, is shown in **Figure 1** below.

Unemployment

- 3.3 The most recent unemployment figures from the Office for National Statistics (ONS), for the three months July to September 2020 was 4.8%, up from 4.5% on the three months to August. For the period January to March 2020, unemployment was at 4%. The latest forecasts by the Bank of England expects unemployment to peak at 7.75% in quarter two of 2021, **Figure 1** below show the Quarter 4 forecasts from the Bank of England.

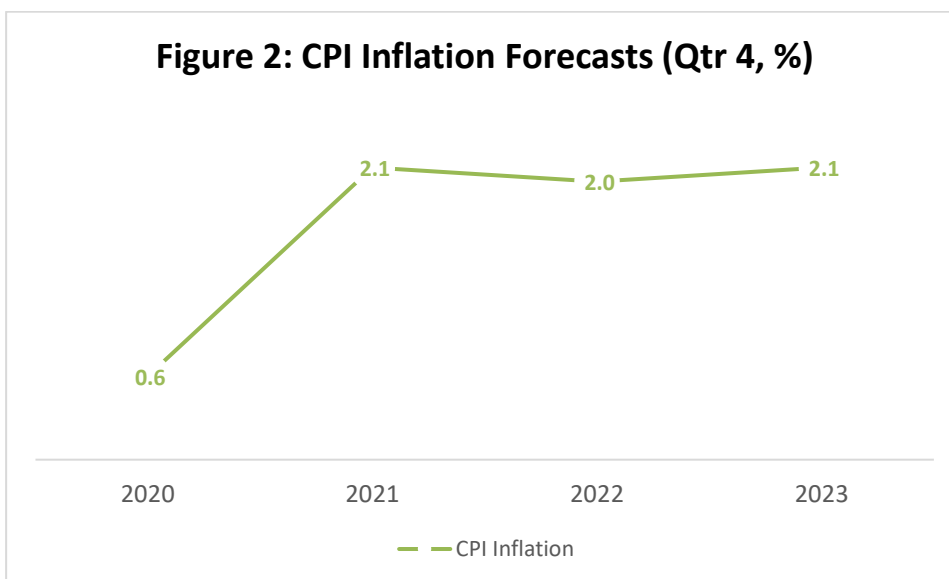
**Figure 1: GDP And Unemployment Forecasts
(Qtr 4, %)**



Consumer Pricing Index (CPI)

- 3.4 Inflation as measured by CPI, was 0.5% in September 2020, up from 0.2% in August 2020. September CPI is of importance as it is used as the basis for indexed increases in several areas in the local government finance system, including Business Rates. CPI remains well below the Bank of England's target rate of 2% and is expected to do so over the coming months before starting to rise sharply. Inflation is forecast to reach 2% in two years' time. The Bank of England's latest inflation forecast (Quarter 4) as at November 2020 is set out in **Figure 2** below.

Figure 2: CPI Inflation Forecasts (Qtr 4, %)



Bank Interest Rate

- 3.5 At its 4 November 2020 meeting, the Bank of England Monetary Policy Committee (MPC) unanimously voted to maintain the bank rate at 0.1%. The Bank of England MPC's new projections for activity and inflation assume an orderly transition to a deep free trade agreement between the United Kingdom and the European Union. The MPC is projecting a reduction in bank rate to -0.1% during 2021.

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 Final Local Government Finance Settlement 2019/20 announced on 29 January 2019 was the last year of the four-year settlement period that started in 2016/17. The Government issued a single year spending review for 2020/21 due to the uncertainties posed by the December 2019 General Election.
- 4.3 On 21 October 2020 the Government announced that it will be issuing a One-Year Local Government Financial Settlement for 2021/22, due to the combined uncertainties of Covid-19 and Brexit. The funding announcement is expected from the end of November 2020. The focus of Government is on three areas:
- Providing departments with the certainty they need to tackle Covid-19 and deliver the Government's plan for jobs to support.
 - Giving public services enhanced support to fight Covid-19 alongside delivering frontline services.
 - Investing in infrastructure to deliver the Government's "ambitious plans to unite and level up the country, drive our economic recovery and build back better."

Revenue Support Grant (RSG) and Rural Services Delivery Grant

- 4.4 RSG has been substantially reduced in recent years. The current MTFS assumes no RSG from 2021/22 and to date there have been no indications that RSG will be received for 2021/22. However, it is possible that if the Local Government Finance Settlement for 2021/22, likely to be announced in mid-December, is essentially a roll forward of the 2020/21, then this funding could be replicated next year.

Revenue Support Grant (RSG)	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
East Suffolk	(328)	0	0	0	0

- 4.5 The Rural Services Delivery Grant (RSDG) is a Government grant recognising cost pressures associated with service delivery in rural sparse areas. As with RSG, it is currently assumed in the MTFS that RSDG will not be received from 2021/22. £248,000 has been received in 2020/21, as part of the one-year funding settlement for the current financial year.

Business Rates – Business Rates Retention and Fair Funding Review

- 4.6 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. Originally, this was planned to begin in 2019/20 but has been subject to delay. Due to Covid-19, this has now been delayed by a further year to 2022/23.
- 4.7 To complement the changes to Business rates, the Government announced a Fair Funding Review in February 2016, which will affect how funding is allocated and redistributed between local authorities. Implementation of this review has now also been delayed until

2022/23. The Government is continuing to work with the Local Government Association (LGA) and local authority representatives to develop the new system.

- 4.8 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. As referred to above, this has now been delayed to April 2022.
- 4.9 The new system of 75% rate retention will consist of a 'reset', which will 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 the financial advantage that it has under the current system. As a result of the delay in implementing the Business Rate reforms, in 2021/22 the Council will benefit from another year under the current regime, which has a significant impact on the MTFs position for 2021/22 compared with previous forecasts. Based on 2020/21 estimates, this adjustment to the MTFs would have amounted to around £4.884 million, which was referenced in the report to Cabinet in July 2020 regarding the financial impact of Covid-19. However, since that report, there has been increasing concern about the impact of Covid-19 on the business rates base on the area. In the latest forecast for business rates income for 2021/22, referred to in more detail below, the estimated net benefit to the Council of this deferral has now been reduced to £3.302 million.

Business Rates

- 4.10 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.
- 4.11 **Business Rates Collection Fund** - As a result of Covid-19, there is likely to be a larger-than-normal deficit on the 2020/21 Collection Fund for both Council Tax and Business Rates. Local authorities will estimate the deficit in December 2020/January 2021 and budget for it in 2021 budgets. This has raised concerns that spending on local services will be significantly curtailed and the financial viability of local authorities put at risk in 2021/22.
- 4.12 On 5 November 2020 the Local Authorities (Collection Fund: Surplus and Deficit) (Coronavirus) (England) Regulations 2020 were laid before Parliament and are due to come 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."
- 4.13 The Business Rates Collection Fund position is heavily complicated by the fact that in 2021/20, in response to the Covid-19 pandemic, around £32.5m of rate relief is being granted to retail, hospitality, and leisure businesses. These reliefs are the primary reason for the currently estimated Business Rate Collection Fund Deficit for 2021/22 of £34.83 million, with East Suffolk's share equating to £14.981 million. The remaining balance of the deficit is shared by Suffolk County Council and Central Government. The Government is

funding these reliefs by Section 31 Grant, which is accounted for by the Council in 2020/21, but the Collection Fund deficit impacts on the Council's own budget in 2021/22. Consequently, the Council's share of this Section 31 Grant, just under £12.5m, will be contributed to the Business Rates Equalisation Reserve in 2020/21, partly enabling the Council to meet its share of the deficit in 2021/22. This position is illustrated in the table below, including the implementation of the Regulations detailed in paragraph 4.12 above. These deficits will be entirely funded from the Business Rate Equalisation Reserve.

East Suffolk Council – Business Rates Collection Fund Deficit	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
Deficit for 2021/22	0	13,753	614	614	0
Section 31 Grant contributed to Business Rates Equalisation Reserve	12,496	0	0	0	0

- 4.14 **Suffolk Pool** – In October all Suffolk councils agreed to continue a pooling arrangement for 2021/22, 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 estimated Pooling benefit for 2021/22 is dependent on all of the NNDR1 returns being prepared by the Suffolk councils and then collated by Suffolk County Council (SCC) in January 2021. The continuation of Suffolk Business Rates Pool will not be notified by the Government until the Provisional Local Government Settlement, with confirmation in the Final Local Government Finance Settlement likely in late January 2021. The current MTFs does not include any Pooling Benefit for the next financial year, and given the uncertainty surrounding business rates income, a high degree of caution will need to be exercised regarding this income source for next year.
- 4.15 Business Rates income for 2021/22 is based on the NNDR1 return, and all Business Rates estimates included in the MTFs will be updated when this return is produced in January 2021. As detailed earlier in the report, the Business Rates system is now to be reformed from 2022/23, including a resetting of the Business Rates Baseline. Due to the uncertainty this reform will have on the income to the Council, the Council has taken a prudent approach with the estimates for future years. The income figures included for 2022/21 and beyond, are based on the current Business Rates system and only include estimates of Baseline income, which is approximately £7m, Section 31 Grant, and a proportion of the amount currently retained in respect of Renewables. The updated MTFs now includes the following estimates for Business Rates income and related Section 31 Grant. As referred to previously, the position on Business Rates for 2021/22 is extremely uncertain due to Covid-19 impacts. In the light of this, significant increases have been made in these figures to the provisions for both appeals and bad debts, these will be reviewed for the Budget and MTFs following the Provisional Finance Settlement and preparation of the NNDR1 returns.

	MTFS 2021/22 £'000	FORECAST 2021/22 £'000	FORECAST 2022/23 £'000	FORECAST 2023/24 £'000	FORECAST 2024/25 £'000
Business Rates Income					
Business Rates Baseline	7,228	6,973	7,112	7,255	7,400
Business Rates Above Baseline	0	213	0	0	0
Business Rates Renewables	0	1,319	538	549	560
Total Business Rates Income	7,228	8,505	7,651	7,804	7,960
Share of Pooling Benefit with Suffolk Councils	0	0	0	0	0
Section 31 Grant	2,865	4,890	4,988	5,088	5,189
	10,093	13,395	12,639	12,892	13,149
MTFS Adjustment due to Deferral of BRR changes		3,302			

Council Tax

- 4.16 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. However, for 2021/22, Council Tax is also subject to more uncertainty than in previous years as a result of the economic impact of the Covid-19 pandemic. It is worth noting that in its assessment of the Core Spending Power of local authorities, the Government assumes that councils increase Council Tax at the maximum permitted levels. For Shire District Councils in two-tier areas, the referendum limit for 2020/21 was the higher of 2% or £5. Referendum limits did not apply to Town and Parish Councils in 2020/21. Details of referendum limits for 2021/22 are expected to be confirmed as part of the 2021/22 funding settlement announcement.
- 4.17 **Council Tax Base** – The CTB1 Council Tax Base Return was submitted to Government on 8 October 2020. There is considerable uncertainty at the present time regarding the Council Tax base for next year. This principally concerns the following issues:
- Level and timing of Local Council Tax Reduction Scheme (LCTRS) Reliefs
 - Collection rates / Bad Debt Provisions
 - Government Support to Precepting Authorities
 - Government Support to taxpayers, e.g. continuation of Hardship Fund
- 4.18 The current tax base estimate represents a cautious approach to these issues. The reduction in the tax base for East Suffolk is currently estimated to be 1,683.48 (1.92%) Band D equivalent properties, reducing the overall tax base for East Suffolk from 87,888.87 to 86,205.39 for 2021/22. This equates to around £288,300 of reduction in Council Tax income to the Council based on the current District Band D Council Tax of £171.27. The original MTFS for 2021/22 has assumed growth to the tax base of 1%, which equated to £151,000 of additional income. The overall impact to the MTFS is a loss of approximately £440,000 per annum on original projections for tax base growth. As with business rates, the Council Tax base will be reviewed following the Provisional Local Government Finance Settlement in December, and in the light of the latest available information on reliefs and collection. The Council Tax Base will be reported for approval to either the Cabinet meeting of 5 January 2021 or the Full Council meeting of 27 January 2021.
- 4.19 **District Band D Council Tax 2021/22** – An increase of £4.95 for 2021/22 would equate to a District Band D Council Tax for East Suffolk of £176.22 and generate approximately

£427,000 of additional income for East Suffolk. Total income from Council Tax would be £15.191m for 2021/22.

- 4.20 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 - 3% Increase Current MTFS	2020/21 £'000	Estimate 2021/22 £'000	Estimate 2022/23 £'000	Estimate 2023/24 £'000	Estimate 2024/25 £'000
Council Tax Income Base	(14,429)	(15,053)	(15,191)	(15,774)	(16,367)
(Growth)/Reduction in Tax Base	(189)	288	(152)	(158)	(164)
Council Tax Increase	(435)	(427)	(431)	(435)	(440)
Total Council Tax Income	(15,053)	(15,191)	(15,774)	(16,367)	(16,970)
Council Tax Band D	£171.27	£176.22	£181.17	£186.12	£191.07
Council Tax Base	87,888.87	86,205.39	87,067.44	87,938.12	88,817.50
Growth/Reduction(-) in Tax Base	1.31%	-1.92%	1.00%	1.00%	1.00%
Council Tax Increase £	4.95	4.95	4.95	4.95	4.95
Council Tax Increase %	2.98%	2.89%	2.81%	2.73%	2.66%

Assumptions from 2021/22: Council Tax increases of 3% or £5, whichever is the higher.

- 4.21 **Council Tax Collection Fund** – As a result of Covid-19, there is likely to be a larger-than-normal deficit on the 2020/21 Collection Fund for both Council Tax and Business Rates. Local authorities will estimate the deficit in December 2020/January 2021 and budget for it in 2021 budgets. This has raised concerns that spending on local services will be significantly curtailed and the financial viability of local authorities put at risk in 2021/22.
- 4.22 On 5 November 2020, the Local Authorities (Collection Fund: Surplus and Deficit) (Coronavirus) (England) Regulations 2020 were laid before Parliament and are due to come 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.”
- 4.23 The current estimate for the Council Tax Collection Fund Deficit for 2021/22 is £1.213m, with East Suffolk’s share equating to £163,000. The remaining balance of the deficit is shared by Suffolk County Council and the Police and Crime Commissioner for Suffolk. Following the implementation of the Regulations detailed in paragraph 4.22 above, the estimated deficit relating to the current year has been partly spread into 2022/23 and 2023/24. The overall updated estimate for the Council’s share of the Council Tax Deficit for 2021/22 is profiled over the MTFS as follows:

East Suffolk Council – Council Tax Collection Fund Deficit	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
Deficit for 2021/22	0	104	29	29	0

- 4.24 The Collection Fund is monitored closely throughout the financial year and the Collection Fund position will be confirmed in January 2021.

New Homes Bonus (NHB)

- 4.25 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.
- 4.26 For the current financial year, the NHB allocation included a national baseline for housing growth set at 0.4% of Council Tax base growth (weighted by band). The purpose of the baseline is to remove “deadweight” growth that would occur normally without active delivery by councils – councils will only receive NHB for new properties above this level.
- 4.27 The funding settlement for 2020/21 was for one year only and included payment of NHB for one year instead of four years, i.e. no legacy payments. This has had significant impact on NHB funding availability, as current annual allocations amount to over £500k per year. In 2019/20 the Government announced there would be further consultation on NHB proposals prior to implementation. However, to date there has been no further information released. The current MTFS therefore assumes no new NHB allocations for 2021/22 and beyond, but this position is expected to be clarified in the Provisional Local Government Finance Settlement. The table below shows the legacy payments remaining of the current financial year and the previous three years.

NHB	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
Year 7	(565)	0	0	0	0
Year 8	(548)	(548)	0	0	0
Year 9	(525)	(525)	(525)	0	0
Year 10	(665)	0	0	0	0
Forecast November 2020	(2,303)	(1,073)	(525)	0	0

- 4.28 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.
- 4.29 **Appendix A2** outlines the current position on the NHB Reserve and proposed use of NHB funding for East Suffolk over the MTFS period. This is summarised in the table below.

	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
Opening Balance	(5,441)	(5,161)	(4,264)	(3,688)	(3,624)
Add: Allocation Received	(2,303)	(1,073)	(525)	0	0
Less: Proposed Use	2,583	1,970	1,101	64	64
Closing balance	(5,161)	(4,264)	(3,688)	(3,624)	(3,560)

5 MEDIUM TERM FINANCIAL POSITION

MTFS Forecasts 2020/21 to 2024/25

- 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 at November 2020, key areas of the budget that are yet to be finalised include;

- Establishment (staffing) costs.
- Partnerships.
- Revenue implications of investment projects.
- Revenue implications of the capital programme.
- Business rates income.
- Council Tax income
- Further updates in relation to Covid-19.
- Announcement of the Local Government Settlement for 2021/22.
- Use of reserves.

5.2 The MTFS was last updated in February 2020. A summary analysis of the key movements as at November 2020 is shown in the following table. This table is supported by **Appendix A3**. 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 - November 2020	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
Key Budget Movements:					
Operational Requirements	383	509	683	696	761
Additional Income	(162)	(24)	(24)	(24)	(24)
Operational Savings	(31)	(361)	(361)	(361)	(361)
Covid-19 Impact	1,838	1,190	621	621	592
Funding:					
Business Rates	0	(3,302)	(2,242)	(2,184)	(2,441)
Net Total of Updates	2,028	(1,988)	(1,323)	(1,252)	(1,473)

5.3 The summary MTFS position resulting from these movements as at November 2020 is shown in the table below.

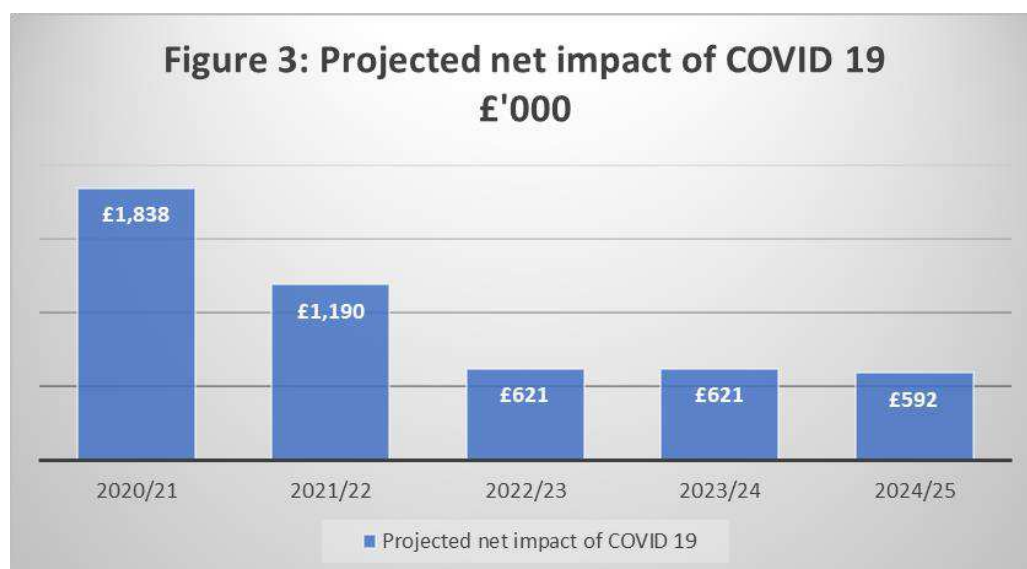
MTFS Forecast - East Suffolk	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
February 2020	0	5,350	6,163	6,676	6,676
November 2020	2,028	3,362	4,840	5,424	5,203

5.4 There are several key features in the latest MTFS position as at November 2020 notably the impact of Covid-19, further Government responses to this, and the delay in the Business Rate Retention and Fair Funding reforms until 2022/23. East Suffolk is in an advantageous position under the current Business Rates Retention system and deferral of the reforms will enable the council to benefit from another year of the current regime. As shown in **Appendix A3**, this is estimated to constitute a financial benefit of £3.302 million to the Council in 2021/22.

5.5 The period from 2021/22 onwards is extremely uncertain due to Covid-19 pressures and the uncertainty around various funding streams. The Council finds itself with pressures and uncertainties of the medium term, and the underlying budget gap that needs to be addressed. It is important that the Council's policy towards its reserves and balances seeks to provide some contingency against these future pressures, and ensures the continuation of valuable programmes and initiatives, particularly those currently funded from NHB.

Budget Planning Assumptions

- 5.6 **Covid-19 impact estimate** – In July 2020 a report was taken to Cabinet to provide an update on financial implications of Covid-19 and this report contains an update. The impact of Covid-19 is continually monitored and re-assessed as the situation changes. **Figure 3** below outlines the net cost of Covid-19 over the MTFS period.



- 5.7 The table below provides a financial impact summary of Covid-19 over the MTFS as at this time. There is much uncertainty as to the ongoing impact of Covid-19 into next financial year and beyond, for example the impact on income - Fees and Charges, Council Tax and Business Rates. The current external environment is subject to continual change, which adds greater complexity to developing medium term budget planning and assumptions.
- 5.8 The Government introduced a local government income compensation scheme, whereby Councils can claim for eligible losses on fees and charges income due to Covid-19 for 2020/21 only. Of the estimated loss on fees and charges income - £4.638 million, in the current year, it is estimated that the Council can be compensated in the region of £3 million.

Financial Impact of Covid-19 (as at November 2020)	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
Additional Cost Pressures	4,770	0	0	0	0
Savings	(310)	0	0	0	0
Income Losses:					
Sales, Fees & Charges	4,638	396	2	2	2
Council Tax Income	0	544	469	469	440
Other Income	1,062	250	150	150	150
Funding:					
External	(8,082)	0	0	0	0
Internal	(240)	0	0	0	0
Net Impact of Covid-19	1,838	1,190	621	621	592

- 5.9 Detailed information on the impact of Covid-19 for the current financial year is provided in **Appendix A4**. This covers the areas of cost and income pressures and the sources of funding received by the Council.

- 5.10 **Goods & Services** - 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. 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.
- 5.11 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.
- 5.12 **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. As a minimum, fees and charges should be increased by price inflation. The Council will also review opportunities to introduce new fees as appropriate. Proposed fees and charges for 2021/22 will be considered by Cabinet on 5 January 2021.
- 5.13 **Public Sector Pay** - The opening MTFS position for East Suffolk had assumed a 2% pay award increase per annum for 2020/21 onwards. In August 2020, the local Government Services' Pay Agreement for 2020/21 was announced, 2.75%. This was effective from 1 April 2020. The updated MTFS, reflects the additional 0.75%, approximately £180,000 per annum from the current financial year. The updated MTFS continues to assume pay awards of 2% for 2022/23 onwards due to the pressures on public finances and the economic uncertainty over the medium term.
- 5.14 **Actuarial Valuation** - The latest triennial actuarial valuation of the assets and liabilities of the Suffolk County Pension Fund was completed on 31st March 2019. The employers pension contribution rate for 2020/21, 2021/22 and 2022/23 is 34%, 33% and 32% respectively. For 2020/21 onwards there will not be a deficit payment, and instead it is incorporated into the primary rate.
- 5.15 In formulating its detailed spending plans, the Council has also taken account of past performance and the previous year's outturn position.
- 5.16 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</i>	2% 2021/22, 3% 2022/23, 4% 2023/24 onwards
Fees & Charges	Inflation is applied where appropriate - 1.1% to 2.9%
Staffing Costs	2% per annum plus incremental progression from 2021/22
In-Year Vacancy Allowance	£300k per annum
Investment Income	0.10% Term Investments (average) 0.05% Call Account 4.37% Property Fund (as at October 2020) 4.32% Diversified Income Fund (as at October 2020)

- 5.17 **Other Pressures** – 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.

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 £4 million and £6 million. As at 1 April 2020, the opening General Fund balance of East Suffolk stood at £6 million.
- 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. However, with the impact of Covid-19, there may be a requirement to consider use of this Fund in order to balance the budget in future years. This area will be kept under review.

- 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. With the unprecedented impact of Covid-19 and the financial uncertainty that it creates, the use of Earmarked reserves as a one-off resource to address the on-going budget pressures may become a necessity.
- 6.7 The current projected position on General Fund Reserves and Balances for East Suffolk is summarised in the following table. This summary does not include use of reserves to address the updated budget gaps as presented in **Appendix A3**, but the April 2021 position does include use of the In-Year Savings reserve to address the impact of Covid-19 in the current year, currently estimated at £1.838 million.
- 6.8 The opening balances for 2020/21 are subject to conclusion of the external audit review for 2019/20.

	Actual April 2020 £'000	Projected April 2021 £'000	MTFS April 2022 £'000	MTFS April 2023 £'000	MTFS April 2024 £'000	MTFS April 2025 £'000
Reserves						
General Fund	6,000	5,982	5,982	5,982	5,982	5,982
Earmarked Reserves:						
Business Rate Equalisation	6,296	24,593	10,858	10,156	9,352	9,352
Capital	8,701	5,703	2,116	683	350	417
Community Projects & Initiatives	6,783	6,264	5,044	4,468	4,404	4,340
Corporate - Contingency, Service Requirements	8,484	3,823	3,753	3,763	3,533	3,303
Housing & Homelessness	4,246	2,719	1,800	1,581	1,439	1,297
Port Health	5,181	5,277	5,359	5,386	5,475	5,565
Regeneration & Economic Development	5,853	4,632	4,438	4,454	4,470	4,487
Service Transformation	1,387	2,067	1,897	2,117	2,117	2,117
Total Earmarked Reserves	46,930	55,079	35,264	32,609	31,141	30,877

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 2021/22 to 2024/25 will be considered by both the Scrutiny Committee and the Cabinet before approval by Full Council in January 2021. 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 2021/22 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 2020/21 to 2024/25 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 The 2020/21 Capital Programme for the Council was considered by the Scrutiny Committee and Cabinet at their respective meetings on 16 December 2019 and 7 January 2020, with Council approval on 22 January 2020. The Capital Programme has continued to be reviewed and revised, and an updated Programme as at November 2020 is shown in

Appendix A5. The programme is currently being finalised and is subject to further updates.

SUMMARY - GENERAL FUND PROGRAMME	2020/21 £000 Original Budget	2020/21 £000 Revised Budget	2021/22 £000 Original Budget	2022/23 £000 Original Budget	2023/24 £000 Original Budget	2024/25 £000 Original Budget	2020/21 to 2024/25
Capital Expenditure							
Economic Development & Regeneration	0	518	0	0	0	0	518
Environmental Services & Port Health	11	200	150	150	50	50	600
Financial Services, Corporate Performance & Risk Management	5,000	7,400	300	0	0	0	7,700
ICT Services	400	785	50	50	450	250	1,585
Operations	19,889	9,556	13,874	17,530	17,080	17,880	75,920
Planning & Coastal Management	14,552	9,193	23,130	13,397	18,009	26,774	90,503
Housing Improvement	1,716	1,000	1,500	1,500	1,500	1,500	7,000
Total Capital Expenditure	41,568	28,652	39,004	32,627	37,089	46,454	183,826
Financed By:-							
External:							
Borrowing	22,422	12,659	10,271	15,200	10,400	11,400	59,930
Contributions	0	0	0	0	0	0	-
General Fund Capital Receipts	0	885	0	0	0	0	885
Grants	16,940	10,191	24,179	14,847	25,309	34,074	108,600
Reserves	2,206	4,917	4,554	2,580	1,380	980	14,411
Total Financing	41,568	28,652	39,004	32,627	37,089	46,454	183,826

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 **Efficiency 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 monthly 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 £4 million to £6 million.
 - 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>

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.	H	M	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.	L	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	H	H	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.	M	H	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.

<p>People</p> <p>Loss of key skills, resources and expertise.</p>	M	L	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.

NHB RESERVE SUMMARY 2020/21 TO 2024/25

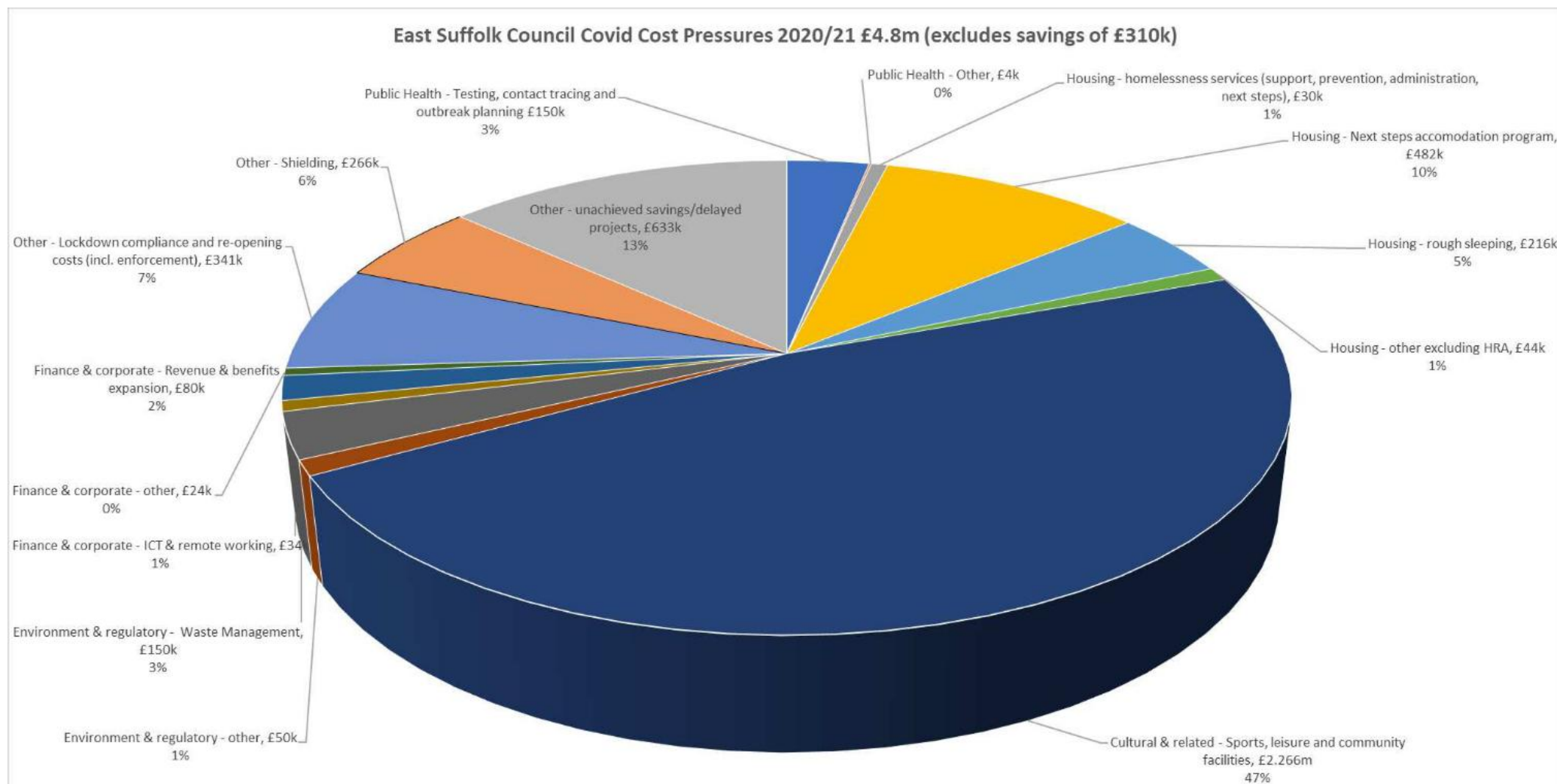
NHB Reserve					
	2020/21	2021/22	2022/23	2023/24	2024/25
	Revised Budget	Revised Budget	Revised Budget	Revised Budget	Revised Budget
	£'000	£'000	£'000	£'000	£'000
NHB Reserve Balance Brought Forward	(5,441.23)	(5,160.63)	(4,263.93)	(3,687.53)	(3,623.83)
NHB In-Year Funding	(2,302.70)	(1,073.00)	(525.00)	0.00	0.00
Total NHB Funding in Reserve	(7,743.93)	(6,233.63)	(4,788.93)	(3,687.53)	(3,623.83)
Application of NHB					
<u>Enabling Communities Budget</u>					
55 Councillors * £7.5k	433.60	412.50	412.50	0.00	0.00
	433.60	412.50	412.50	0.00	0.00
<u>COVID-19 - Foodbank Grants</u>	0.00	0.00	0.00	0.00	0.00
<u>Community Partnerships</u>					
8 Partnership * £25k each	275.00	200.00	200.00	0.00	0.00
<u>Resourcing & Engagement</u>					
CP Manager	60.80	61.70	62.40	63.70	63.70
Communities Officer	20.00	20.00	20.00	0.00	0.00
Funding Officer	20.00	20.00	20.00	0.00	0.00
Venues for meetings	2.50	2.50	2.50	0.00	0.00
Contribution to Suffolk Association Local Councils	10.00	10.00	10.00	0.00	0.00
Contribution to Community Action Suffolk	10.00	10.00	10.00	0.00	0.00
	398.30	324.20	324.90	63.70	63.70
Strategic Community Partnerships - Allocated	160.80	0.00	0.00	0.00	0.00
Strategic Community Partnerships - Unallocated	284.20	300.00	300.00	0.00	0.00
	445.00	300.00	300.00	0.00	0.00
<u>COVID-19 - Hardship Fund/Social Isolation Grants</u>	99.60	0.00	0.00	0.00	0.00
<u>Exemplar Grants</u>	22.80	0.00	0.00	0.00	0.00
<u>WIFI Implementation on Market Towns</u>	59.70	139.30	0.00	0.00	0.00
<u>ESP</u>	0.00	0.00	0.00	0.00	0.00
<u>Economic Development Towns Fund</u>	29.50	0.00	0.00	0.00	0.00
<u>Lowestoft Full Fibre project</u>	568.00	576.00	56.00	0.00	0.00
<u>UCI World Masters Cycle Cross Championships</u>	0.10	8.20	8.00	0.00	0.00
<u>Commitments Pre 2019/20</u>					
Tour of Britain - Womens Tour 2019 & 2020	75.00	27.00	0.00	0.00	0.00
Housing Enabling Support	11.10	0.00	0.00	0.00	0.00
Landguard	17.90	18.20	0.00	0.00	0.00
	104.00	45.20	0.00	0.00	0.00
<u>Place Based initiatives</u>					
Felixstowe Forwards	119.00	0.00	0.00	0.00	0.00
Leiston Together	39.70	32.30	0.00	0.00	0.00
Lowestoft Rising	20.00	0.00	0.00	0.00	0.00
	178.70	32.30	0.00	0.00	0.00
Total NHB Earmarked for Community Initiatives	2,339.30	1,837.70	1,101.40	63.70	63.70
<u>Set Aside to Support the Budget</u>					
<i>To Support Transition of NHB use to East Suffolk</i>	244.00	132.00	0.00	0.00	
Total NHB use for the Year	2,583.30	1,969.70	1,101.40	63.70	63.70
NHB Reserve Balance Carried Forward					
	(5,160.63)	(4,263.93)	(3,687.53)	(3,623.83)	(3,560.13)

MTFS KEY MOVEMENTS FROM FEBRUARY TO NOVEMBER 2020

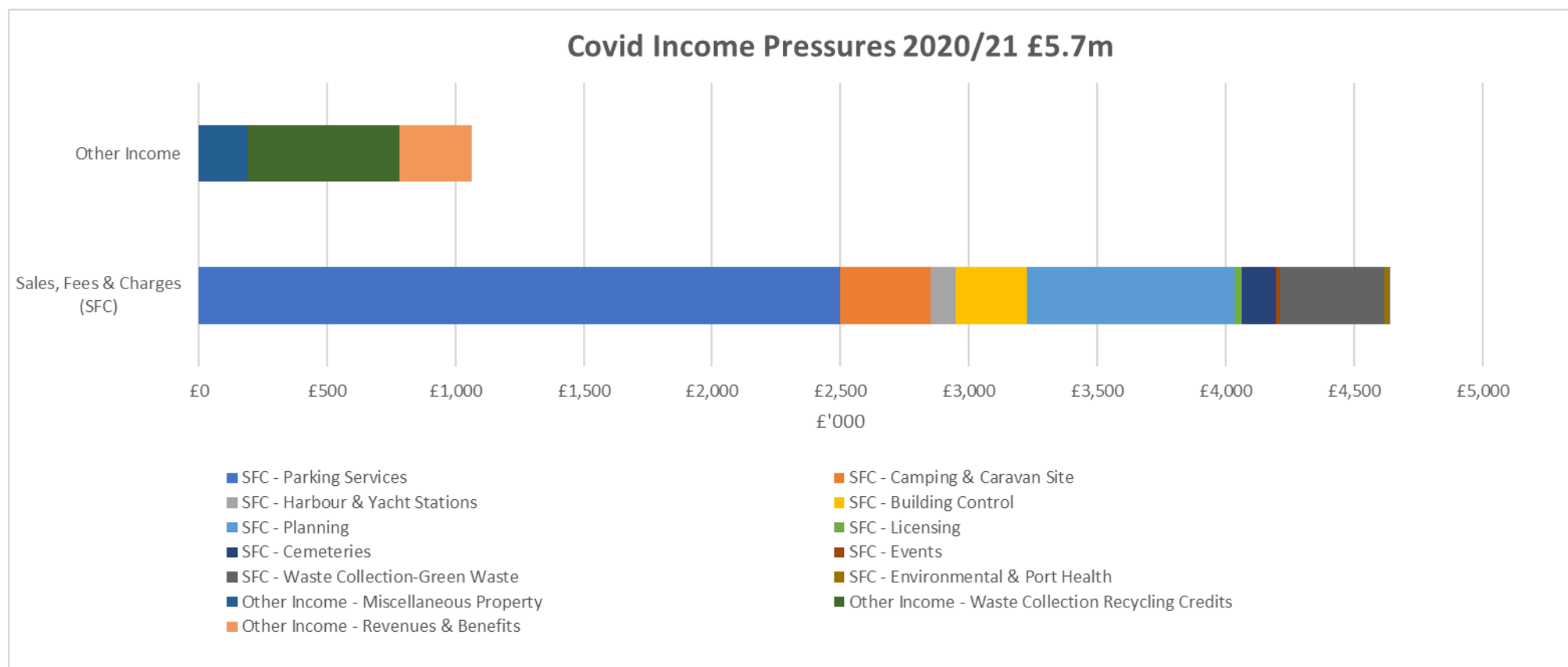
	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	
Budget Gap - February 2020	0	5,350	6,163	6,676	6,676	
<u>Non-Covid MTFS Updates - Service Areas</u>						
Operational Requirements						Additional Commentary
Bungay Leisure Centre refurbishment	105	0	0	0	0	0 Revenue costs of capital project.
Water Lane Leisure Centre refurbishment	115	0	0	0	0	0 Revenue costs of capital project.
Maintenance grants to Bungay Town Council re transfer of assets	43	29	21	14	7	7 As per March 2020 Cabinet paper.
Melton Hill site	0	244	0	0	0	0 Business rates and site security costs.
2020/21 pay award	180	180	180	180	180	180 2.75% pay award was 0.75% above original budget assumption.
Minimum Revenue Provision (capital programme)	(280)	(164)	262	502	574	574 To reflect changes to the capital programme.
Transfer to Transformation Reserve	220	220	220	0	0	0 To replenish reserve following leisure partnership review.
	383	509	683	696	761	
Additional Income						
Southwold Beach huts income	(24)	(24)	(24)	(24)	(24)	(24) 2020/21 rents were agreed in this financial year.
Miscellaneous land rent Backdated rents (2016-2019)	(138)	0	0	0	0	0 Arising from rent reviews exercise.
	(162)	(24)	(24)	(24)	(24)	
Savings						
Disable Facilities Grant service now in-house	(31)	(36)	(36)	(36)	(36)	(36) Fee previously paid to external provider.
Review of leisure partnership	0	(325)	(325)	(325)	(325)	(325) Estimated net cost.
	(31)	(361)	(361)	(361)	(361)	
Service Area - Net Budget Changes (Non-Covid)	190	124	298	311	376	
<u>Impact of Covid on the MTFS</u>						
Additional cost pressures	4,770	0	0	0	0	
Savings	(310)	0	0	0	0	
Income Losses	5,700	1,190	621	621	592	
Covid funding received	(8,322)	0	0	0	0	
Covid - Net Impact	1,838	1,190	621	621	592	2020/21 impact to be funded from the In-Year Savings Reserve.
Business Rates Income	0	(3,302)	(2,242)	(2,184)	(2,441)	2021/22 - Deferral of changes to the Business Rates system until 2022/23.
Budget Gap as at November 2020*	2,028	3,362	4,840	5,424	5,203	

* 2020/21 - £1,838m can be used from the In-Year Savings Reserve to Fund the impact of Covid in this year.

FINANCIAL IMPACT OF COVID

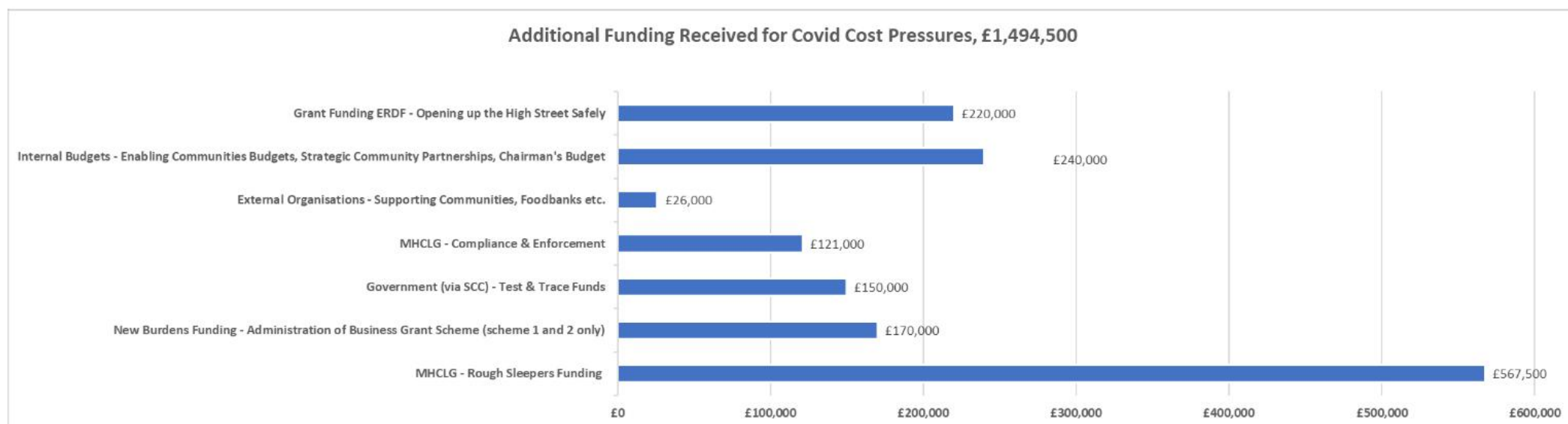
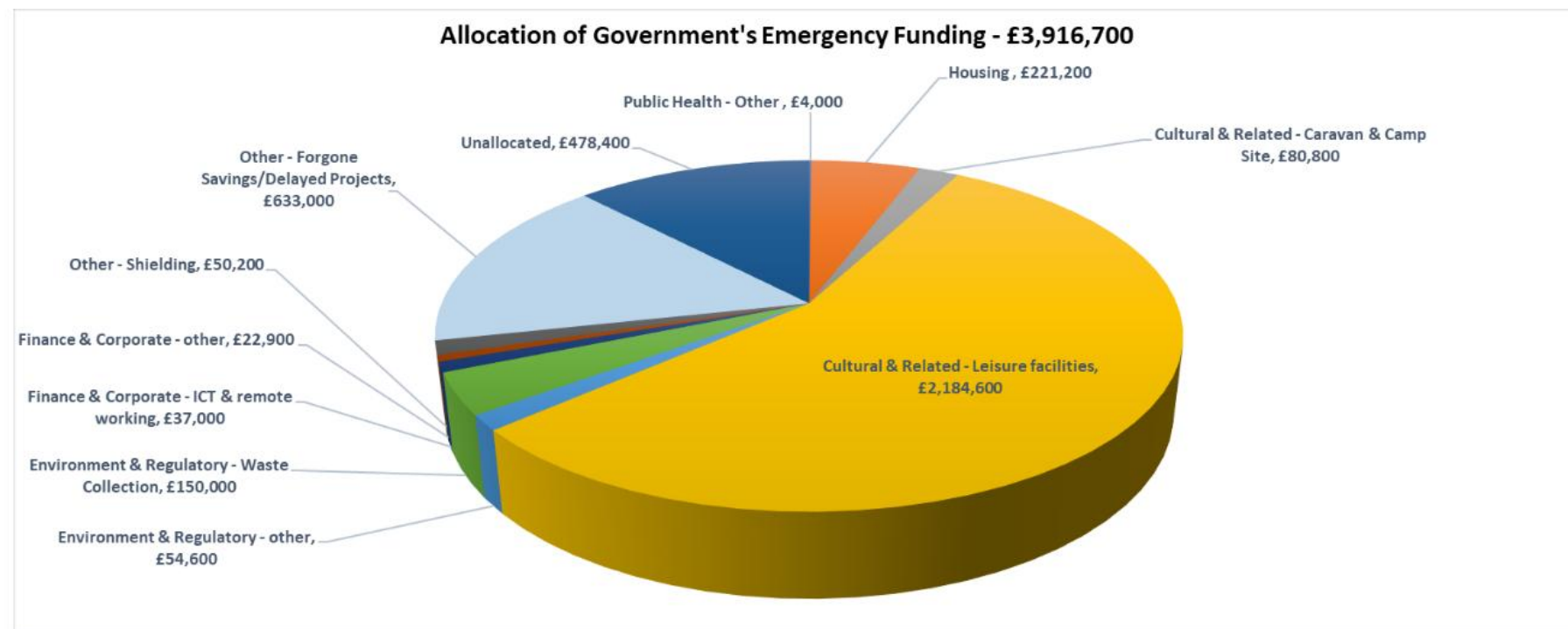


FINANCIAL IMPACT OF COVID



Government compensation scheme for loss of income from Sales, Fees & Charges – This is a scheme whereby the Council can claim compensate for eligible losses on income from Sales, Fees & Charges in 2021/22. The Council is estimating this to be in the region of £3 million.

FINANCIAL IMPACT OF COVID



CAPITAL PROGRAMME 2020/21 TO 2024/25
(DRAFT UPDATE, INCLUDING REVISIONS TO 2020/21)

SUMMARY - GENERAL FUND PROGRAMME	2020/21 £000 Original Budget	2020/21 £000 Revised Budget	2021/22 £000 Original Budget	2022/23 £000 Original Budget	2023/24 £000 Original Budget	2024/25 £000 Original Budget	2020/21 to 2024/25
Capital Expenditure							
Economic Development & Regeneration	0	518	0	0	0	0	518
Environmental Services & Port Health	11	200	150	150	50	50	600
Financial Services, Corporate Performance & Risk Management	5,000	7,400	300	0	0	0	7,700
ICT Services	400	785	50	50	450	250	1,585
Operations	19,889	9,556	13,874	17,530	17,080	17,880	75,920
Planning & Coastal Management	14,552	9,193	23,130	13,397	18,009	26,774	90,503
Housing Improvement	1,716	1,000	1,500	1,500	1,500	1,500	7,000
Total Capital Expenditure	41,568	28,652	39,004	32,627	37,089	46,454	183,826
Financed By:-							
External:							
Borrowing	22,422	12,659	10,271	15,200	10,400	11,400	59,930
Contributions	0	0	0	0	0	0	-
General Fund Capital Receipts	0	885	0	0	0	0	885
Grants	16,940	10,191	24,179	14,847	25,309	34,074	108,600
Reserves	2,206	4,917	4,554	2,580	1,380	980	14,411
Total Financing	41,568	28,652	39,004	32,627	37,089	46,454	183,826

CAPITAL PROGRAMME 2020/21 TO 2024/25
(DRAFT UPDATE, INCLUDING REVISIONS TO 2020/21)

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CAPITAL PROGRAMME 2020/21 TO 2024/25
(DRAFT UPDATE, INCLUDING REVISIONS TO 2020/21)

OPERATIONS	2020/21 £000	2020/21 £000	2020/21 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	New Project Added	Funding Type
	Original Budget	Original + Carry Fwd. Budget	Revised Budget	Expenditure to 30.9.2020	Revised Budget	Revised Budget	Revised Budget	Revised Budget		
Aldeburgh Shelter	0	0	6	0	0	0	0	0	New	IR
Bath Tap Chalets, Felixstowe	0	0	0	0	100	500	0	0	New	IR
Bawdsey Quay	0	57	57	0	0	0	0	0		IR
Brackenbury Beach Hut replacement Handrailing	0	88	88	0	0	0	0	0		IR
Bungay LC redevelopment	1,839	913	1,839	1,280	0	0	0	0		IB
Cemeteries	0	395	395	0	0	0	0	0		IB
Cliff House Chalets Felixstowe	0	0	0	0	10	0	0	0	New	IR
Cliff House, Felixstowe	0	0	0	0	250	750	0	0	New	IR
Clifflands car park, Felixstowe	0	0	0	0	100	0	0	0	New	IR
Community Asset transfer fund	0	0	0	0	125	125	125	125	New	IR
Coronation Sports Ground	0	0	0	0	45	0	0	0	New	IR
Dellwood Avenue Cricket Pavilion	0	15	0	0	0	0	0	0		IR
East Point Pavilion * subject to business case	1,500	1,500	750	0	0	0	0	0		CG/EB
Estates Management	200	307	307	115	200	200	200	200		IB/IR
Felixstowe Lighting	0	95	95	8	0	0	0	0		IR
Felixstowe North Regeneration Project	10,000	10,761	50	0	50	10,000	10,000	11,000	Subject to business case	EB
Felixstowe Seafront Gardens Handrailing	0	0	0	0	15	0	0	0	New	IR
Felixstowe Sea Front Shelters	0	103	103	0	0	0	0	0		IR
Felixstowe South - seafront work and Martello Cafe	0	1,750	750	0	1,000	0	0	0		IR
Felixstowe Sports Hub	900	900	300	18	0	0	0	0		IR
Fishing Hut Felixstowe	0	0	0	0	30	0	0	0	New	IR
Footway Lighting Works - Northern (cyclical replacement)	30	64	64	0	30	30	30	30		IR
Former Deben High School Felixstowe	0	0	600	0	2,600	0	0	0	New	IB
Leisure Centre Brackenbury	20	40	20	0	20	0	0	0		IR
Leisure Centre Deben	20	26	26	0	20	0	0	0		IR
Leisure Centre Leiston	35	80	70	24	25	0	0	0		IB
Lowestoft Beach Hut - demolition/wall stabilisation	2,500	2,453	1,453	387	0	0	0	0		IR
Lowestoft Beach Hut - replacement Beach Huts phase 2	0	0	0	0	1,000	0	0	0		IB
Lowestoft Beach Hut - replacement Beach Huts phase 3	0	0	0	0	500	100	0	0	New	IB
Lowestoft South Beach Public Conveniences/Changing Facilities	0	200	0	0	0	0	0	0		IB
Melton Riverside Car Park Lighting	0	40	0	0	0	0	0	0		IR
New Beach Hut Sites	500	952	952	0	500	500	0	0		IB
Newcombe Road Lowestoft	0	0	0	0	150	2,800	0	0	New - Subject to business case	EB
Northern Car Park Works	220	220	220	0	0	0	0	0		IB
Orford Road Felixstowe Access Ramp	0	0	0	0	95	0	0	0	New	IR
Play Areas (District wide)	0	0	0	0	200	200	200	0	New	IB
Post Office London Road North Lowestoft Redevelopment	300	300	0	0	1,000	0	0	0		EB/IR
Public Conveniences Programme	0	150	251	0	1,050	0	0	0		IB
Public Conveniences review - Lowestoft	300	400	0	0	0	0	0	0		IB
Railway Building - Lowestoft * subject to business case	0	0	0	0	1,500	0	0	0	New	EB
Ravine Bridge	0	0	0	0	320	0	0	0	New	IR
Royal Plain - Crazy Golf enhancement	0	0	0	0	200	0	0	0		IB
Royal Plain - Fountain enhancement	0	0	0	0	200	200	0	0		IR
Rushmere St Andrew Church Wall	0	0	0	0	35	0	0	0	New	IR
Seafront, Felixstowe beach platforms	0	0	0	0	80	200	0			IB
Seafront Gardens Beach Hut Development	0	495	495	0	0	0	0	0		IB
Southwold Caravan Site redevelopment * subject to business case	1,000	1,000	50	0	1,000	1,000	0	0		IR/EB
Southwold Harbour - Pump out station	0	0	0	0	80	0	0	0	New	IR
Southwold Harbour - Visitor Moorings	0	0	0	0	200	250	0	0	New	IR
Southwold Harbour South Pier	0	0	0	0	50	150	6,000	6,000		EG
St Marys Church Woodbridge - Wall	0	0	0	0	150	0	0	0	New	IR
Various pumping stations	0	0	0	0	300	0	0	0	New	IR
Waveney Norse Grounds Equipment	25	50	50	0	25	25	25	25		IR
Waveney Norse Vehicles	500	669	550	0	619	500	500	500		IR
Wickham Market Churchyard Boundary Wall	0	-5	15	15	0	0	0	0		IR
Total Budgeted Expenditure	19,889	24,018	9,556	1,847	13,874	17,530	17,080	17,880		
Internal Funding:										
Internal Borrowing	15,594	17,321	5,179	1,821	6,355	1,200	200	200		IB
Capital Receipt	0	0	0	0	0	0	0	0		ICR
Reserve	1,795	4,197	3,627	26	4,054	2,380	880	680		IR
	17,389	21,518	8,806	1,847	10,409	3,580	1,080	880		
External Funding:										
Grants	1,500	1,500	750	0	50	150	6,000	6,000		EG
Contributions	0	0	0	0	0	0	0	0		EC
Borrowing	1,000	1,000	0	0	3,415	13,800	10,000	11,000		EB
	2,500	2,500	750	0	3,465	13,950	16,000	17,000		
Total Budgeted Financing	19,889	24,018	9,556	1,847	13,874	17,530	17,080	17,880		

CAPITAL PROGRAMME 2020/21 TO 2024/25
(DRAFT UPDATE, INCLUDING REVISIONS TO 2020/21)

Project	
Aldeburgh Shelter	Refurbishment of shelter. New roof required - end of life. Redecoration and replacement benches.
Bath Tap Chalets, Felixstowe	Structural works and refurbishment
Bawdsey Quay	Sewage system, clearance of car park and signage works
Brackenbury Beach Hut replacement Handrailing	Replacement safety railing along concrete terrace for beach huts.
Bungay LC redevelopment	Redevelopment of Leisure Centre
Cemeteries	£395k for purchase of land to extend cemetery at Leiston. Burial capacity calculated for further 16 years only.
Cliff House Chalets Felixstowe	Upgrade of internal and external staircases
Cliff House, Felixstowe	Development of site
Clifflands car park, Felixstowe	Car Park surface replacement
Community Asset transfer fund	Site investment to enable transfer of assets
Coronation Sports Ground	Demolition of small toilet block and upgrade of electric supply
Dellwood Avenue Cricket Pavilion	Demolition of Pavilion
East Point Pavilion * subject to business case	Potential redevelopment opportunity through refurbishment and partial redevelopment
Estates Management	A planned preventative maintenance list of works required on Council owned properties throughout the district
Felixstowe Lighting	Cyclical replacement of footway lighting
Felixstowe Regeneration Project *subject business case	Provision of new leisure centre site
Felixstowe Seafront Gardens Handrailing	Installation of handrailing
Felixstowe Sea Front Shelters	Refurbishment of 6 sea front shelters in Felixstowe
Felixstowe South - seafront work and Martello Cafe	Development of South Seafront area and Martello Café Felixstowe
Felixstowe Sports Hub	ESC is working with key sports clubs in Felixstowe including, football, cricket, rugby and hockey in order to provide separate hubs in Felixstowe that each
Fishing Hut Felixstowe	Rebuilding of fishing hut next to Felixstowe Pier that burnt down in 2019
Footway Lighting Works - Northern (cyclical replacement)	Cyclical replacement of footway lighting
Former Deben High School Felixstowe	Purchase and development of former school site
Leisure Centre Brackenbury	Planned preventative maintenance works required to ensure the immediate running of the facility.
Leisure Centre Deben	Planned preventative maintenance works required to ensure the immediate running of the facility.
Leisure Centre Leiston	Leiston is the second of the leisure redevelopment programme. The Leiston redevelopment will bring the 1970's sports centre and the 1980's swimming
Lowestoft Beach Hut - demolition/wall stabilisation	Demolition of existing structures and stabilisation of the cliff wall
Lowestoft Beach Hut - replacement Beach Huts phase 2	Installation of beach hut shelf and beach huts
Lowestoft Beach Hut - replacement Beach Huts phase 3	Extension of replacement of existing beach huts
Lowestoft South Beach Public Conveniences/Changing	South Beach Lowestoft upgrade of public conveniences/changing facilities
Leiston Riverside Car Park Lighting	Installation of lighting
New Beach Hut Sites	Proposed investment in additional Beach Hut sites
Newcombe Road Lowestoft	Redevelopment of site to provide start up units
Northern Car Park Works	Planned preventative maintenance works
Orford Road Felixstowe Access Ramp	Replacement of disabled access ramp near new café site
Play Areas (District wide)	Upgrade and refurbishment of district wide play areas
Post Office London Road North Lowestoft Redevelopment	Redevelopment of the recently purchased vacant Post Office site in London Road North.
Public Conveniences Programme	Upgrade and refurbishment of district wide public conveniences
Public Conveniences review - Lowestoft	Enhancement of Gordon Road Public Convenience and review of remaining Public Conveniences in Lowestoft
Railway Building - Lowestoft * subject to business case	Purchase and development of building contained within the Railway site
Ravine Bridge	Structural works and refurbishment works to part owned bridge
Royal Plain - Crazy Golf enhancement	Crazy Golf redevelopment to coincide with East Point Pavilion refurbishment
Royal Plain - Fountain enhancement	Fountain enhancement to coincide with East Point Pavilion refurbishment
Rushmere St Andrew Church Wall	Refurbishment of closed church yard wall
Seafront, Felixstowe beach platforms	De-mountable beach hut platform
Seafront Gardens Beach Hut Development	Development of Seafront Gardens site for new beach huts
Southwold Caravan Site redevelopment * subject to	Refurbishment of existing caravan site
Southwold Harbour - Pump out station	Enhancement of pump out station
Southwold Harbour - Visitor Moorings	Visitor moorings enhancement
Southwold Harbour South Pier	Enhancement of pier
St Marys Church Woodbridge - Wall	Refurbishment of closed church yard wall
Various pumping stations	Replacement and enhancement of pumping stations
Waveney Norse Grounds Equipment	Replacement lawn tractors/mowers
Waveney Norse Vehicles	Purchase of Vehicles for use by Waveney Norse (contractual)
Wickham Market Churchyard Boundary Wall	Replacement of closed churchyard wall

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CAPITAL PROGRAMME 2020/21 TO 2024/25
(DRAFT UPDATE, INCLUDING REVISIONS TO 2020/21)

HOUSING REPAIRS	2020/21 £000 Original	2020/21 £000 Actual to date	2020/21 £000 Revised	2021/22 £000 Revised	2022/23 £000 Revised	2023/24 £000 Revised	2024/25 £000 Revised
Disabled Works	220		220	220	220	220	220
Environmental Works	10		10	10	10	10	10
Re-Roofing	430		430	450	450	450	450
Fascia's	-		-	-	-	-	-
Windows	15		15	15	15	15	15
External Doors	20		20	20	20	20	20
Rewiring	230		230	230	250	250	250
Central Heating/Boilers	570		570	580	580	600	600
Lifts	-		-	-	-	-	-
Energy Efficiencies Work	200		200	200	200	200	200
Kitchens - Programmed & Responsive	500		500	500	500	500	500
Bathrooms	60		60	60	60	60	60
Housing Repairs System			-				
Housing Repair Vans	110		220	110	110	210	210
Heat Metering	100		100	100	-	-	-
Fire Door replacement - All Schemes			-	-	-	-	-
St Peters Court - Fire Doors			-	-	-	-	-
St Peters Court - Water Tank			-	-	-	-	-
St Peters Court - Remove Cladding & Change windows	-		1,500	-	-	-	-
St Peters Court - Open Reach			51	-	-	-	-
St Peters Court - Fire Risk Assessment	70		100	70	-	-	-
St Peters Court - Lift	250		250	250	-	-	-
Door entry system & doors - Park Rd & The Hemplands	80		100	80	-	-	-
Demolition - Garages	-		98	-	-	-	-
Total Budgeted Expenditure	2,865	-	4,674	2,895	2,415	2,535	2,535

Financed By :-							
Housing Revenue Account	-		-	-	-	-	-
Housing Revenue Account Reserves	2,865	-	4,674	2,895	2,415	2,535	2,535
	2,865	-	4,674	2,895	2,415	2,535	2,535

HOUSING PROJECT DEVELOPMENT	2020/21 £000 Original	2020/21 £000 Actual to date	2020/21 £000 Revised	2021/22 £000 Revised	2022/23 £000 Revised	2023/24 £000 Revised	2024/25 £000 Revised
Projects							
New accommodation Project	500		-	-	-	-	-
Redevelopment Programme							
Reconversions	185		185	150	150	150	150
Expenditure on Housing Redevelopment	2,300		-	650	500	500	500
Expenditure on Housing Acquisitions	982		860	1,080	1,000	1,000	1,000
Total Budgeted Expenditure	3,967	-	1,045	1,880	1,650	1,650	1,650

Financed By :-							
Housing Revenue Account	2,392		640	1,421	350	350	350
Housing Revenue Account Reserves	1,575		327	399	1,300	1,300	1,300
External Funding	-		78	60	-	-	-
	3,967	-	1,045	1,880	1,650	1,650	1,650

NEW BUILD PROGRAMME	2020/21 £000 Original	2020/21 £000 Actual to date	2020/21 £000 Revised	2021/22 £000 Revised	2022/23 £000 Revised	2023/24 £000 Revised	2024/25 £000 Revised
New Builds	6,535		2,100	15,016	9,012	8,000	8,000
Total Budgeted Expenditure	6,535	-	2,100	15,016	9,012	8,000	8,000

Financed By :-							
Housing Revenue Account	3,719		1,136	6,447	5,208	4,272	4,272
Housing Revenue Account Reserves	1,907		484	5,391	304	700	700
External Funding	909		480	3,178	3,500	3,028	3,028
	6,535	-	2,100	15,016	9,012	8,000	8,000

Programme Total	13,367	-	7,819	19,791	13,077	12,185	12,185
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Financed By :-							
Housing Revenue Account	6,111	-	1,776	7,868	5,558	4,622	4,622
Housing Revenue Account Reserves	6,347	-	5,485	8,685	4,019	4,535	4,535
External Funding	909	-	558	3,238	3,500	3,028	3,028
	13,367	-	7,819	19,791	13,077	12,185	12,185