



APPENDIX A

EAST SUFFOLK COUNCIL

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

JANUARY 2021

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 cancelled the Autumn Budget and the Comprehensive Spending Review and concentrated on a one-year Spending Review 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.

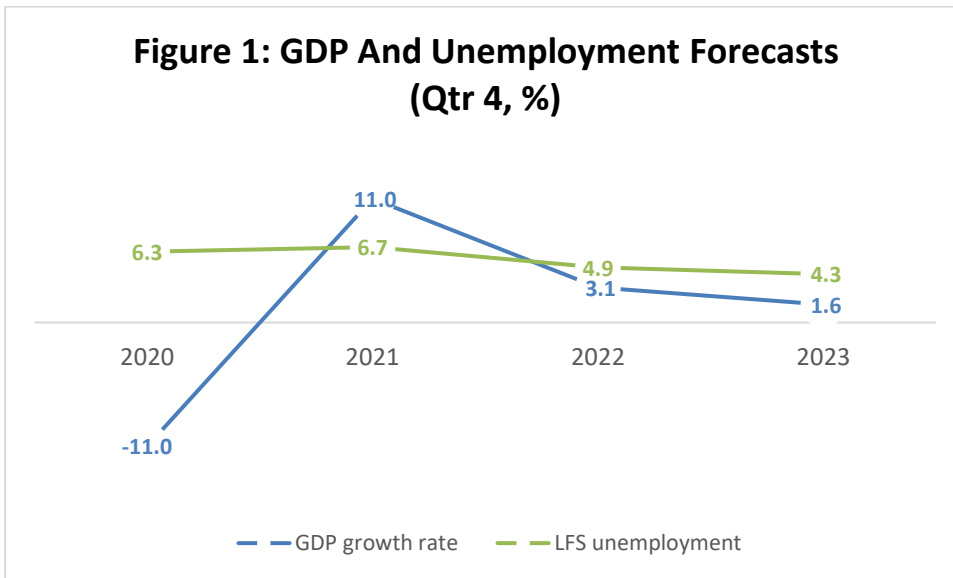
Gross Domestic Product (GDP)

- 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 August to October 2020 was 4.9%, up from 4.8% on the three months to September. 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.

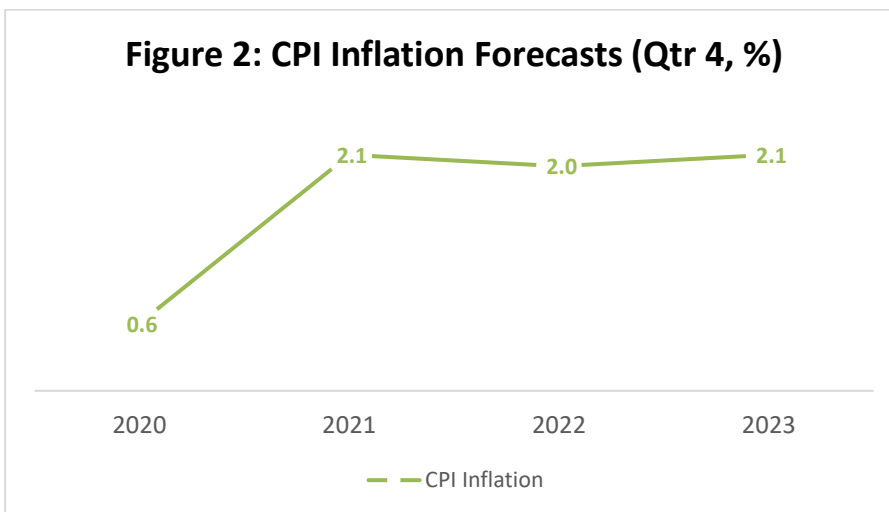
Figure 1: GDP And Unemployment Forecasts (Qtr 4, %)



Consumer Pricing Index (CPI)

- 3.4 Inflation as measured by CPI, was 0.3% in November 2020, down from 0.7% in October 2020. September 2020 CPI (0.5%) 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 16 December 2020 meeting, the Bank of England Monetary Policy Committee (MPC) unanimously voted to maintain the bank rate at 0.1%. 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 Provisional Local Government Finance Settlement was announced on 17 December 2020 and subsequent paragraphs in this section provide details of the funding measures affecting the Council. 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 MTFs previously assumed no RSG from 2021/22, but in the Provisional Local Government Finance Settlement for 2021/22, a roll forward of 2020/21 RSG was announced and the Council will receive £330,000 in 2021/22. It is not currently assumed that this funding will be replicated in 2022/23.
- 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, RSDG has also been rolled forward and £260,000 will be received in 2021/22. It is also not currently assumed that this funding will be replicated in 2022/23.

Lower Tier Services Grant

- 4.6 A new Lower Tier Services Grant (LTSG) was announced in the Settlement, with the purpose of helping to minimise the range of increases in Core Spending Power (CSP) and ensuring that no authority receives a reduction in CSP. This grant is being funded by way of re-directing New Homes Bonus (NHB) returned surplus funding. Although it will be received by all councils that deliver lower-tier services, i.e. not county councils, it is very heavily weighted towards district councils. This is probably a short-term grant that will disappear when wider reforms of local government funding are introduced, presumably in 2022/23. The Council will receive £381k in LTSG in 2021/22. It is worth noting that as far as the Council is concerned, this grant amounts to considerably more than NHB returned surplus funding might have.

Business Rates – Business Rates Retention and Fair Funding Review

- 4.7 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.
- 4.8 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 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.

- 4.9 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 a move to 100% local retention. This has now also been delayed to 2022/23.
- 4.10 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 compared to the previous MTFS is now around £3.767 million.
- 4.11 The position regarding rates income on Renewable energy projects when the system is reset is also currently unclear. The Council currently benefits from retaining 100% of the rates from all new renewable energy projects that have been developed since 2013/14. In the MTFS, it has been assumed that when the system is reset in 2022/23, the council will receive its normal 40% share of income from these existing properties and a new cycle of 100% retention will start for new projects from that point onwards. Consequently, the MTFS and the table in paragraph 4.17 shows only 40% of the current income from renewables, with no assumption of additional income from 2022/23 onwards as yet.

Business Rates

- 4.12 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 (NDR1) 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.
- 4.13 **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. 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."

- 4.14 The position on Business Rates has been greatly improved by the announcement in the Settlement of a **Tax Income Guarantee Scheme** to fund 75% of irrecoverable losses in Council Tax and Business Rates in 2020/21. This scheme will run in parallel to the requirement for billing authorities to spread the 2020/21 collection fund deficit over 3 years. Business rate losses will be measured by comparing the NNDR1 with the NNDR3 outturn. Compensation will be paid based on the reduction in non-domestic rating income, including the accounting adjustments for bad debts and refunds, which defines losses using a very broad definition. The precise details of this scheme will determine the amount of the collection fund deficit for 2020/21 and are not yet available. These figures will consequently need to be revised for the final Budget report to Full Council.
- 4.15 The Business Rates Collection Fund position is further complicated by the fact that in 2020/21, in response to the Covid-19 pandemic, around £32.5m of rate relief is being granted to retail, hospitality, and leisure businesses. For information, it is worth noting that where major retailers have offered to repay these reliefs, they are repaying HM Treasury directly, rather than via billing authorities. These reliefs are the primary reason for the currently estimated total Business Rate Collection Fund Deficit for 2020/21 of £36.726 million, with East Suffolk's 40% share equating to £14.690 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. The Council's share of additional Section 31 Grant in total is just under £12.4m which 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 4.13. Total Section 31 Grant in 2020/21 is now estimated to be £17.256m, compared with an original estimate of £4.861m. The effect of the Tax Income Guarantee Scheme referred to in paragraph 4.14 above will also need to be reflected in this table. 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	13,587	552	552	0
Tax Income Guarantee Scheme	?	0	0	0	0
Section 31 Grant contributed to Business Rates Equalisation Reserve	12,396	0	0	0	0

- 4.16 **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 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 was notified by the Government in the Provisional Local Government Finance 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. An estimate for this element will be included in the final Budget for 2021/22, but given the uncertainty surrounding Business Rates income, a high degree of caution will need to be exercised regarding this income source for next year.
- 4.17 Business Rates income for 2021/22 is based on the NNDR1 return, and all Business Rates estimates included in the MTFS have been updated based on the first draft of this return. 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 2022/23 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.

Business Rates - Update Jan 2021	MTFS	FORECAST	FORECAST	FORECAST	FORECAST
	2021/22	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000	£'000
Business Rates Income					
Business Rates Baseline	7,228	6,925	7,063	7,205	7,349
Business Rates Above Baseline	0	1,476	0	0	0
Business Rates Renewables	0	1,129	461	470	479
Total Business Rates Income	7,228	9,530	7,524	7,675	7,828
Share of Pooling Benefit with Suffolk Councils	0	0	0	0	0
Section 31 Grant	2,865	4,331	4,418	4,506	4,596
	10,093	13,861	11,942	12,181	12,424

Council Tax

- 4.18 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 2021/22 is the higher of 2% or £5, the same as in the current year. Referendum limits will not apply to Town and Parish Councils in 2021/22.
- 4.19 **Council Tax Base** – The Council Tax Base for 2021/22 was approved by Cabinet on 5 January 2021. The economic impacts of the Covid-19 pandemic have affected the Council Tax Base estimate, which includes a higher forecast level of Local Council Tax Reduction Scheme (LCTRS) reliefs and a slightly reduced collection rate.
- 4.20 The tax base for the current year amounts to 87,888.87 Band D equivalents. In normal circumstances, the tax base would be expected to increase by around 1% per year. The tax base for 2021/22 amounts to 87,339.43 Band D equivalents, a reduction of 549.44, or around 0.63%. This equates to a reduction of around £94k in Council Tax income to the Council based on the current District Band D Council Tax of £171.27.
- 4.21 In the one-year Spending Review announced on 25 November 2020, £670m additional grant funding was announced to provide support to authorities in respect of the impact on Council Tax bases arising from increased LCTRS reliefs. This funding has subsequently been confirmed in the Provisional Local Government Finance Settlement. Major precepting authorities will receive a Local Council Tax Support Grant allocation proportionate to their share of the Council Tax bill in the district, based on the increase in the value of LCTRS reliefs in the year between the October 2019 CTB1 and October 2020 CTB1 returns, together with an allowance for forecast increases at a national level.

- 4.22 The major precepting authorities will receive a total of £2.748m in grant relating to the East Suffolk area in 2021/22 as follows: Suffolk County Council £2.040m; Suffolk Police and Crime Commissioner £0.338m; and East Suffolk Council £0.370m. As a billing authority, the East Suffolk Council grant includes an element relating to the reduction in tax bases experienced at town and parish level. Based on the share of the overall average Council Tax bill, this element is estimated to amount to around £110k. The Cabinet meeting of 5 January 2021 approved a scheme for passing this element of funding on to town and parish councils for them to take into account when considering their own precept and Council Tax requirements.
- 4.23 **Council Tax Collection Fund Deficit** – In a similar situation to Business Rates, there is also likely to be a larger than normal deficit on the 2020/21 Council Tax Collection Fund primarily due to an increase in the level of Local Council Tax Reduction Scheme (LCTRS) reliefs and a higher provision for non-collection and the Local Authorities (Collection Fund: Surplus and Deficit) (Coronavirus) (England) Regulations 2020 also apply enabling the spread of collection fund deficits arising in 2020/21 over the next three years.
- 4.24 As with Business Rates, the **Tax Income Guarantee Scheme** announced in the Settlement will fund 75% of irrecoverable losses in Council Tax and Business Rates in 2020/21. This scheme will run in parallel to the requirement for billing authorities to spread the 2020/21 collection fund deficit over 3 years. Council Tax losses will be calculated by comparing an authority’s Council Tax requirement in 2020-21 with its share of the relevant billing authority’s Net Collectable Debit. The guidance indicates a wider scope than had been expected and appears to avoid the difficulty of defining “irrecoverable” losses.
- 4.25 The current estimate for the Council Tax Collection Fund Deficit for 2021/22 is £1.262m, with East Suffolk’s share equating to £170,000. 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	106	32	32	0

- 4.26 **District Band D Council Tax 2021/22** – Mindful of the financial impact of the pandemic on residents, Cabinet on 1 December 2020 approved that Members and officers develop proposals to set a balanced budget for 2021/22 and beyond, including a recommended freeze on the district element of Council Tax in 2021/22 subject to further evaluation and analysis. An increase at the maximum level of £4.95 for 2021/22 would equate to a District Band D Council Tax for East Suffolk of £176.22 and generate approximately £432k of additional income. Whilst in normal circumstances it would probably be advisable for the Council to increase Council Tax up to the maximum level allowed without a referendum, the funding measures in the Settlement referred to above, specifically the Tax Income Guarantee Scheme and Local Council Tax Support Grant, provide financial support significantly mitigating the impact of not increasing the district tax element.
- 4.27 The table below sets out the estimated Council Tax income and current assumptions on Council Tax included in the MTFs, incorporating a freeze in 2021/22.

Council Tax Income - 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)	(14,959)	(15,545)	(16,141)
Growth / Reduction in Tax Base	(189)	94	(150)	(155)	(161)
Council Tax Increase	(435)	0	(437)	(441)	(445)
Total Council Tax Income	(15,053)	(14,959)	(15,545)	(16,141)	(16,748)
Council Tax Band D	£171.27	£171.27	£176.22	£181.17	£186.12
Council Tax Base	87,888.87	87,339.43	88,212.82	89,094.95	89,985.90
Growth in Tax Base	1.31%	-0.63%	1.00%	1.00%	1.00%
Council Tax Increase £	4.95	0.00	4.95	4.95	4.95
Council Tax Increase %	2.98%	0.00%	2.89%	2.81%	2.73%

Assumptions from 2021/22: Council Tax increases of 2% or £5, whichever is the higher.

New Homes Bonus (NHB)

- 4.28 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.
- 4.29 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 a significant impact on NHB funding availability, as annual allocations generally tended to amount to over £500k per year. There has been considerable uncertainty regarding NHB as the consultation on the future of NHB and potential alternative incentives for the provision of new housing has been postponed. Another one-year only round of NHB funding (year 11), has been announced in the Settlement, so the total payments of NHB to be received in 2021/22 will be two legacy payments in respect of years 8 and 9, and one payment in respect of year 11. Under the current system, NHB allocations are based on growth in the number of properties between this year and last year as shown on the Council Tax CTB1 forms, and an allocation is payable over a growth threshold of 0.4%. However, the Covid-19 pandemic has clearly affected house completions this year, and the council's year 11 allocation is only £24k, as these forms indicate growth of only 0.42% over the past year. However, the premium of £350 per property given for new affordable homes increases the overall allocation for the year to just under £104k. The table below shows the position regarding new and legacy payments. Given the potential changes to this regime, no assumption has been made for any new NHB allocations from 2022/23 onwards.

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
Year 11	0	(104)	0	0	0
Forecast January 2021	(2,303)	(1,177)	(525)	0	0

4.30 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.

4.31 **Appendix A3** 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	(5,442)	(5,693)	(4,783)	(3,678)	(3,606)
Add: Allocation Received	(2,303)	(1,177)	(525)	0	0
Less: Proposed Use	2,052	2,087	1,630	72	73
Closing balance	(5,693)	(4,783)	(3,678)	(3,606)	(3,533)

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. Key areas of the budget review include;

- Establishment (staffing) costs.
- Partnerships.
- Revenue implications of investment projects and the capital programme.
- Business Rates and Council Tax income.
- Covid-19.
- 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 January 2021 is shown in the following table. This table is supported by **Appendix A4 and A5**.

MTFS Updates - January 2021	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
Key Budget Movements:					
Operational Requirements	242	490	1,238	1,120	1,915
Reduced Income	0	150	150	150	150
Additional Income	0	(57)	(107)	(107)	(107)
Partnership Review	(25)	(186)	(345)	(758)	(830)
COVID Impact	1,784	1,428	264	264	264
Replenish Reserve	0	200	0	0	0
Funding:					
Business Rates	0	(3,767)	(1,545)	(1,472)	(1,716)
Council Tax	0	790	730	744	105
Local Government Settlement Funding	0	(1,231)	0	0	0
Use of Reserves to Balance the Budget	(2,001)	(3,167)			
Net Total of Updates	0	(5,350)	385	(59)	(219)

5.3 The summary MTFS position resulting from these movements as at January 2021 is shown in the table below.

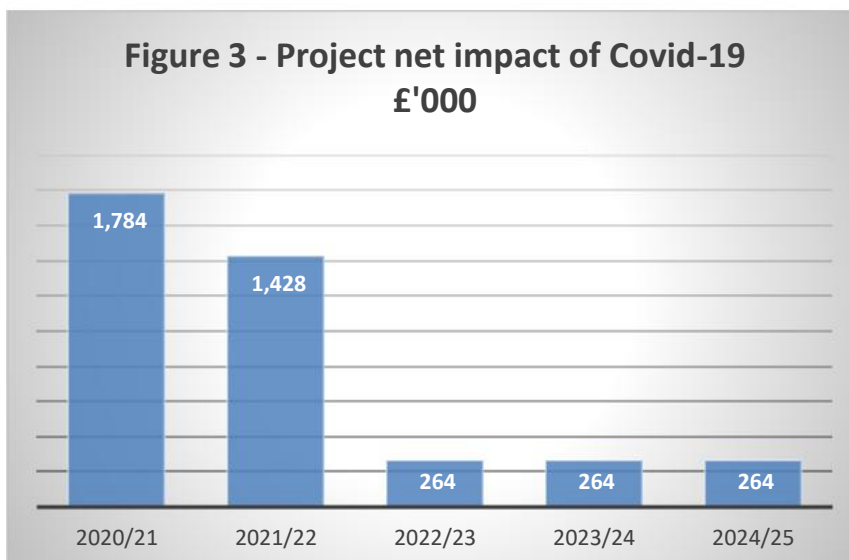
MTFS Forecast - East Suffolk	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
February 2020	0	5,350	6,163	6,676	6,676
November 2020	2,028	3,362	4,840	5,424	5,203
January 2021	0	0	6,548	6,617	6,457

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. This is estimated to constitute a financial benefit of over £3 million to the Council in 2021/22.

5.5 The period from 2021/22 onwards is extremely uncertain due to Covid-19 pressures. 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 the 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 impact 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.

Financial Impact of Covid-19 (as at January 2021)	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
Additional Cost Pressures	4,940	1,346	100	100	0
Savings	(310)	(100)	(100)	(100)	(100)
Income Losses:					
Sales, Fees & Charges	3,584	1,356	300	300	300
Other Income	1,306	812	64	64	64
Funding:	(7,736)	(1,986)	(100)	(100)	0
Net Impact of Covid-19	1,784	1,428	264	264	264

- 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. As part of the Local Government Settlement for 2021/22 this scheme has been extended to the end of the first quarter of 2021/22. Of the estimated loss on fees and charges income - £3.584 million, in the current year, it is estimated that the Council could be compensated in the region of £2.7 million.
- 5.9 Detailed information on the impact of Covid-19 for the current financial year is provided in **Appendix A7**. 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 were 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 is adjusted to reflect the financial implications of these changes.

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. 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. However, with the unprecedented impact of Covid-19 and the financial uncertainty that it creates, Earmarked reserves have been used as a one-off resource to address the budget gaps for the current year and for 2021/22. For 2020/21 £2.001 million has been used from the In-Year Savings Reserves. For 2021/22 the In-Year savings Reserve and the Business Rate Equalisation Reserve have both been used to balance the budget - £2.269 million and £0.898 million respectively.
- 6.6 The current projected position on General Fund Reserves and Balances for East Suffolk is summarised in the following table. This summary includes use of reserves to address the updated budget gaps as detailed above. This summary is supported by **Appendix A6**.

Reserves	Actual	MTFS	MTFS	MTFS	MTFS	MTFS
	April	April	April	April	April	April
	2020	2021	2022	2023	2024	2025
	£'000	£'000	£'000	£'000	£'000	£'000
General Fund	6,000	6,000	6,000	6,000	6,000	6,000
Earmarked Reserves:						
Business Rate Equalisation	5,881	24,175	9,416	8,824	8,117	8,082
Capital	8,701	5,703	2,171	438	105	172
Community Projects & Initiatives	6,783	6,983	5,721	4,406	4,134	3,973
Corporate - Contingency, Service Requirements	8,484	8,813	2,325	2,335	2,025	2,035
Housing & Homelessness	4,246	3,936	2,274	2,047	1,918	1,786
Port Health	5,181	4,987	4,819	4,740	4,721	4,628
Regeneration & Economic Development	5,853	3,720	2,151	2,005	2,210	2,486
Service Transformation	1,387	2,067	1,897	2,117	2,117	2,117
Total Earmarked Reserves	46,516	60,384	30,774	26,912	25,347	25,279

6.7 The opening balances above for 2020/21 are subject to conclusion of the external audit review for 2019/20.

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 was considered by both the Scrutiny Committee and the Cabinet before approval by Full Council on 27 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 on 17 December 2020 and Cabinet on 5 January 2021 before approval by Full Council on 27 January 2021.

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 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 align="center">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 align="center">L</p> <p align="center">M</p> <p align="center">H</p> <p align="center">H</p>	<p align="center">H</p> <p align="center">H</p> <p align="center">H</p> <p align="center">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 align="center">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 align="center">H</p>	<p align="center">H</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 style="text-align: center;">People</p> <p>Loss of key skills, resources and expertise.</p>	<p>M</p>	<p>L</p>	<p>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>
<p style="text-align: center;">Regulatory</p> <p>Changes of responsibility from Government can adversely impact on service priorities and objectives.</p>	<p>L</p>	<p>L</p>	<p>Sound system of service and financial planning in place. Lobby as appropriate.</p>
<p style="text-align: center;">Reputation</p> <p>Loss of reputation if unforeseen resource constraints result in unplanned service reductions.</p>	<p>L</p>	<p>H</p>	<p>Identify and implement robust solutions in response to changes. Consult widely. Seek to achieve a prudent level of balances and reserves.</p>

Band D Equivalent Taxbase by Parish			
PARISH	20/21	21/22	Difference
Aldeburgh	1,883.62	1,870.40	-13.22
Alderton	174.22	176.58	2.36
Aldringham-Cum-Thorpe	575.43	575.22	-0.21
All Saints & St. Nicholas, St. Michael and St. Peter S E	102.49	102.45	-0.04
Badingham	224.14	230.16	6.02
Barnby	217.09	215.66	-1.43
Barsham and Shipmeadow	129.08	131.00	1.92
Bawdsey	188.02	193.25	5.23
Beccles	3,206.36	3,160.88	-45.48
Benacre	33.97	32.68	-1.29
Benhall & Sternfield	290.55	299.47	8.92
Blaxhall	112.44	109.38	-3.06
Blundeston and Flixton	456.35	454.71	-1.64
Blyford and Sotherton	71.01	70.50	-0.51
Blythburgh	191.21	192.52	1.31
Boulge	14.85	14.10	-0.75
Boyton	59.66	58.47	-1.19
Bramfield & Thorington	191.03	192.37	1.34
Brampton with Stoven	148.52	150.86	2.34
Brandeston	146.11	142.59	-3.52
Bredfield	147.28	146.41	-0.87
Brightwell, Foxhall & Purdis Farm	985.21	989.89	4.68
Bromeswell	154.82	155.32	0.50
Bruisyard	66.12	69.28	3.16
Bucklesham	200.74	198.39	-2.35
Bungay	1,631.58	1,613.60	-17.98
Burgh	79.37	79.56	0.19
Butley, Capel St Andrew & Wantisden	113.32	113.18	-0.14
Campsea Ashe	155.05	154.71	-0.34
Carlton Colville	2,657.67	2,609.02	-48.65
Charsfield	145.84	143.75	-2.09
Chediston, Linstead Magna & Linstead Parva	158.06	158.74	0.68
Chillesford	63.35	69.08	5.73
Clopton	145.80	144.55	-1.25
Cookley & Walpole	153.33	153.27	-0.06
Corton	567.16	567.40	0.24
Covehithe	10.84	12.87	2.03
Cransford	67.42	67.21	-0.21
Cratfield	148.76	144.37	-4.39
Cretingham, Hoo & Monewden	207.77	207.40	-0.37
Dallinghoo	84.77	83.38	-1.39

Darsham	181.67	191.85	10.18
Debach	32.01	32.14	0.13
Dennington	232.70	233.86	1.16
Dunwich	86.20	86.46	0.26
Earl Soham	202.46	201.29	-1.17
Easton	163.04	167.03	3.99
Eyke	154.63	152.13	-2.50
Felixstowe	8,474.25	8,488.90	14.65
Flixton, St. Cross S E & St. Margaret South Elmham	165.31	161.32	-3.99
Framlingham	1,492.68	1,566.80	74.12
Friston	211.74	213.88	2.14
Frostenden, Uggeshall and South Cove	164.76	168.42	3.66
Gisleham	248.05	245.02	-3.03
Great Bealings	132.25	132.40	0.15
Great Glemham	103.37	103.07	-0.30
Grundisburgh & Culpho	634.94	645.89	10.95
Hacheston	159.69	162.58	2.89
Halesworth	1,719.61	1,720.23	0.62
Hasketon	175.12	175.15	0.03
Hemley	25.33	25.71	0.38
Henstead with Hulver Street	139.22	137.33	-1.89
Heveningham	65.50	64.29	-1.21
Hollesley	475.97	483.35	7.38
Holton	308.32	304.80	-3.52
Homersfield	59.30	60.13	0.83
Huntingfield	78.65	76.53	-2.12
Iken	63.31	64.36	1.05
Kelsale-cum-Carlton	406.67	401.44	-5.23
Kesgrave	4,788.23	4,753.56	-34.67
Kessingland	1,427.93	1,392.31	-35.62
Kettleburgh	109.66	108.12	-1.54
Kirton & Falkenham	554.01	552.33	-1.68
Knodishall	315.05	313.61	-1.44
Leiston	1,777.07	1,724.87	-52.20
Letheringham	42.82	38.62	-4.20
Levington & Stratton Hall	125.62	121.51	-4.11
Little Bealings	213.74	209.67	-4.07
Little Glemham	67.14	67.32	0.18
Lound	117.41	115.83	-1.58
Lowestoft	12,682.12	12,371.87	-310.25
Marlesford	87.42	86.40	-1.02
Martlesham	2,296.38	2,296.33	-0.05
Melton	1,822.60	1,860.33	37.73
Mettingham	82.10	80.44	-1.66
Middleton	198.64	202.75	4.11
Mutford	185.31	185.20	-0.11
Nacton	344.26	352.54	8.28

Newbourne	107.22	108.55	1.33
North Cove	149.89	151.89	2.00
Orford & Gedgrave	394.25	398.71	4.46
Otley	288.92	290.45	1.53
Oulton	1,463.43	1,467.88	4.45
Oulton Broad	3,250.37	3,209.24	-41.13
Parham	120.08	119.31	-0.77
Peasenhall	232.77	236.66	3.89
Pettistree	87.15	88.10	0.95
Playford	112.89	111.18	-1.71
Ramsholt	12.77	12.53	-0.24
Redisham	52.13	51.74	-0.39
Rendham	129.57	128.77	-0.80
Rendlesham	939.42	931.93	-7.49
Reydon	1,192.36	1,178.84	-13.52
Ringsfield and Weston	221.44	219.60	-1.84
Rumburgh	119.50	120.46	0.96
Rushmere	33.07	33.17	0.10
Rushmere St Andrew	2,573.67	2,560.78	-12.89
Saxmundham	1,566.89	1,556.39	-10.50
Saxtead	126.06	127.44	1.38
Shadingfield, Sotterley, Willingham and Ellough	180.14	180.25	0.11
Shottisham	84.33	83.77	-0.56
Sibton	94.89	98.18	3.29
Snape	329.04	326.69	-2.35
Somerleyton, Ashby & Herringfleet	164.18	162.49	-1.69
Southwold	1,094.99	1,076.40	-18.59
Spexhall	85.38	84.16	-1.22
St. Andrew Ilketshall	110.89	113.28	2.39
St. James South Elmham	87.83	88.31	0.48
St. John Ilketshall	20.38	20.09	-0.29
St. Lawrence Ilketshall	61.77	59.18	-2.59
St. Margaret Ilketshall	69.38	71.45	2.07
Stratford St Andrew and Farnham	138.50	138.88	0.38
Sudbourne	184.58	182.46	-2.12
Sutton	142.39	143.97	1.58
Sutton Heath	327.25	358.26	31.01
Sweffling	96.45	97.32	0.87
Swilland & Witnesham	398.60	409.31	10.71
Theberton	152.35	148.92	-3.43
Trimley St Martin	731.42	736.40	4.98
Trimley St Mary	1,267.47	1,255.32	-12.15
Tuddenham St Martin	164.05	165.41	1.36
Tunstall	264.01	264.02	0.01
Ubbeston	42.45	42.97	0.52
Ufford	382.86	392.54	9.68
Walberswick	388.72	375.57	-13.15

Waldringfield	249.75	250.35	0.60
Wangford with Henham	249.08	252.05	2.97
Wenhaston with Mells Hamlet	417.09	402.76	-14.33
Westerfield	234.74	236.17	1.43
Westhall	130.45	132.27	1.82
Westleton	308.52	310.14	1.62
Wickham Market	818.13	806.71	-11.42
Wissett	123.66	121.03	-2.63
Woodbridge	3,149.75	3,100.12	-49.63
Worlingham	1,289.04	1,273.64	-15.40
Wrentham	382.53	375.17	-7.36
Yoxford	343.31	345.20	1.89
	87,888.87	87,339.43	-549.44

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	(5,441.67)	(5,692.87)	(4,781.97)	(3,677.47)	(3,605.47)
NHB In-Year Funding	(2,302.70)	(1,176.50)	(525.00)	0.00	0.00
Total NHB Funding in Reserve	(7,744.37)	(6,869.37)	(5,306.97)	(3,677.47)	(3,605.47)
Application of NHB					
Enabling Communities Budget					
55 Councillors * £7.5k	433.60	412.50	412.50	0.00	0.00
	433.60	412.50	412.50	0.00	0.00
COVID-19 - Foodbank Grants	0.00	0.00	0.00	0.00	0.00
Community Partnerships					
8 Partnership * £25k each	269.20	200.00	200.00	0.00	0.00
Resourcing & Engagement					
CP Manager	66.40	69.50	70.40	72.00	73.30
Communities Officer	40.70	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
	418.80	332.00	332.90	72.00	73.30
Strategic Community Partnerships - Allocated	210.80	0.00	0.00	0.00	0.00
Strategic Community Partnerships - Unallocated	209.20	300.00	300.00	0.00	0.00
	420.00	300.00	300.00	0.00	0.00
COVID-19 - Hardship Fund/Social Isolation Grants	99.60	0.00	0.00	0.00	0.00
Exemplar Grants	22.80	0.00	0.00	0.00	0.00
WIFI Implementation on Market Towns	59.70	139.30	0.00	0.00	0.00
ESP	0.00	0.00	0.00	0.00	0.00
Economic Development Towns Fund	29.50	0.00	0.00	0.00	0.00
Lowestoft Full Fibre project	48.00	576.00	576.00	0.00	0.00
UCI World Masters Cycle Cross Championships	0.00	8.20	8.10	0.00	0.00
Commitments Pre 2019/20					
Tour of Britain - Womens Tour 2019 & 2020	75.00	54.00	0.00	0.00	0.00
Housing Enabling Support	16.20	0.00	0.00	0.00	0.00
Better Broadband Suffolk	0.00	0.00	0.00	0.00	0.00
Community Enabling (locality budget)	0.00	0.00	0.00	0.00	0.00
Economic Development Major Projects	0.00	0.00	0.00	0.00	0.00
Landguard	18.30	18.10	0.00	0.00	0.00
	109.50	72.10	0.00	0.00	0.00
Place Based initiatives					
Felixstowe Forwards	106.10	83.50	0.00	0.00	0.00
Leiston Together	39.90	31.80	0.00	0.00	0.00
Lowestoft Rising	20.00	0.00	0.00	0.00	0.00
	166.00	115.30	0.00	0.00	0.00
Total NHB Earmarked for Community Initiatives	1,807.50	1,955.40	1,629.50	72.00	73.30
Set Aside to Support the Budget					
<i>To Support Transition of NHB use to East Suffolk</i>	244.00	132.00	0.00	0.00	0.00
Total NHB use for the Year	2,051.50	2,087.40	1,629.50	72.00	73.30
NHB Reserve Balance Carried Forward	(5,692.87)	(4,781.97)	(3,677.47)	(3,605.47)	(3,532.17)

MTFS KEY MOVEMENTS FROM FEBRUARY 2020 TO 2021

	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	
Operational Requirements						Additional Commentary
Roll forward of staffing budget	0	0	0	0	360	Annual increments and pay award assumption
2020/21 pay award	180	180	180	180	180	2.75% pay award. 0.75% above original budget assumption
Melton Hill site	0	244	0	0	0	Business rates and site security costs
Minimum Revenue Provision	(280)	(164)	217	502	575	To reflect changes to the capital programme
Coastal management repairs & maintenance	0	55	55	55	55	Coastal frontages - rapid changes as the result of winter storms, surges and coastal change
Other net changes	342	175	786	383	745	
Total of key movements for operational requirements	242	490	1,238	1,120	1,915	
Reduced Income						
Investment income	0	150	150	150	150	Impact of a fall in interest rates
Total of key movements for reduced income	0	150	150	150	150	
Additional Income						
Commercial Investment (net position)	0	(57)	(107)	(107)	(107)	Recent business park acquisition
Total of key movements for additional income	0	(57)	(107)	(107)	(107)	
Review of Leisure Partnership	(25)	(186)	(345)	(758)	(830)	Net position
Impact of Covid-19						
Cost pressures	4,940	1,346	100	100	0	
Savings	(310)	(100)	(100)	(100)	(100)	
Income losses - sales, fees & charges	3,584	1,356	300	300	300	Includes car parking and development control income
Income losses - other income	1,306	812	64	64	64	Includes waste recycling credits, property rental income
Covid-19 funding received	(7,736)	(251)	(100)	(100)	0	
Covid-19 Government funding for 2021/22	0	(1,735)	0	0	0	2021/22 includes £400k of funding for SFC losses and £1.3m for emergency funding
Total net impact of Covid-19	1,784	1,428	264	264	264	
Business Rates Income						
Business rates income	0	(3,767)	(1,545)	(1,472)	(1,716)	2021/22 - Changes to the Business Rates system deferred to 2022/23
Business rates deficit for 2020/21	0	13,587	552	552	0	Deficit is spread over three years
Use of the Business Rate Equalisation reserve	0	(13,587)	(552)	(552)	0	To fund the deficit over three years
Total business rate income movements	0	(3,767)	(1,545)	(1,472)	(1,716)	
Council Tax						
Council tax income	0	0	0	0	(620)	Roll forward of budget
Council tax deficit	0	106	32	32	0	Deficit is spread over three years
Council tax income - tax base change	0	252	262	271	280	Reduction to tax base due to Covid-19
Council tax freeze	0	432	436	441	445	Council tax freeze in 2021/22
Total council tax income movements	0	790	730	744	105	
Settlement Grant Funding - One Year Funding						
Revenue Support Grant	0	(330)	0	0	0	One Year roll forward of the Local Government Funding Settlement into 2021/22
Rural Services Delivery Grant	0	(260)	0	0	0	One Year roll forward of the Local Government Funding Settlement into 2021/22
Lower Tier Services Grant	0	(381)	0	0	0	One off grant for 2021/22
Local Council Tax Support Grant	0	(370)	0	0	0	One off grant for 2021/22
Local Council Tax Support Grant-allocated to Town & Parish Councils	0	110	0	0	0	As per Council Tax Base 2021/22 Report to Cabinet (5 January 2021)
Total of one-year settlement grant funding	0	(1,231)	0	0	0	
Reserve Use						
Transfer to Actuarial reserve	0	200	0	0	0	To replenish reserve
Use of In-Year Savings reserve to balance the budget	(2,001)	(2,269)	0	0	0	
Use of Business Rate Equalisation reserve to balance the budget	0	(898)	0	0	0	
Total of key movements on reserves	(2,001)	(2,967)	0	0	0	
Budget Gap as at January 2021	0	0	6,548	6,617	6,457	

GENERAL FUND REVENUE BUDGET SUMMARY

Service Area	Original	Revised	MTFS	MTFS	MTFS	MTFS
	2020/21	2020/21	2021/22	2022/23	2023/24	2024/25
	£	£	£	£	£	£
Senior and Corporate Management	2,582,000	2,697,900	2,671,400	2,599,400	2,648,100	2,690,300
Economic Development and Regeneration	1,777,100	3,238,100	2,931,100	2,287,000	1,622,500	1,451,700
Financial Services, Corporate Performance and Risk	636,500	2,190,900	422,500	440,700	468,000	495,200
Revenue and Benefits	2,322,000	2,460,400	2,435,200	2,587,500	2,694,800	2,776,700
ICT	2,595,700	2,893,600	3,109,500	2,740,300	2,737,700	2,778,900
Internal Audit & Corporate Investigations	501,200	484,000	559,400	534,200	549,400	563,800
Human Resources	654,800	797,100	755,700	771,500	768,600	783,300
Legal and Democratic Services	2,312,400	2,259,300	2,390,500	2,438,100	2,844,100	2,536,100
Planning and Coastal Management	2,659,500	2,584,700	3,350,000	3,393,400	3,558,300	3,694,400
Operational Management	115,800	114,800	118,900	121,600	124,000	126,500
Customer Services, Communications & Marketing	2,015,900	1,890,500	2,041,300	2,074,400	2,116,600	2,158,700
Operations	10,339,200	18,403,200	12,528,100	10,336,300	10,702,500	10,728,400
Community Development & Regeneration	1,963,500	2,145,400	2,112,900	1,986,600	1,046,300	933,000
Environmental Services and Port Health	682,600	801,100	1,188,100	1,088,300	1,139,800	1,248,600
Housing Services	2,892,800	1,661,600	2,946,300	1,547,300	1,491,300	1,533,000
Net Cost of Service	34,051,000	44,622,600	39,560,900	34,946,600	34,512,000	34,498,600
Non-Cost of Service Expenditure Adjustments						
Direct Revenue Financing (DRF)	1,928,000	5,726,900	5,114,200	2,880,000	1,380,000	980,000
Revenue provision for the repayment of debt (MRP)	1,100,000	820,500	1,196,500	1,627,300	1,942,000	2,014,500
Recharges to the Housing Revenue Account (HRA)	(1,376,700)	(1,336,700)	(1,414,400)	(1,438,900)	(1,476,700)	(1,506,600)
Bad Debt Provision	0	5,000	5,000	5,000	5,000	5,000
Other Accounting Adjustments	34,500	25,000	25,000	25,000	25,000	25,000
Other Operating Expenditure						
Town & Parish Precepts	6,380,900	6,380,900	6,380,900	6,380,900	6,380,900	6,380,900
Council Tax Support Grant to Town & Parish Councils	0	0	110,000	0	0	0
Additional Local Restrictions Grant	0	400,000	4,589,200	0	0	0
Levies	239,500	245,500	246,000	247,900	250,500	250,500
Financing and Investment Income and Expenditure						
Interest Payable	363,000	415,000	415,000	415,000	415,000	415,000
Interest Receivable	(800,000)	(800,000)	(650,000)	(650,000)	(650,000)	(650,000)
HRA Share of Interest Payable & Receivable	(104,100)	(61,200)	(84,800)	(43,900)	(40,600)	(300)
Investment Property Income & Expenditure	(139,000)	(171,400)	(120,400)	(120,400)	(120,300)	(120,300)
Other Financing Charges	450,200	450,200	430,300	409,100	386,300	386,300
Non-Specific Grant Income						
New Homes Bonus	(2,302,700)	(2,302,700)	(1,176,500)	(525,000)	0	0
S31 Grant	(4,860,600)	(17,256,300)	(4,331,000)	(4,418,000)	(4,506,000)	(4,596,000)
Capital Grants	(58,200)	(31,700)	(16,400)	(36,200)	(21,400)	(23,000)
Other Non-Specific Grants	0	(11,966,500)	(1,734,900)	0	0	0
Net Budget Expenditure before Reserve Movements	34,905,800	25,165,100	48,544,600	39,704,400	38,481,700	38,059,600
Net Movements on Reserves						
Revenue Earmarked Reserves	4,895,300	16,865,000	(26,077,600)	(2,127,700)	(1,233,600)	(133,400)
Capital Reserves	(769,000)	(2,998,000)	(3,532,000)	(1,733,000)	(333,000)	67,000
Net Budget Expenditure After Reserve Movements	39,032,100	39,032,100	18,935,000	35,843,700	36,915,100	37,993,200
Financed By:						
Council Tax Income (District Council)	(15,590,400)	(15,053,000)	(14,959,000)	(15,545,000)	(16,141,000)	(16,748,000)
Council Tax Income (Town & Parish Precepts)	(6,380,900)	(6,380,900)	(6,380,900)	(6,380,900)	(6,380,900)	(6,380,900)
Share of (Surplus)/Deficit on Collection Fund - Council Tax	0	(537,400)	106,000	32,000	32,000	0
Business Rates Income	(11,308,400)	(11,308,400)	(9,946,400)	(7,954,200)	(8,359,900)	(8,407,500)
Share of (Surplus)/Deficit on Collection Fund - Business Rates	(5,176,600)	(5,176,600)	13,587,000	552,000	552,000	0
Local Council Tax Support Grant	0	0	(370,000)	0	0	0
Lower Tier Services Grant	0	0	(381,400)	0	0	0
Revenue Support Grant	(327,700)	(327,700)	(330,000)	0	0	0
Rural Services Delivery Grant	(248,100)	(248,100)	(260,300)	0	0	0
Total Financing	(39,032,100)	(39,032,100)	(18,935,000)	(29,296,100)	(30,297,800)	(31,536,400)
Budget Shortfall / (Surplus)	0	0	0	6,547,600	6,617,300	6,456,800

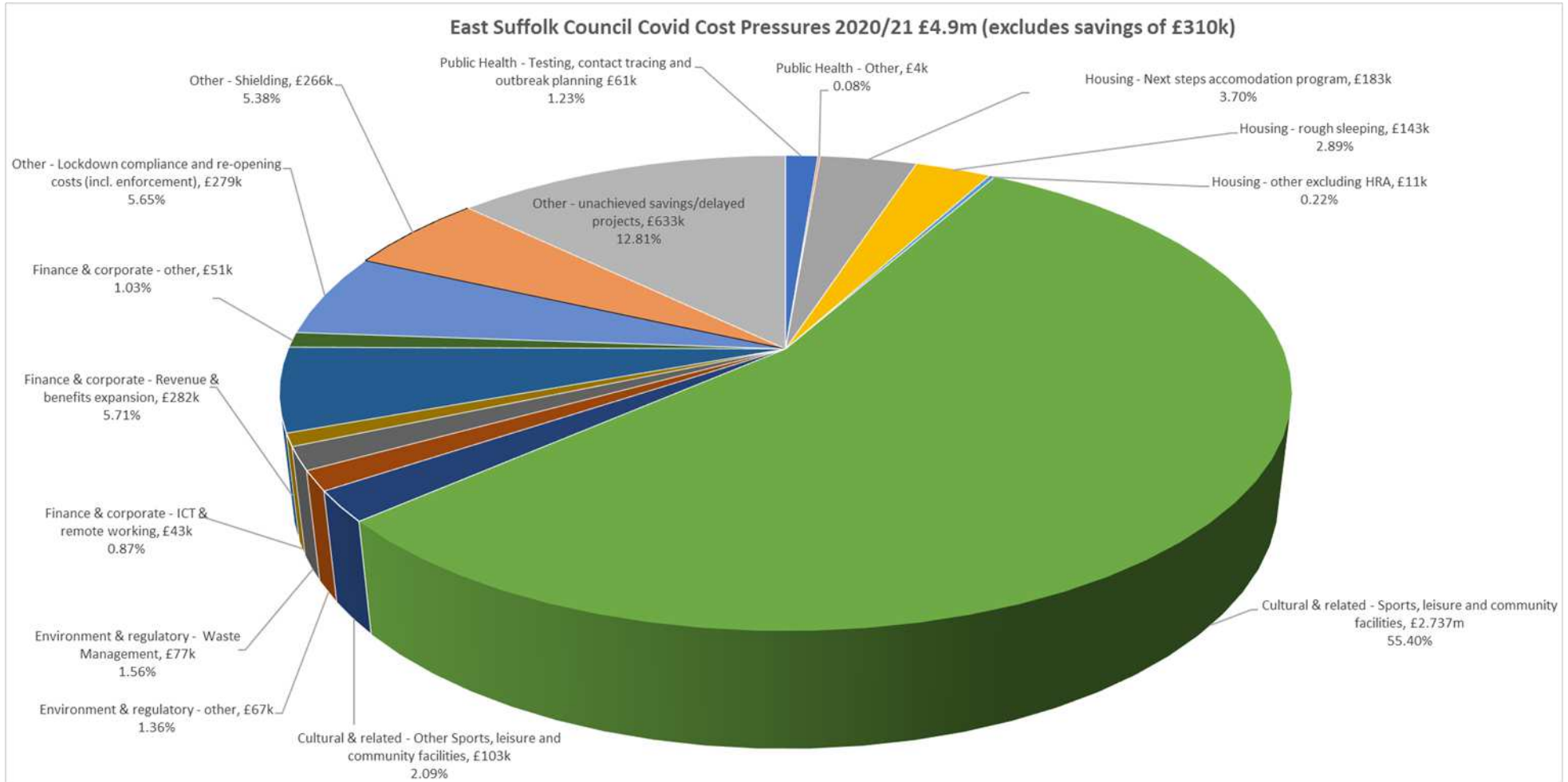
GENERAL FUND EARMARKED RESERVES

East Suffolk Council

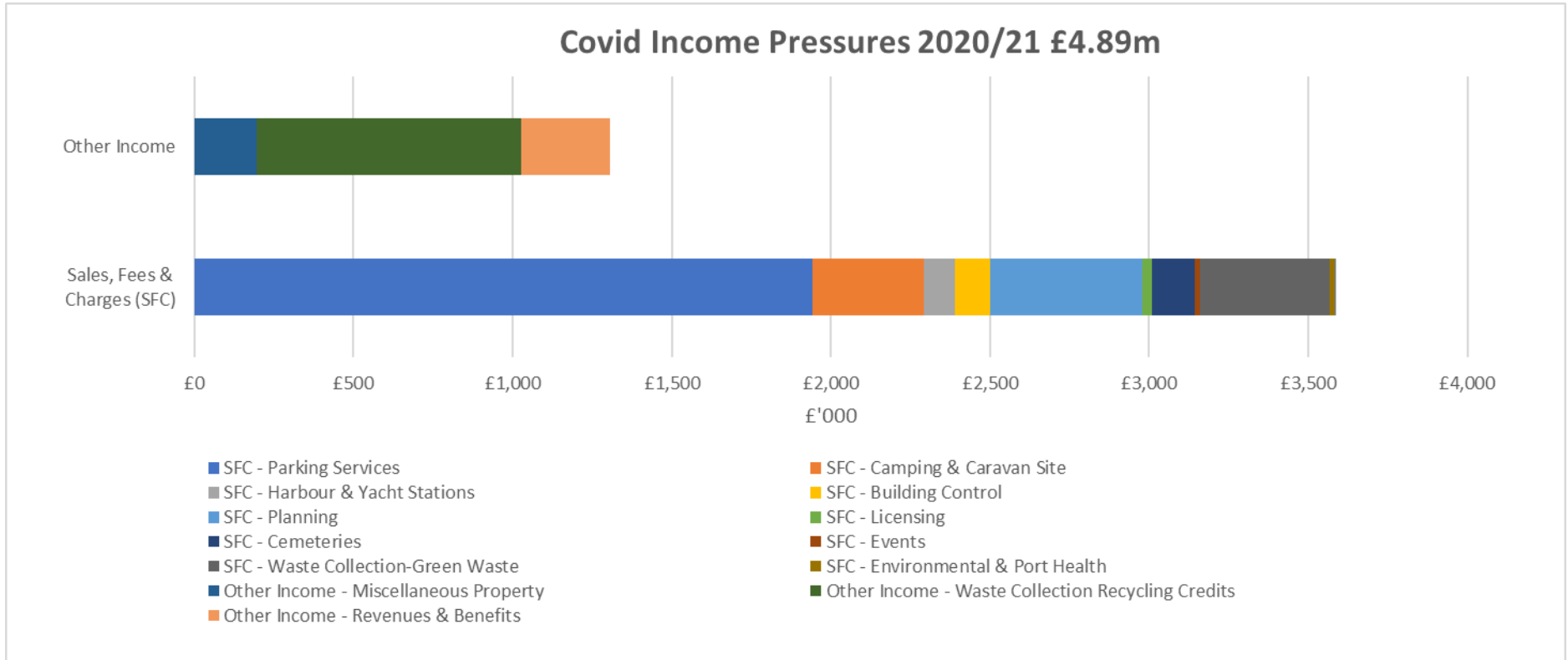
East Suffolk General Fund and Earmarked Reserves

		2020/21			2021/22			2022/23			2023/24			2024/25			
		Opening	Revised	Revised	Revised	Revised	Revised	Revised	Revised	Revised	Revised	Revised	Revised	Revised	Revised		
		Balance	Transfers	Transfers	Closing	Transfers	Transfers	Closing	Transfers	Transfers	Closing	Transfers	Transfers	Closing	Transfers	Closing	
		01/04/20	In	Out	31/3/21	In	Out	31/3/22	In	Out	31/3/23	In	Out	31/3/24	In	Out	31/3/25
RES - Supported Lettings (RRP)	Housing & Homelessness	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
S106 Interest	Corporate - Contingency, Service Requirements	30	0	0	30	0	0	30	0	0	30	0	0	30	0	0	30
Transformation - Digital	Service Transformation	0	700	(150)	550	0	(350)	200	0	0	200	0	0	200	0	0	200
Transformation - Environmental	Service Transformation	0	500	0	500	0	0	500	0	0	500	0	0	500	0	0	500
Transformation - Financial Sustainability	Service Transformation	0	1,477	(710)	767	220	(40)	947	220	0	1,167	0	0	1,167	0	0	1,167
Warmer Homes Healthy People	Housing & Homelessness	20	0	(7)	13	0	(7)	6	0	(6)	0	0	0	0	0	0	0
Warmer Homes Healthy People (WHHP) - RAD	Housing & Homelessness	1	3	0	4	0	0	4	0	0	4	0	0	4	0	0	4
Youth Leisure	Community Projects & Initiatives	10	0	0	10	0	0	10	0	0	10	0	0	10	0	0	10
Earmarked Reserves - Revenue sub-total		32,633	33,038	(15,979)	49,692	2,675	(28,585)	23,782	1,513	(3,562)	21,734	913	(2,128)	20,520	1,032	(1,073)	20,479
Earmarked Reserves - Port Health:																	
Port Health	Port Health	5,181	209	(403)	4,987	42	(210)	4,819	131	(210)	4,740	90	(110)	4,721	17	(110)	4,628
					0			0			0			0			0
Earmarked Reserves - Capital:																	
Southwold Beach Front	Capital	175	0	(50)	125	0	(125)	(0)	0	0	(0)	0	0	(0)	0	0	(0)
Capital	Capital	7,950	605	(3,395)	5,160	39	(3,370)	1,829	379	(2,155)	53	379	(555)	(123)	379	(155)	101
Coastal Protection - Capital Works	Capital	176	0	(176)	(0)	0	0	(0)	0	0	(0)	0	0	(0)	0	0	(0)
Short Life Assets	Capital	400	618	(600)	418	618	(694)	342	618	(575)	385	618	(775)	228	618	(775)	71
Earmarked Reserves - Capital sub-total		8,701	1,223	(4,221)	5,703	657	(4,189)	2,171	997	(2,730)	438	997	(1,330)	105	997	(930)	172
Total Earmarked Reserves		46,515	34,470	(20,603)	60,382	3,374	(32,984)	30,773	2,641	(6,502)	26,912	2,001	(3,567)	25,345	2,046	(2,113)	25,279

FINANCIAL IMPLICATIONS OF COVID-19 FOR 2020/21

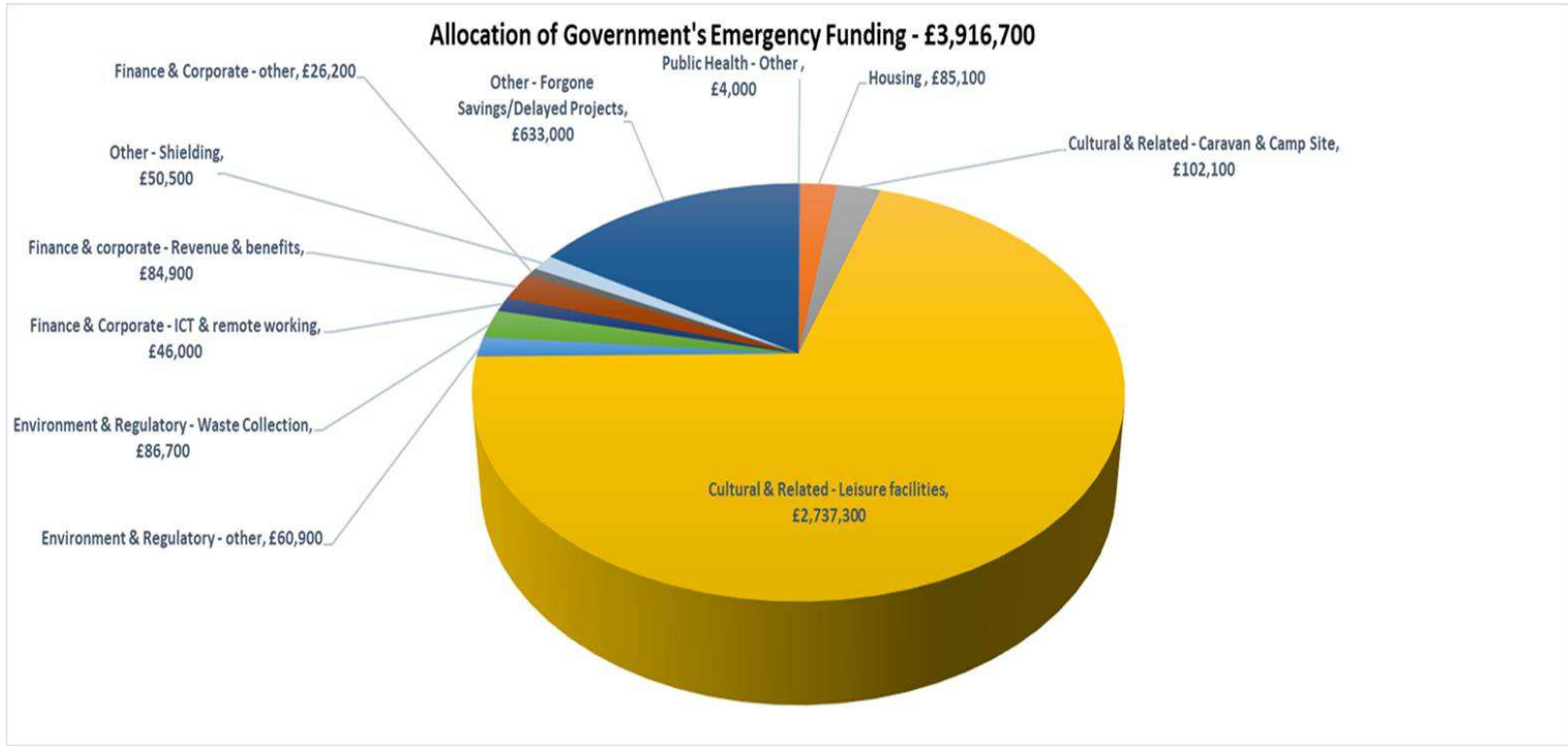


FINANCIAL IMPLICATIONS OF COVID-19 FOR 2020/21



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 £2.7 million.

FINANCIAL IMPLICATIONS OF COVID-19 FOR 2020/21



Additional Funding Received for Covid Cost Pressures, £1,529,500 (as at January 2021)

