APPENDIX A

EAST SUFFOLK COUNCIL

MEDIUM TERM FINANCIAL STRATEGY 2022/23 – 2025/26

NOVEMBER 2021

1 INTRODUCTION

1.1 The **Medium Term Financial Strategy** (MTFS) sets the strategic financial direction for the Council. It sets out the key financial management principles, budget assumptions and service issues.

1.2 The MTFS provides a framework for the detailed budget setting process to ensure that resources are managed effectively and are able to deliver the aspirations of the Council as set out in the Strategic Plan. It provides a sound basis for planning and decision making, and is reviewed and updated at the following key points in the year:

- November/December – as a framework for initial detailed budget discussions for the forthcoming financial year.
- January – an update to include additional information received at a national level and corporate issues identified through service planning and the detailed budget build.
- February – with the final Budget for the new financial year.

1.3 The vision of the East Suffolk Strategic Plan is to "deliver the highest quality of life possible for everyone who lives in, works in and visits East Suffolk". The MTFS underpins the new plan and vision for East Suffolk, focussing on five key themes.

- Growing Our Economy
- Enabling Our Communities
- Remaining Financially Sustainable
- Delivering Digital Transformation
- Caring For Our Environment

1.4 The MTFS provides an integrated view of the Council's finances, recognising that the allocation and management of its human, financial and physical resources play a key role in delivering its priorities and ensuring that the Council works effectively with its partners locally, regionally and nationally. 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 27 October 2021 the Chancellor delivered the Autumn Budget and Spending Review 2021 speech. The budget did not draw a line under Covid, but the Budget plans were focused on building a post-pandemic economy: stronger growth, public finances and employment. The Chancellor said he will give people the support they need with the cost of living and levelling up.

3 ECONOMIC INDICATORS

3.1 The national economic background affects the costs the Council incurs, the funding it receives, and contributes to the demand for services as residents are affected by economic circumstances. The inflation rate impacts on the cost of services the Council purchases, as the Council delivers much of its service provision through contractual arrangements where inflationary pressures must be negotiated and managed. Specific contractual inflation has been incorporated into the Council's financial position, where appropriate, based on the actual contractual indices.

3.2 The outlook for the economy continues to be affected by the evolving situation of the pandemic. It will also depend on how governments, households, businesses and financial markets respond to those developments.

3.3 The projections of the Monetary Policy Committee (MPC) are conditioned on the assumption that significant and widespread restrictions on UK and global economic activity are not reimposed, and that the effect of Covid on activity continues to wane over next year and beyond.

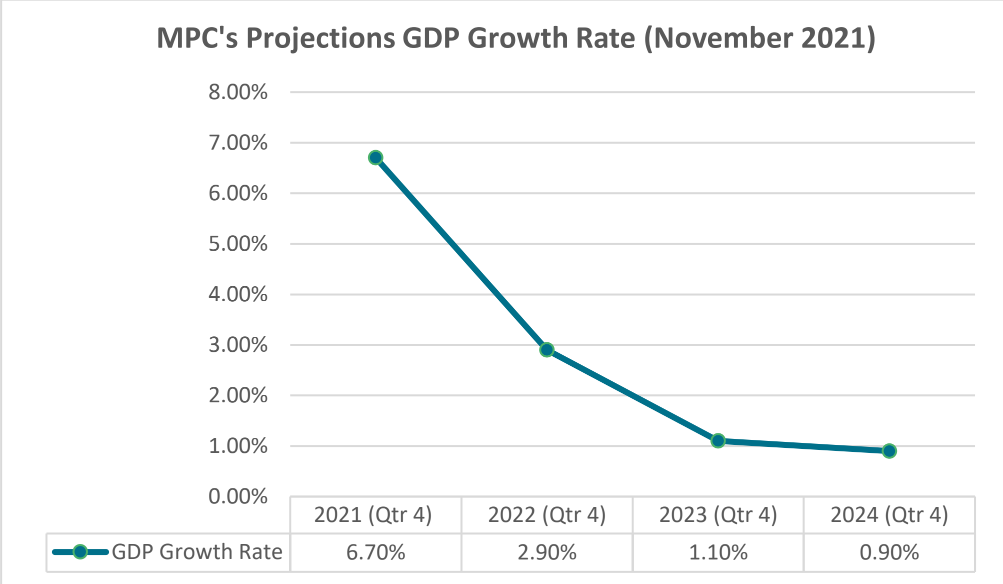
3.4 The latest projections of the MPC's are published in the Bank of England's November 2021 Monetary Policy Report.

Gross Domestic Product (GDP)

3.5 Both global and UK GDP increased in 2021 Quarter 3, although at a slower pace than projected in August. Growth is somewhat restrained by disruption in supply chains. There has been a rapid global increase in demand for goods which has led to supply bottlenecks in certain sectors. There are also signs of weaker UK consumption demand. Whilst bottlenecks in supply will continue to restrain growth in the short term, global and UK GDP are expected to recover further from the effects of Covid-19. The UK is expected to get back to 2019 levels in Quarter 1 of 2022. However, UK growth is expected to slow as supply growth eases back towards pre-Covid rates.

3.6 The MPC's projection for growth in GDP as outlined in its November 2021 Report, is shown in **Figure 1** below.

Figure 1



Unemployment

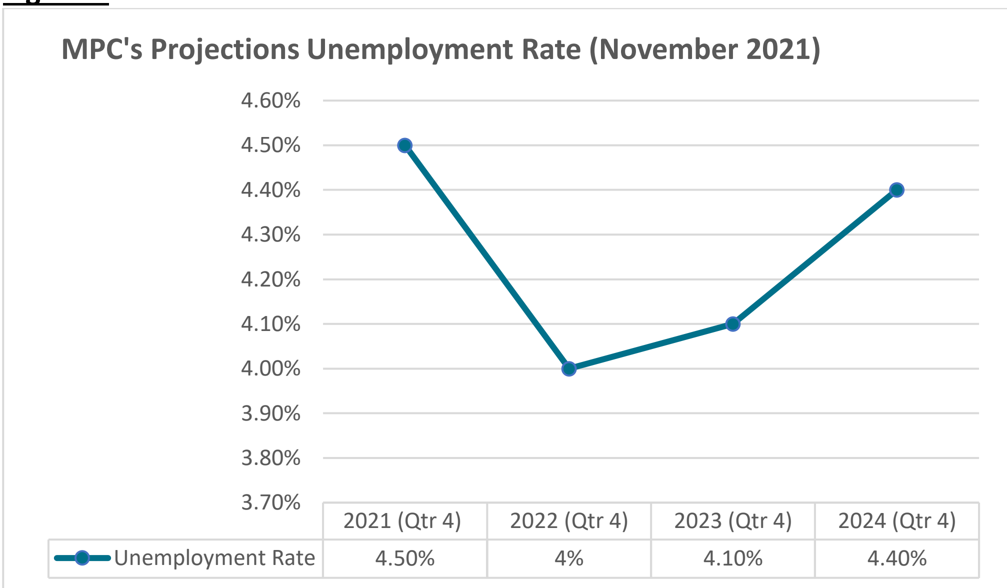
3.7 The labour market recovery has continued, and the latest indicators suggest that the end of the furlough scheme may only lead to a slight increase in unemployment.

3.8 There are ongoing frictions in the labour market, with an increase in vacancies, recruitment pressures and higher wages, which are typical features of labour market recoveries. A sharp rise in indicators of recruitment difficulties, despite unemployment remaining above its pre-Covid levels, might suggest that there are frictions in matching available workers with job vacancies.

3.9 As per the Labour Force Survey (LFS), the unemployment rate fell to 4.5% in the three months to August and a high degree of uncertainty remains about the near-term outlook for the labour market. The MPC expects the unemployment rate to rise slightly to 4.5% (4.4% in September) in Quarter 4 of 2021, and then to fall back in early 2022 to 4.0%.

3.10 **Figure 2** below show the MPC Quarter 4 projections for the unemployment rate.

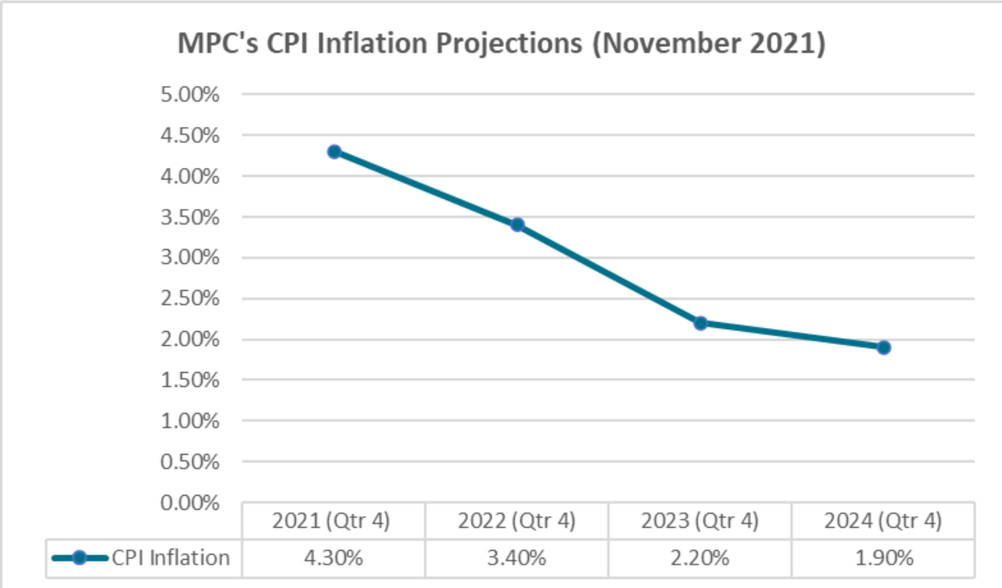
Figure 2



Consumer Pricing Index (CPI)

3.11 Twelve-month CPI inflation fell slightly from 3.2% in August to 3.1% in September. Inflation is expected to rise to just under 4% in October, predominately due to the rise in utility bills. CPI is then expected to rise further in November to 4.5% and remain at around that level through the winter, accounted for by further increases in core goods and food price inflation. CPI is forecast to peak at around 5% in April 2022. The upward pressure on CPI is expected to ease, as supply disruptions start to settle, and global demand rebalances. The projection is for CPI inflation to fall back from the second half of 2022, with CPI to be slightly above 2% in two years' time and just below by 2024. The MPC's latest CPI inflation forecast (Quarter 4) as of November 2021 is set out in **Figure 3** below.

Figure 3



Bank Interest Rate

3.12 At its 4 November 2021 meeting, the MPC unanimously voted to maintain the bank rate at 0.1%. Rates were cut to this level in March 2020 in response to the effect of the pandemic. The Committee said there was "value" in waiting to see how the job market coped with the end of the furlough scheme and a rate rise is not ruled out for its December meeting.

3.13 The current assumption for the Council's investment income budget is to remain unchanged over the MTFS. There has recently been an increase in local authority rates from 0.1% to between 0.25% and 0.5%, but a slight fall on the Property and Multi-Asset Funds held by the Council, so overall an unchanged position is forecast for investment income.

4 LOCAL GOVERNMENT FINANCE

4.1 The introduction of the Local Business Rates Retention System in 2013/14, together with the Government's programme of fiscal consolidation since 2010, have combined to both reduce the level of funding available to the Council, and to shift the balance of funding significantly away from central to local sources.

4.2 The Spending Review 2021 which will cover the next three years (2022/23 to 2024/25) was broadly positive for local government, with funding much better than expected. Local government will receive an additional £4.8bn in grant funding over the next three years (£1.6bn in each year). The increase is very much front loaded with growth in grant funding in 2022/23 and no further general increases in the following two years. The rationale for this is to provide funding to local authorities to deal with the pressures they face now.

4.3 There are various smaller allocations within the core funding announcement, including £200m for the "cross-government Supporting Families programme", £37.8m for cyber security and £34.5m for "strengthen local delivery and transparency".

4.4 There was no announcement of new funding for local government for ongoing Covid pressures.

4.5 Distribution of the additional funding will not be announced until the provisional settlement in December 2021, which is anticipated week commencing 6 December 2021. It is not clear whether the settlement will announce one-year allocations or a multi-year package. The latter seems more likely given that there were no clear announcements on any of the local government funding reforms.

Revenue Support Grant (RSG) and Rural Services Delivery Grant (RSDG)

4.6 RSG has been substantially reduced in recent years. Indications from the Spending Review 2021 are that RSG will continue for 2022/23 and is likely to increase above inflation. However, until the provisional settlement, RSG will be assumed as a one-year roll forward of the 2021/22 grant (£330k). This will be a benefit to the MTFS which currently assumes no RSG for 2022/23 in the February 2021 MTFS.

Revenue Support Grant	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
MTFS (February2021)	(330)	0	0	0	0
MTFS (November 2021)	(330)	(330)	0	0	0
MTFS Update (November 2021)	**0**	**(330)**	**0**	**0**	**0**

4.7 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 was assumed in the February MTFS that RSDG will not be received from 2021/22. The 2021 Spending Review also indicates that this funding will continue in 2022/23, with some uncertainty for this to increase. For the purpose of the MTFS update, a continuation of the grant at the current level will be assumed until the provisional settlement is released.

Rural Services Delivery Grant	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
MTFS (February2021)	(260)	0	0	0	0
MTFS (November 2021)	(260)	(260)	0	0	0
MTFS Update (November 2021)	**0**	**(260)**	**0**	**0**	**0**

Lower Tier Services Grant (LTSG)

4.8 The Lower Tier Service Grant (LTSG) was referred to as a one-off grant in 2021/22 to support local authorities with the pressures of Covid. There is a potential role for this grant into 2022/23, but if it is continued it could lead to a reduction in the core funding. For the purpose of updating the MTFS this grant will not be assumed for 2022/23. The provisional settlement in December will hopefully provide some certainty of this funding continuing.

Lower Tier Services Grant (LTSG)	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
MTFS (February2021)	(381)	0	0	0	0
MTFS (November 2021)	(381)	0	0	0	0
MTFS Update (November 2021)	**0**	**0**	**0**	**0**	**0**

Business Rates – Business Rates Retention and Fair Funding Review

4.9 In its 2015 Spending Review, the Government announced proposals for Councils to retain all locally raised business rates by the end of the decade, and to end the distribution of core grant from central Government. In December 2017, the Government announced proposals for the proportion of business rates income to be retained by the local authority sector to be increased from the current 50% to 75% from April 2020, a development which does not require primary legislation, unlike the move to 100% local retention. Due to Covid-19, this was also delayed, and it is now unclear from the Spending Review 2021 as to when and if this will be implemented. Latest indications are that the Government may increasingly be of the view that this is not consistent with the levelling up agenda, and other measures may be considered to achieve this.

4.10 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.

4.11 If implemented, the new system of 75% rate retention would consist of a 'reset', which would involve assigning a new baseline funding level and subsequent new tariff or top-up values. Reset of the system and the establishment of new funding formulae could result in East Suffolk losing 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 has benefited from another year under the current regime. As referred to below, the central assumption on Business Rates now prior to the Local Government Finance Settlement is that 2022/23 will be a roll forward year with no changes or reset of the system, and with these changes, or equivalent measures, taking place in 2023/24.

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 (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.

4.13 **Business Rates Collection Fund** - As a result of Covid-19, there is likely to be a larger-than-normal deficit on the 2021/22 Collection Fund for Business Rates as again changes to Retail and Nursery relief were announced after the NNDR1 was submitted in January 2021. These reliefs will be paid to precepting authorities in the form of additional S31 grant in 21/22. Local authorities will estimate the deficit in December 2021/January 2022 and budget for it in 22/23 budgets.

4.14 On 5 November 2020 the Local Authorities (Collection Fund: Surplus and Deficit) (Coronavirus) (England) Regulations 2020 were laid before Parliament and came into force on 1 December 2020. The regulations implement the announcement made by the Secretary of State on 2 July 2020 that “the repayment of collection fund deficits arising in 2020/21, will be spread over the next three years rather than the usual period of a year, giving councils breathing space in setting budgets for next year.” Therefore, the final third of that deficit is shown in 2023/24.

4.15 The Business Rates Collection Fund position is complicated by the fact that in 2021/22, in response to the Covid-19 pandemic, around £13.98m of rate relief is being granted to retail, hospitality, and leisure businesses together with nurseries. These reliefs are the primary reason for the currently estimated Business Rate Collection Fund Deficit for 2021/22 of £7.887 million, with East Suffolk’s share equating to £3.155 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 2021/22, but the Collection Fund deficit impacts on the Council’s own budget in 2022/23. Consequently, the Council’s share of this Section 31 Grant, just under £5.898m, will be contributed to the Business Rates Equalisation Reserve in 2021/22, enabling the Council to meet its share of the deficit in 2022/23. This position is illustrated in the table below, including the implementation of the Regulations detailed in paragraph 4.14 above. These deficits will be entirely funded from the Business Rate Equalisation Reserve.

Business Rates Collection Fund	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £’000
Deficit/(Surplus) February 2021	0	13,821	785	785	0
Deficit/(Surplus) November 2021	0	13,821	3,155	785	0
MTFS Update (November 2021)	**0**	**0**	**2,370**	**0**	**0**

4.16 **Suffolk Pool** – In October all Suffolk councils agreed to continue a pooling arrangement for 2022/23, 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 2022/23 is dependent on all of the NNDR1 returns being prepared by the Suffolk councils and then collated by Suffolk County Council (SCC) in January 2022. The continuation of the 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 2022. The updated MTFS includes a Pooling Benefit estimate for 2022/23 of £1.829m.

4.17 Business Rates income for 2022/23 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 2022. This will include the split between Section 31 Grant and actual rates income. It is noted that the scope of rate reliefs for retail properties will return to pre-Covid eligibility in 2022/23.

4.18 As referred to earlier, the Business Rates system may be subject to reform during the period of this Spending Review, and the central assumption is that this will take place in 2023/24. The approach taken in the table shown below and the MTFS is to only include estimates of Baseline income, Section 31 Grant, and a proportion of the amount currently retained in respect of Renewables from 2023/24 onwards. This will be reviewed for the Budget and MTFS following the Provisional Finance Settlement and preparation of the NNDR1 returns. For information, scenarios under which there were no changes to the system during the Spending Review period could be expected to see total income around £17m in each year prior to any change.

Business Rates Income	2021/22 £'000	Estimate 2022/23 £'000	Estimate 2023/24 £'000	Estimate 2024/25 £'000	Estimate 2025/26 £'000
Business Rates Income	(8,467)	(4,992)	(7,205)	(7,349)	(7,496)
Business Rates renewables	(1,129)	(1,228)	(501)	(511)	(521)
Total Business Rates Income	**(9,596)**	**(6,220)**	**(7,706)**	**(7,860)**	**(8,017)**
Share of Pooling Benefit	(2,918)	(1,829)	0	0	0
Section 31 Grant	(4,338)	(8,844)	(4,466)	(4,555)	(4,647)
Total Income Relating to Business Rates – November 2021 Update	**(16,852)**	**(16,893)**	**(12,172)**	**(12,415)**	**(12,664)**
Impact on the MTFS - November 2021	**0**	**(4,944)**	**15**	**17**	**(232)**

Council Tax

4.19 Council Tax is one of the Council's most important and stable income streams, funding approximately 50% of the net budget requirement of the Council. For Shire District Councils in two-tier areas, the referendum limit for 2021/22 was the higher of 2% or £5 and this is expected to remain for 2022/23. Details of referendum limits for next year are expected to be confirmed as part of the provisional settlement.

4.20 **Council Tax Base** – The CTB1 Council Tax Base Return was submitted to Government on 13 October 2021.

4.21 The increase in the tax base for East Suffolk is currently estimated to be 1,684.00 (1.93%) Band D equivalent properties, increasing the overall tax base for East Suffolk from 88,339.43 to 89,023.43 for 2022/23. This equates to around £288k of additional Council Tax income to the Council based on the current District Band D Council Tax of £171.27.

4.22 The Council Tax Base will be reported for approval to Cabinet on 7 December 2021.

4.23 **District Band D Council Tax 2022/23** – An increase of £4.95 for 2022/23 would equate to a District Band D Council Tax for East Suffolk of £176.22 and generate approximately £441k of additional income for East Suffolk. Total income from Council Tax would be £15.69m for 2022/23.

4.24 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	2021/22 £'000	Estimate 2022/23 £'000	Estimate 2023/24 £'000	Estimate 2024/25 £'000	Estimate 2025/26 £'000
Council Tax Income - Base	(15,053)	(14,959)	(15,688)	(16,277)	(16,789)
Growth in Tax Base	94	(288)	(144)	(65)	(65)
Council Tax Increase	0	(441)	(445)	(447)	(448)
Total Council Tax Income	**(14,959)**	**(15,688)**	**(16,277)**	**(16,789)**	**(17,302)**
Council Tax Band D	£171.27	£176.22	£181.17	£186.12	£191.07
Council Tax Base	87,339.43	89,023.43	89,842.45	90,201.82	90,553.60
Growth/Reduction(-) in Tax Base	-0.63%	1.93%	0.92%	0.40%	0.39%
Council Tax Increase £	£0.00	£4.95	£4.95	£4.95	£4.95
Council Tax Increase %	0.00%	2.89%	2.81%	2.73%	2.66%

Assumptions from 2022/23: Council Tax increases of 2% or £5, whichever is the higher.

4.25 The February 2021 MTFS for 2022/23 has assumed growth to the tax base of 1%, and the additional growth of 0.93% equates to approximately £138k of additional income. However, from 2023/24 a cautious approach has been taken to growth in the overall tax base and this is forecast to fall for the remainder of the MTFS period. This is a combination of completion of development sites levelling off, and prudent assumptions regarding LCTRS reliefs and collection rates.

4.26 **Council Tax Collection Fund** – As mentioned in 4.14, Regulations were implemented on 1 December 2020 that the repayment of collection fund deficits arising in 2020/21, will be spread over the three years rather than the usual period of a year. This also applied to the Council Tax deficit.

4.27 The Council Tax Collection Fund Deficit for 2021/22 is £1.262m, with East Suffolk's share equating to £170k. 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 4.25 above, the deficit relating to the current year has been partly spread into 2022/23 and 2023/24, £32k in each year and 2023/24 being the final year.

4.28 The current estimate for the Council Tax Collection Fund for 2022/23 is a surplus of £1.724m, with East Suffolk's share equating to £223k. This does include the £32k share of the prior year deficit (paragraph 4.26). The remaining balance of the surplus is shared by Suffolk County Council and the Police and Crime Commissioner for Suffolk.

4.29 Local authorities will estimate the 2022/23 surplus/deficit in December 2021/January 2022 and budget for it in the 2022/23 budget. The updated estimate for the Council's share of the Council Tax Deficit for 2021/22 and 2022/23 is profiled over the MTFS as follows;

Council Tax Collection Fund	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
Deficit/(Surplus) February 2021	0	106	32	32	0
Deficit/(Surplus) November 2021	0	106	(223)	32	0
MTFS Update (November 2021)	**0**	**0**	**(191)**	**0**	**0**

4.30 The Collection Fund is monitored closely throughout the financial year and the Collection Fund position will be confirmed in January 2022.

New Homes Bonus (NHB)

4.31 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.

4.32 In recent years there has been much uncertainty as to the future of NHB, with the current year being a one-year settlement. There has been no announcement following a consultation paper earlier in the year and the Spending Review gave no indication as to its future and whether it will disappear completely within the next two years or continue in some form. For the purpose of updating MTFS, it is assumed no new NHB allocations for 2022/23 and beyond, but this position is expected to be clarified in the Provisional Local

Government Finance Settlement. The table below shows the current legacy payments remaining.

NHB	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Year 7	0	0	0	0	0
Year 8	(548)	0	0	0	0
Year 9	(525)	(525)	0	0	0
Year 10	(104)	0	0	0	0
Total	**(1,177)**	**(525)**	**0**	**0**	**0**

4.33 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.

4.34 The current position on the NHB Reserve and proposed use of NHB funding for East Suffolk over the MTFS period is summarised in the table below.

NHB Reserve	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Opening Balance	(6,064)	(4,712)	(3,587)	(3,495)	(3,402)
Add: Allocation Received	(1,177)	(525)	0	0	0
Less: Proposed Use	2,529	1,650	92	93	73
Closing Balance (November 2021)	**(4,712)**	**(3,587)**	**(3,495)**	**(3,402)**	**(3,329)**

5 MEDIUM TERM FINANCIAL POSITION

MTFS Forecasts 2021/22 to 2025/26

5.1 The Finance team works with Service Areas to review their budget requirements and budget monitoring is an ongoing process between Finance, Service Areas, and the Corporate Management Team. This work leads to continual updating of the MTFS for the Council. As of November 2021, key areas of the budget that are yet to be finalised include;

- Establishment (staffing) costs
- Partnerships
- Revenue implications of the capital programme
- Business rates income
- Council Tax income
- Announcement of the Local Government Settlement for 2022/23
- Use of reserves.

5.2 At the November 2021 Cabinet meeting the Quarter Two Financial Performance Report was presented. The report highlighted items as having potential revenue budget implications for this financial year and over the MTFS period some cannot yet be quantified or quantified with a degree of certainty, i.e., figures are currently being worked on and/or insufficient information available. These are set out below;

Budget Area to be Monitored	Areas Impact	Nature of Impact	Timing of Impact
NI increase 21/22 and introduction of the Health & Social Care Levy.	Council staffing costs and its Partners.	Increased cost, but potential for funding is to be confirmed. Estimated cost to the General Fund is £230k per annum from 2022/23. This excludes any potential funding and impact on partners.	Impacts from 2022/23 onwards.
Partnership fee to be agreed for 2021/22 and the MTFS period.	Operations - partnership fee.	Increased partnership fee.	Impacts 2021/22 and ongoing budgets.
Fuel price increase.	Operations and HRA - partnership fee.	Increased partnership fee.	Impact in second half of 2021/22 and potentially into 2022/23.
Energy price increase.	Council Admin and HRA sheltered accommodation and Partners.	Increased partnership costs and increased running costs of Council property.	Impact in second half of 2021/22 and potentially into 2022/23.
National pay award for 2021/22 is not yet agreed.	Council staffing costs and its partners.	Current budget assumption is for a 2% increase for Council staffing. The impact will therefore depend on whether the agreed pay award is more or less than this assumption.	Impact in 2021/22 and future years.
General inflation increased, material shortages.	Partnership – Operations and Council contracts.	Increased contract cost and supplies and services across the Council.	Impact from 2022.
Workforce pay pressure/grade inflation.	Council staffing costs and partnership costs.	Increased staffing costs. Annual staffing vacancy allowance in the budget is at risk.	Impact being seen in the current year.
Review of Essential Car User Allowance.	Council staffing costs.	Cost saving.	From January 2022.

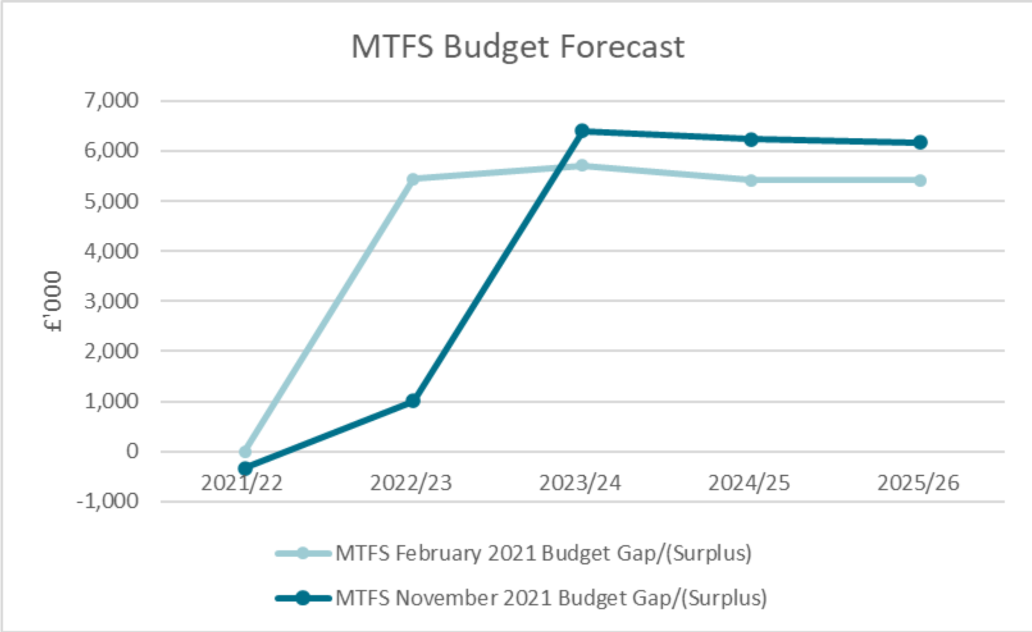
5.3 The MTFS was last updated in February 2021. A summary analysis of the key movements as of November 2021 is shown in the following table. This table is supported by **Appendix A2.** As noted in paragraph 5.1 above, there is continual updating of the MTFS and there are key areas of the budget still to be finalised which are not included in this update.

MTFS Updates	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Additional Cost	814	1,838	1,169	881	1,584
Additional Income	(659)	(6,065)	(401)	(291)	(1,060)
Reduced Income	262	2,582	283	283	283
Saving	(542)	(62)	(62)	(62)	(62)
Use of Reserves	(213)	(2,721)	(293)	0	0
Net Total - November 2021	**(338)**	**(4,428)**	**696**	**811**	**745**

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

5.5 The updated MTFS position resulting from these movements as of November 2021 is shown below. The budget gap for next financial year has reduced significantly from £5.4m to £1.0m, predominately due to the deferral of the Business Rates system for at least one more year. East Suffolk is in an advantageous position under the current system and deferral of the reform by another year will enable the Council to benefit by £3m in 2022/23.

Figure 4



MTFS Position	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
February 2021 Budget Gap/(Surplus)	0	5,442	5,705	5,418	5,418
Net Total of MTFS Updates	(338)	(4,428)	696	811	745
November 2021 Budget Gap/(Surplus)	**(338)**	**1,014**	**6,401**	**6,229**	**6,163**

Budget Planning Assumptions

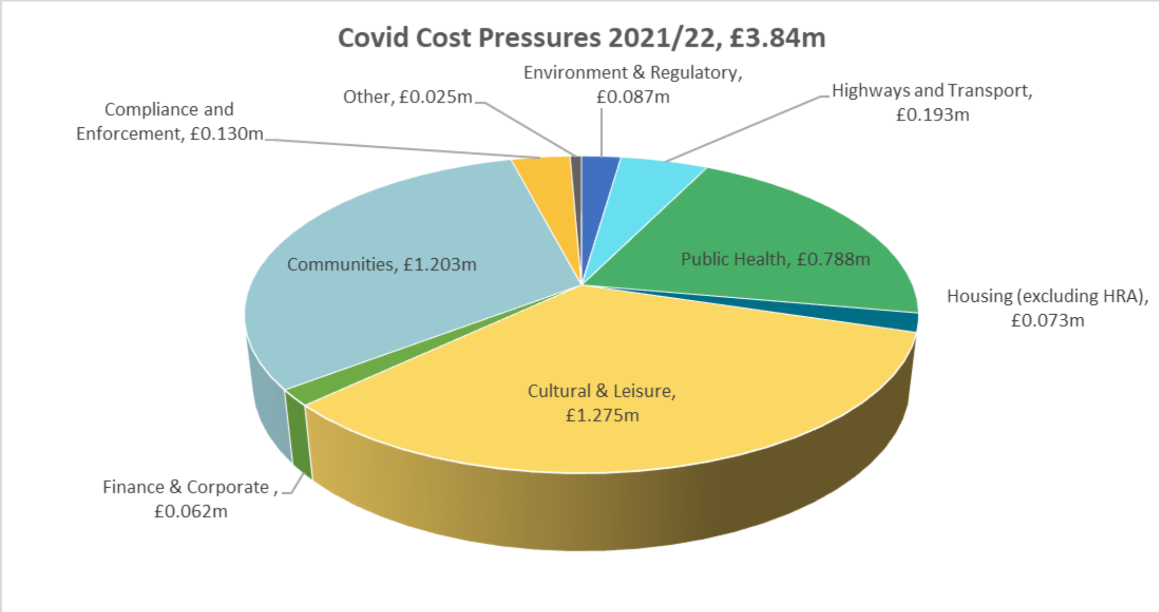
5.6 **Covid impact –** In the current financial year there continues to be financial implications due to Covid, with additional costs and lost income.

5.7 **Figure 4** below categorises known and estimated cost pressures for the current financial year. This currently totals £3.84m. There continues to be significant support to communities, and this is funded externally, primarily by Suffolk County Council. This consists of funding brought forward from 2020/21 as well as additional funding received in the current year. Leisure a remains an area of high Covid cost.

5.8 It is currently estimated that the net impact of Covid cost pressures (after funding) could be in the region of £250k less than budgeted. As the cost pressure is fully funded from various Covid funding streams this will not translate to a benefit to the General Fund bottom-line, but instead lead to more Covid core funding remaining at the end of the year. As mentioned earlier in the report, the Spending Review did not announce any new Covid funding for local authorities.

5.9 For the draft MTFS no assumptions have been made for further cost pressures in 2022/23 and beyond.

Figure 4



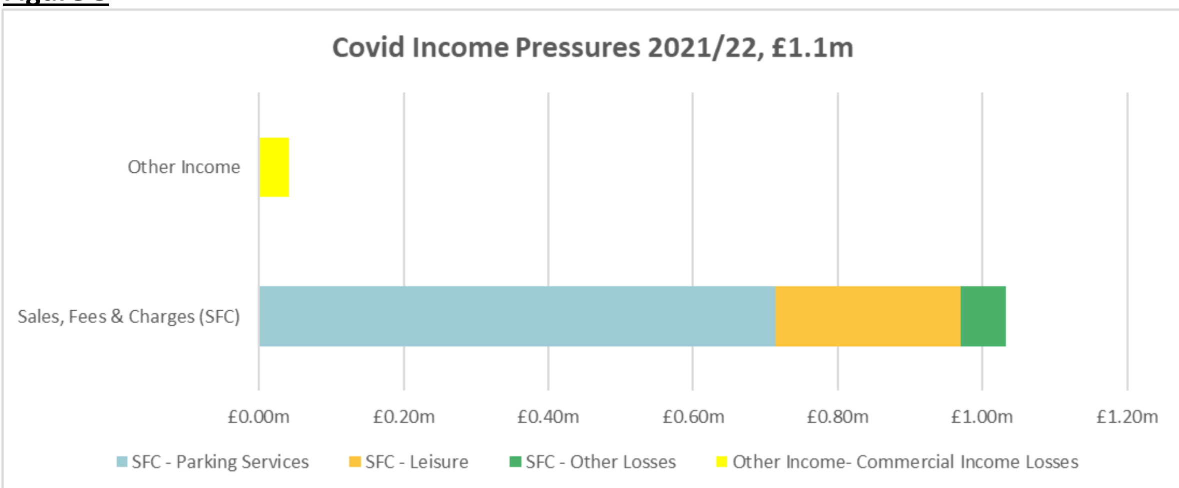
5.10 In the previous financial year, £293k was saved on staff/member travel costs – mileage claims, use of public transport and hire of vehicles and a permanent reduction in budget of £100k was included in the February 2021 budget. However, current year forecasts indicate that this is likely to be in the region of a £200k saving by the end of this financial year, an additional benefit to the General Fund of £100k.

5.11 **Figure 5** below categorises income pressures for the current financial year. This is presently estimated at £1.07m and is slightly below the budget provision of £1.3m. Car parking income remains the largest area of income loss for the Council with an estimated loss for the year of £700k.

5.12 Loss on Sales, Fees and Charges (SFC) accounts for 96% of the total, £1.03m. The Government's compensation scheme has continued only for the first quarter of 2021/22 and a claim has been submitted for £438k. There are no indications for this scheme continuing beyond this date.

5.13 For 2022/23 onwards, the MTFS has not been adjusted further for income losses due to Covid. Income areas such as Car Parking are assumed to return to pre-pandemic levels.

Figure 5



5.14 **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. As mentioned in Section 3, there is an expectation for inflation to rise to 5% in April 2022, driven by rising utility costs and global supply chain disruptions. The impact of this is most likely to be realised in the Capital Programme and our Partnerships, with the latter directly impacting on the Council's revenue budgets. This will be kept under review to ensure this planning assumption remains adequate. This does not impact on inflation for specific contracts where the budget planning assumptions reflect specific contract increases.

5.15 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.

5.16 **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 2022/23 will be considered by Cabinet on 4 January 2022.

5.17 **Public Sector Pay** - The opening MTFS position for East Suffolk had assumed a 2% pay award increase per annum for 2021/22 onwards. The pay award for the current year has not yet been agreed. The indication from the Spending Review is a "return to normal pay setting process" for public sector workers, with the government seeking " recommendations from Pay Review Bodies where applicable". This is likely to place more pressure on local government budgets. The updated MTFS continues to assume pay awards of 2% for 2022/23 onwards. A 1% pay award presents an increase of approximately £290k to the General Fund.

5.18 **National Insurance Contribution Increase –** Also referred to as the Health and Social Care Levy, the Government is increasing the National Insurance Contribution by 1.25% from April 2022. This is an increased cost of £230k to the General Fund. In the Spending Review it is indicated that public sector bodies will receive compensation for any additional contributions paid and the Treasury has set aside £1.7bn to £1.8bn every year to pay compensation. However, it is not clear at this time whether the compensation for local authorities will be included within the £4.8bn grant allocations (section 4.2) or whether it will be payable via a different route. Until further information becomes available, the MTFS currently assumes this to be an additional cost per annum with no compensation.

5.19 **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 2021/22 and 2022/23 is 33% and 32% respectively. There is no separate deficit payment, and instead it is incorporated into the primary rate - the employers contribution rate.

5.20 In formulating its detailed spending plans, the Council has also taken account of past performance and the previous year's outturn position.

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

Budget Area	Assumption
Inflation	
Goods & Services	Met within existing budgets (exception is contract)
Utilities	10% 2022/23, 2.5% 2023/24 onwards
Fees & Charges	Inflation is applied where appropriate - 2.9%
Staffing Costs	2% per annum plus incremental progression from 2021/22
Investment Income	0.22% Term Investments (average as of September 2021) 0.05% Call Account 3.91% Property Fund (as of October 2021) 2.60% Diversified Income Fund (as of September 2021)

5.22 **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 of 1 April 2021, 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.

6.6 One of the key underpinning financial principles of the MTFS is to not use the Council's Reserves (and other one-off resources) as a primary method to balance the ongoing pressures in the budget. Earmarked reserves are used for specific one-off purposes to support the delivery of corporate objectives and to mitigate risks.

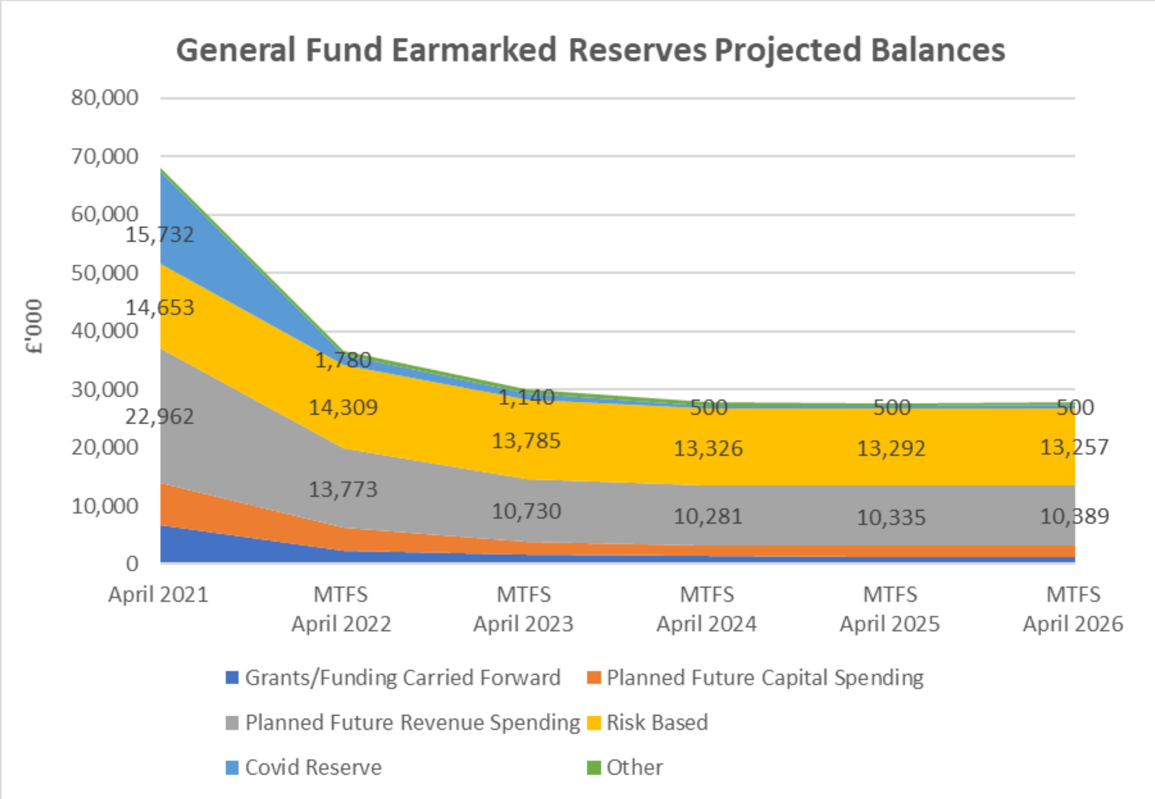
6.7 The opening balances for 2021/22 are subject to conclusion of the external audit review for 2020/21.

6.8 The total balance of General Fund Earmarked Reserves was £68m (excluding Port Health) as of 1 April 2021. However, it should be noted that of this balance, £15.7m relates to a Covid Specific Reserve which will be drawn down in the year for Covid related use. Earmarked Reserves are categorised into the following groups;

- **Grants/Funding Carried Forward** – this is external funding the Council has received for specific purposes and is drawn down from reserves when spend is incurred.
- **Planned Future Revenue Spending** – Council funding has been set aside for specific service areas and/or projects.
- **Planned Future Capital Spending** – this is revenue funding set aside to provide funding for the capital programme.
- **Risk Based** – Council funding has been set aside for unforeseen budget pressures and fluctuations in budget areas of volatility. This will include for example, pension capital costs, Business Rates income and Housing Benefit Subsidy.

6.9 The projected balances on reserves will continue to be reviewed and updated throughout the budget process. **Figure 6** below shows the current projections for the General Fund Earmarked Reserve over the MTFS, categorised as above. This summary does not include use of reserves to address the updated budget gap as presented in **Appendix A2**.

Figure 6



6.10 There is a noticeable decline in reserve balances until 2023/24 and then levelling off for the remainder of the MTFS period, with total Earmarked Reserves standing at approximately £28m. The current projected use of reserves over the next three years is attributable to the following;

- The majority of the Covid Reserve, £13.9m, is projected to be used in this financial year, including £11.4m which is the release of Section 31 Grant to fund the NDR Collection Fund deficit, arising from the Business Rates reliefs provided in 2020/21. There is currently £500k uncommitted of the core funding which is shown as the remaining balance.

- The Business Rate Equalisation Reserve is the main reserve within the Risk Based group of reserves. This reserve is held to manage fluctuations in Business Rates income, due to the timing of accounting treatments. The balance on this reserve as of April 2021 was £13.4m.

- The Planned Revenue Spending group of reserves contains some key individual reserves to highlight which are used to fund future budget gap pressures and projects and initiatives to support the delivery of the Strategic Plan. These are set out in the table below and currently show balances declining with no further contributions to increase available funds over the current MTFS period. This position will be reviewed and updated as the budget setting progresses.

Reserves	April 2021 £'000	MTFS April 2022 £'000	MTFS April 2023 £'000	MTFS April 2024 £'000	MTFS April 2025 £'000	MTFS April 2026 £'000
Better Broadband	507	0	0	0	0	0
Business Rates Pilot	2,194	641	243	207	170	133
In-Year Savings	4,319	1,574	1,574	1,574	1,574	1,574
New Homes Bonus (NHB)	6,064	4,712	3,587	3,495	3,402	3,329
Transformation - Digital	658	209	229	249	269	289
Transformation - Environmental	500	500	500	500	500	500
Transformation - Financial Sustainability	1,892	1,623	443	443	443	443
Transformation - Core	167	0	0	0	0	0

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 2022/23 to 2025/26 will be considered by the Audit & Governance Committee and Cabinet before approval by Full Council in January 2022. 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 2022/23 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 2021/22 to 2025/26 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 2021/22 Capital Programme for the Council was considered by the Scrutiny Committee and Cabinet at their respective meetings on 17 December 2020 and 5 January 2021, with Council approval on 27 January 2021. The Capital Programme is continuing to be reviewed and revised, and an updated Programme for the MTFS period will be presented to the Scrutiny Committee on 20 January 2022 and to Cabinet at its meeting on 4 January 2022.

APPENDIX A1

EAST SUFFOLK MEDIUM TERM FINANCIAL STRATEGY - KEY PRINCIPLES

1 PRIORITIES, AIMS AND OBJECTIVES

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

2 STRATEGY OBJECTIVES

2.1 The Council's MTFS aims to ensure the provision of the best quality services possible within the resources available. To do so it must maximise the use of its resources to ensure they are used efficiently and effectively to support the development of longer term sustainable objectives.

2.2 The specific objectives of the MTFS are to:

a) ensure that the Council sets a balanced, sustainable budget year by year, so that forecast spending does not exceed forecast resources available to it;

b) plan for a level of Council Tax that the Council, its residents and Government see as necessary, acceptable and affordable to ensure that it has the financial capacity to deliver the Council's policies and objectives;

c) redirect resources over time to adequately support and resource the priorities of the both the Council and the wider community; and

d) maintain sufficient reserves and balances to ensure that the Council's long-term financial health remains sound.

3 STRATEGY PRINCIPLES

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

General

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

a) that the Council's budgets, financial records and accounts will be prepared and maintained in line with approved Accounting Standards, the CIPFA Code of Practice on Local Government Accounting, the CIPFA Prudential Code and the relevant sections of the Council's Constitution and Finance Procedure Rules;

b) prior to setting a budget, the Council will always analyse potential risks and ensure these are minimised in line with its Risk Management Strategy;

c) that the Council's Corporate Management Team will review the budget proposals for reasonableness and adherence to corporate policies and objectives prior to the budget being submitted to Cabinet;

d) the Council will monitor its revenue and capital budgets effectively. Monitoring will be undertaken quarterly by Heads of Service together with their portfolio holders, and integrated quarterly monitoring reports will be reported to Cabinet. In cases where significant financial and service performance deviates from that planned, action plans setting out corrective action will be drawn up by Heads of Service / Portfolio Holders and reported to Cabinet as appropriate;

e) that the Council's Corporate Management Team will take appropriate steps to continue to maintain and improve the accuracy and quality of data that it uses throughout the Council thereby ensuring that budget and other decisions are taken on a sound basis; and

f) the Council will seek to maximise external contributions towards revenue and capital spending for example through bidding for specific grants, attracting levered funding, participating in new funding streams and engaging in further strategic partnering opportunities where appropriate.

General Fund (Revenue)

3.2 In relation to its revenue budgets the Council will:

a) set a balanced budget each year that will be constructed to reflect its objectives, priorities and commitments. In particular, the budget will influence and be influenced by the Strategic Plan, the Organisational and Development Strategy, Capital and Asset Management Strategies, the Risk Management Strategy, its Comprehensive Equality Scheme and its Consultation and Engagement Strategies;

b) within the constraints of the resources available to it, set a sustainable budget each year that meets on-going commitments from on-going resources. The Council will continue to aim to maintain its level of general balances when it sets its revenue budget each year now that a prudent level of balances has been achieved;

c) seek to identify annual efficiency savings through business process improvement, shared service initiatives, service best value reviews and benchmarking and strategic partnering opportunities within and across county borders;

d) review the appropriateness of service delivery between the Council, parishes and other partners;

e) increase existing fees and charges on a market forces basis whilst having regard to the Council's policies and objectives. As a minimum fees and charges should be increased by price inflation. The Council will also review opportunities to introduce new fees as appropriate; and

f) within Government guidelines, set a level of Council Tax that the Council, its residents and Government see as necessary, acceptable and affordable to deliver the Council's policies and objectives.

Capital

3.3 When considering capital investment, the Council will:

a) maximise the generation of capital receipts and grants to support its planned investment programmes

b) enhance its capital investment by applying specific grants and contributions, capital receipts, earmarked reserves and revenue contributions, with any balance being met by external borrowing

c) not recognise capital receipts until there is certainty that the receipt will materialise, and these will not be earmarked against specific developments without express Cabinet approval

d) allocate its capital resources in line with its Capital Strategy and Asset Management Plan whilst recognising that other priorities may emerge that may require those plans to be amended and resources to be diverted

e) annually review and prioritise capital schemes in accordance with Council objectives having regard to:

   i) the business case for any given project; asset management planning

   ii) affordability in line with the application of the Prudential Code.

Balances and Reserves

3.4 In relation to its balances and earmarked reserves, the Council will:

- each year maintain the level of General Fund balances at around 3% - 5% of its budgeted gross expenditure. This would lead the Council to maintain a General Fund balance in a range of around £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.

APPENDIX A1

RISKS	PROBABILITY HIGH (H) MEDIUM (M) LOW (L)	IMPACT HIGH (H) MEDIUM (M) LOW (L)	MITIGATING ACTIONS
Strategic Risks			
The absence of a robust Medium Term Financial Strategy could adversely affect the Council's budget and resource planning and projections.	**L**	**H**	Continually monitor and refine the strategy in line with changing influences. Update Corporate Management Team and Cabinet.
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.	**M**	**H**	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.
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.	**H**	**H**	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.
Budget pressures arising from housing, economic, social and other demographic changes.	**H**	**H**	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.
Financial			
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.	**H**	**H**	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.

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.	**M**	**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.	**H**	**M**	Key assumptions made are regularly reviewed from a variety of sources. Forecasts are updated as necessary.
Operational			
The Council has entered into strategic partnerships and contracts and is therefore susceptible to economic, social and demographic changes	**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.

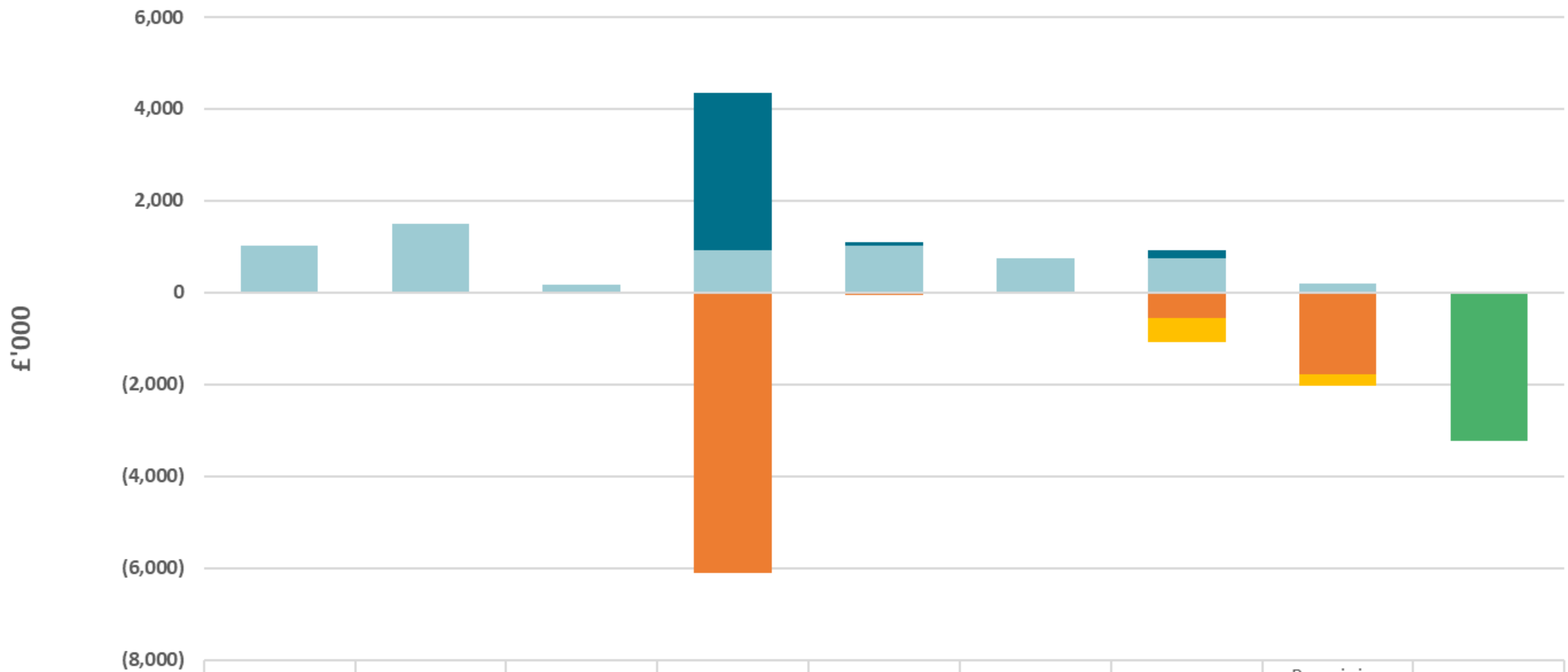
People			
Loss of key skills, resources and expertise.	**H**	**M**	Continue to invest in staff developments, service continuity measures. Monitor succession planning. Keep staff consulted and informed. Ensure employment terms and conditions are competitive and development needs identified through 'My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

APPENDIX A2

MTFS UPDATES – NOVEMBER 2021

MTFS Update	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Strategic Theme/Other Factors	Comments
Additional Cost							
Health & Social Care Levy	0	230	230	230	230	Government Policy	1.25% increase from April 2022.
Staffing costs (estimate at this stage until staffing budgets are finalised)	300	300	300	300	300	Economic Impact	External pay inflation pressures and increased complexity of Council projects and initiatives.
Beach hut project (Felixstowe) revenue costs of capital project	126	0	0	0	0	Growing our Economy	Project costs that can not be capitalised.
Planned preventative maintenance	(87)	466	(65)	(65)	(65)	Remaining Financially Sustainable	An assessment has been caried out of all assets. This is a catch up programme in 22/23.
Gunton beach survey and site investigation regarding	45	0	0	0	0	Public Health & Safety	Works is necessary due to increased exposure of oil deposits on Gunton Beach. To be funded from reserves.
Felixstowe North leisure centre revenue costs of capital project	95	0	0	0	0	Growing our Economy	Project costs that can not be capitalised.
Review of place-based initiatives	111	185	185	0	0	Growing our Economy	Separate Cabinet Report in July 2021, fully funded from reserves - approved.
Fleet decarbonisation, move to Hydrotreated Vegetable Oil (HVO) fuel	13	174	174	174	174	Caring for our Environment	Separate Cabinet Report in September 2021 - approved.
First Light festival 2022	0	86	0	0	0	Growing our Economy	Separate Cabinet Report in September 2021 - approved.
Extension of East Suffolk Youth Employment Service	57	115	57	0	0	Growing our Economy	Separate Cabinet Report in September 2021, fully funded from reserves - approved.
Funding for disability information, advice and support services in East Suffolk	13	13	13	13	13	Enabling our Communities	Separate Cabinet Report in October 2021 - approved.
Funding for Rural Youth Provision	0	51	51	0	0	Enabling our Communities	Separate Cabinet Report in November 2021, fully funded from reserves - approved.
Ringo Charges	141	146	149	151	151	Pandemic Impact	Increased use of the service during the pandemic and expected to continue.
Staffing budgets	0	0	0	0	700	Roll Forward of Budget	Roll forward of 2024/25 budget to 2025/26.
Environmental Challenge/Climate Change	0	72	75	78	81	Caring for our Environment	Investing in resources to deliver this work.
	814	**1,838**	**1,169**	**881**	**1,584**		
Additional Income							
Port health use of the annexe at East Suffolk House	(108)	0	0	0	0	Remaining Financially Sustainable	Recharge of admin building costs to Port Health.
Investment in Moor Business Park and the Leiston and Riverside Business Centres	(120)	(120)	(120)	(120)	(120)	Remaining Financially Sustainable	Additional net income not captured at the last MTFS update.
Housing Benefit administration grants	(86)	(82)	(79)	(61)	(61)	Government Policy	A revision to forecasts for grants due to the Council based on DWP data.
Bulky Waste income	(50)	(50)	(50)	(50)	(50)	Pandemic Impact	Increase in demand for the bulky waste service
Planning applications income	(295)	0	0	0	0	Pandemic Impact	Planning application activity has not be affected to the extend as original forecast.
East Point Pavilion	0	55	(31)	(36)	(43)	Growing our Economy	Project to bring the East Point Pavilion back into use - approved.
Revenue Support Grant for 2022/23	0	(330)	0	0	0	Government Policy	Indicates from the Spending Review 2021 are that this will be received in 2022/23.
Rural Services Delivery Grant 2022/23	0	(260)	0	0	0	Government Policy	Indicates from the Spending Review 2021 are that this will be received in 2022/23.
Business Rates Suffolk Pooling Benefit	0	(1,829)	0	0	0	Government Policy	Assumed a continuation of current regime for next year but a baseline reset from 2023/24.
Business Rates Income, including Section 31 Grant	0	(3,115)	15	17	(232)	Government Policy	Assumed a continuation of current regime for next year but a baseline reset from 2023/24.
Council Tax Collection Fund (Surplus)/Deficit	0	(191)	0	0	0	Remaining Financially Sustainable	The growth in the tax base has been better than originally forecast.
Council Tax income	0	(143)	(136)	(41)	(554)	Remaining Financially Sustainable	The growth in the tax base has been better than originally forecast.
	(659)	**(6,065)**	**(401)**	**(291)**	**(1,060)**		
Reduced Income							
Jubilee Terrace beach hut project	86	0	0	0	0	Growing our Economy	Income forecasted for 2021/22 will not be realised due to a delayed start with the project.
Car Parking income	122	0	0	0	0	Pandemic Impact	Reduction due to Covid, future years uncertain but budgets currently unchanged.
Rental income	54	0	0	0	0	Pandemic Impact	Temporary reduction due to the impact of Covid.
Land Charges income, except for Con29 income	0	212	283	283	283	Government Policy	The income is due to transfer is to HM Land Registry in 2023 but the Council will continue to be responsible for the administration.
Business Rates Collection Fund (Surplus)/Deficit	0	2,370	0	0	0	Government Policy	To be funded from the Business Rate Equalisation Reserve.
	262	**2,582**	**283**	**283**	**283**		
Savings							
Staff & Member travel costs	(100)	0	0	0	0	Pandemic Impact	Further savings due to homeworking and use of technology for remote meetings.
Impact of the pandemic on the re-opening of leisure centres	(427)	0	0	0	0	Pandemic Impact	The return of customers to the leisure centres has been much better than expected.
Review of Staff Essential Car User (ECU) Allowance	(15)	(62)	(62)	(62)	(62)	Remaining Financially Sustainable	Review of the ECU allowance across the Council.
	(542)	**(62)**	**(62)**	**(62)**	**(62)**		
Use of Reserves							
Use of reserves	(213)	(2,721)	(293)	0	0	Use of Reserves	Agreed use of reserves use to fund specific cost pressures identified above.
	(213)	**(2,721)**	**(293)**	**0**	**0**		
Net Total of MTFS Updates -November 2021	**(338)**	**(4,428)**	**696**	**811**	**745**		

MTFS Changes by Strategic Theme (ST)/Other Factors
2021/22 to 2025/26



	Caring for our Environment (ST)	Economic Impact	Enabling our Communities (ST)	Government Policy	Growing our Economy (ST)	Other	Pandemic Impact	Remaining Financially Sustainable (ST)	Use of Reserves
Use of Reserves									(3,227)
Saving							(527)	(263)	
Reduced Income				3,431	86		176		
Additional Income				(6,103)	(55)		(545)	(1,773)	
Additional Cost	1,015	1,500	167	920	1,017	745	738	184	