Council Priority: Financial Independence – Impact of the Covid-19 Crisis

Summary

1. The purpose of the Medium Term Financial Plan (MTFP) is to ensure the effective planning and allocation of resources to enable the Council to meet the objectives it has set out in its Corporate Plan. This review of the Plan has been prepared at a time of great uncertainty with regard to the Covid-19 pandemic and its impact on the economy.

2. The revised Corporate Plan and MTFP will be considered by the Scrutiny Committee on 26th August 2020, and by Cabinet on 14th September 2020 before approval at Council on 30th September 2020.

3. Although in a better financial position than many other local authorities, the Council has seen a significant drain on its budgets and reserves due to the impact of Covid-19. Although lockdown is now eased slightly, the full impact of the virus is still to be seen but **the current estimated net cost to the Council is £8.3m over the MTFP**.

4. The financial position over the medium term shows an annual revenue budget deficit of around £2m (before use of General Reserve for Covid-19) for four years, before falling to £218k by 2024/25. The deficit has been reduced by the forecast delivery revenue savings (Appendix C refers).

5. The revised MTFP assumes a new and significant level of revenue savings in order to assist the Council in addressing the financial impact of the pandemic. These revenue savings are profiled at £250k per annum over the MTFP.

6. Levels of deficit are dependent upon underlying assumptions around income and expenditure changes. Work to implement these savings and ensure a balanced budget for 2021/22 onwards will continue and be reported as part of the 2021/22 budget process.

7. Before the pandemic the Council budgeted to generate £13.2m of income through rents, fees and charges annually with a further £10.5m from Council Tax. This relatively high level of fees and charges has increased the Council's financial exposure to Covid-19.

8. Capital Funding – The capital programme is relatively modest and can be continued without revision. The Capital Strategy has been reviewed and does not need amending as written; however, attention will be needed to reflect the greater call on the General Reserve and the need to increase our financing from other sources where that is available.

9. Reserves - The Council's general reserves (both earmarked and unearmarked) were £14.3m at the start of 2020/21, of which the majority are earmarked. The risk assessment proposes that the Council should maintain general reserves at a minimum of circa £1.5m. Current projections suggest unearmarked reserves will be almost £3.4m above that level by March 2021, falling to £2.3m by 2024/25.

10. The Council is financially very secure and is able to accommodate a significant budget gap on a temporary basis but will need to rebalance its income and expenditure over the term of the MTFP.

The role of the MTFP

11. The Medium Term Financial Plan (MTFP) is a key element of the financial management structure of local authorities which seeks to ensure there are sufficient resources available to deliver the Council priorities.

12. The medium-term financial planning process has been in place for a number of years and is an established part of the budget setting process. It provides a forecast of the cost of continuing to provide existing levels of service and the resources, both capital and revenue, that are likely to be available to the Council over the period. It also shows any shortfalls and sets out how this will be managed.

13. The MTFP considers the Council's major service strategies and plans, the external financial environment, the financial demands of services and the Council's existing and projected financial resources. The MTFP is reviewed annually but covers a rolling 5-year period. It was last reviewed in September 2019 as part of the 2020/21 budget setting process and the financial model was last updated and approved alongside the Council's budgets in February 2020. It is therefore a key element of the financial management cycle:

14. The MTFP is supported by:

    - The annual revenue budget;
    - The Capital Strategy and capital programme;
    - The Reserve Strategy and risk assessment of the level of reserves;
    - The Treasury Management Strategy (including the Investment Strategy and Borrowing Strategy);
    - The Council's Constitution, in particular the Financial Procedure Rules and Contract Procedure Rules.

15. All of these documents are reviewed annually in order to guide the Corporate Plan and Budget for the following year. This year we are adjusting the MTFP in-year to show the dramatic effect that the Covid-19 pandemic is having, and is forecast to have, upon the Council's finances.

The impact of the pandemic on 2020/21 finances

16. This section summarises the main impacts to date and the uncertainties around estimating the financial impact on the Council.

Income from customers

17. The greatest impact to date has been the reduction in income from fees and charges, but especially the management fee from the Leisure Contract due to the closure of facilities by government direction. This table shows the position as part of the first Budget Management report:

Table 1: Key income/expenditure to the end of May 2020

INCOME	2020/21 Actual to May *£'000*	Profiled 2020/21 Budget *£'000*	2020/21 Original Budget *£'000*	Pressure/ (Saving) To end May ***£'000***	Projected Year-end Variance ***£'000***
Car Park Charges	(22)	(386)	(2,151)	**364**	**949**
Development Management Fees	(149)	(250)	(1,494)	**101**	**598**
Building Control Fees	(44)	(113)	(549)	**69**	**264**
Land Charges	(15)	(30)	(153)	**15**	**0**
Licensing Act Fees	(10)	(8)	(145)	**(2)**	**0**
Hackney Carriage Fees	(10)	(23)	(139)	**13**	**0**
Outdoor Facilities Income	7	(56)	(279)	**64**	**114**
Garden Waste	(156)	(170)	(1,459)	**14**	**113**
Leisure Contract Income	(0)	(241)	(1,444)	**241**	**1,487**
Industrial Estates Rents	(274)	(279)	(1,344)	**5**	**88**
Town Centre Rents	(501)	(567)	(2,867)	**66**	**200**
Depot Rent	(19)	(20)	(80)	**1**	**0**
General/Miscellaneous Property	(57)	(73)	(291)	**16**	**0**
Total Income	(1,250)	(2,216)	(12,395)	**966**	**3,813**

18. Although income has started to recover it is currently unclear when, if ever, income will return to former levels.

19. For the current year there is some relief. On 2nd July 2020 the Government announced a new scheme to help to reimburse lost income during the pandemic and boost cash flow. Where losses are more than 5% of a council's planned income from sales, fees and charges, the Government will cover them for 75p in every pound lost. **The scheme expressly does not cover rental income**.

20. Based on a calculation of forecast losses the potential lost income from fees and charges to be recovered is:

	£'000s	***£'000s***
Total forecast loss	3,525	
Floor @ 5%	443	
Net loss		3,082
@ 75% recovery		2,311

21. The effect of this would be to change the forecast loss set out in the last Budget Management report to Cabinet of 6th July 2020 of £2.9m to £600k. However, this does not take into account the full expected costs of reopening leisure centres and some of the closure costs, together presently estimated to be £2.5m. There is at present no firm indication that this expenditure will be refunded from some central source.

22. It is also expected that the income loss will continue into 2021/22 onwards although the income protection scheme will end with the current financial year. We are therefore having to forecast forward on the basis that income is reduced over the medium term, and for the purposes of planning will allow a reduction of £2m per year from 2021/22 for three more years.

Council Tax

23. The Council budgeted to collect £117m of Council Tax in 2020/21 on behalf of the preceptors. The level of tax takes into account the number, occupation and type of properties across the District, the expected level of collection and the expected level of claim for Council Tax Reduction Scheme (CTRS).

24. The Council faces two major challenges around Council Tax due to the decreased level of employment and increased claimants for Universal Credit and other support. The number of claims for support through CTRS have increased from an expected level of 5,362 to 6,147 at 31st July 2020. However, we have also seen a reduction in levels of payment but only around 0.2%. This could be because some 21,000 workers in Mid Sussex are currently furloughed and therefore still being paid. It is not currently possible to predict with any certainty how much of this will be irrecoverable due to default.

25. Currently officers predict an increased cost of £500k for the CTRS and a non-significant reduction in collection for 2020/21. Any deficit on Council Tax collection is split between preceptors based on their share of the Council Tax and normally has to be charged to the following financial year.

26. As part of the funding package announced on 2nd July 2020 the Government has proposed any deficit may be spread over three years rather than the usual one year. The Government will determine if there is to be any additional support to councils to offset lost income from Council Tax as part of the next Spending Review.

Business Rates

27. The Council collects Non-Domestic Rates (usually known as business rates) and shares the income with Government (50%) and West Sussex County Council (10%) after reductions for reliefs, discounts and bad debts.

28. The Government has made funding available for additional Retail, Hospitality and Leisure reliefs and Nursery reliefs given to business rate payers.

29. The total amount of rates expected to be collected in 2020/21 has been reduced by over 60% from £50m to under £20m. The Government will reimburse the Council for the additional relief granted. This relief gives a very significant financial boost to eligible businesses and will cushion the Council's financial impact for 2020/21.

30. The financial impact on business rates is especially hard to predict as the large number of reliefs will temporarily obscure the potential number of businesses who will either not be trading or will be unable to pay their business rate bill from April 2021. Presently we are 4.5% down in collection (as at 30 June).

31. There may also be reductions in the rates payable due to appeals against the rateable value of individual properties where there is a material change in circumstances arising from Covid-19.

Expenditure

32. The full additional costs are still being accumulated and will not be complete until the end of the year. The greatest additional costs relate to homelessness, where more people than forecast have been accommodated; green waste collection costs where the service was suspended for a month, and ICT equipment like laptops and screens. The requested support to the leisure provider for the closure of the centres is by far the largest expense item for the year, at **£2.5m.**

33. Much of the more service related additional costs will be fully offset by the additional Government grant received to date of £1.5m which was taken in to account within the last Budget Management Report.

Table 2 COVID 19 Related Pressures 2020/21

Expenditure / Income	Pressure To end May ***£'000***	Projected Year-end Variance ***£'000***
Digital & Technology – IT equipment and temporary member of staff for the IT Helpdesk	**27**	**27**
Corporate Facilities - additional cleaning of offices and securing of outdoor facilities	**3**	**3**
Housing Rough Sleepers	**14**	**26**
Refuse Collection (cost of social distancing additional trucks)	**29**	**29**
Leisure Centres – costs of closure	**365**	**520**
Leisure Closure Consultancy	**0**	**10**
Total	**438**	**615**

34. However, the financial position of the leisure service is our most significant and pressing concern and this was fully explained in the report to the special Council meeting of 19th August 2020.

35. We now need to take these factors into account and set this out in the usual format.

Reworking the MTFP

Process and assumptions

36. Fundamental to our planning over the medium term is that at some point, the wider economy at some point, returns to near-normal levels; where normal means pre-pandemic levels. We are assuming this means that over the period of the medium term (i.e. to 2024/25), some intervention and financial assistance is necessary, but that after that, the budget can be balanced with income matching expenditure again.

37. As part of the general update the MTFP has had entries added to show new pressures shown in the last Budget Management report to Cabinet in July. These were outlined in the report and further explained below.

38. Similarly, we are assuming that inflation drops away in 2020/21 but returns to 2% or so in future years. This figure is recalculated annually and the MTFP can therefore be adjusted as per our usual practice.

39. Importantly, and fundamentally, this review of the MTFP assumes that there is no further grant towards our increased costs or our lost income in future financial years over the life of the plan. Note that this is a prudent assumption based only on the announcements made thus far. In the event that the scheme is extended we can revise our forecasts.

Basic adjustments

Council Tax Base

40. There are some factors that can be adjusted now, for situations that we know about. One of these is the Council Tax Base. Members will recall that this generally increases each year, mainly as a result of new properties being added. This increase can be tempered by discounts, both single adult and the range of other discounts (mental impairment disregard etc) and by the effect of the Council Tax Reduction Scheme (CTRS). The CTRS replaced Council Tax Benefit in 2013 with a discount on a Council Tax bill but, rather than having a cash effect, it actually manifests as a reduction in the Tax Base and a consequent reduction in tax raising powers. It should be noted that this affects all tiers of local government that use the Tax Base to set their taxes and have percentage constraints on the tax increases. It follows then that towns and parish councils are unaffected.

41. We had previously forecast an increase of 1.4% in the Tax Base but now feel that growth will be more subdued and the increased numbers of CTRS claims (mentioned above) may mean that we need to reduce the forecast growth to 1% for next year.

42. Future years will be left as previously but these assumptions are tested and amended as necessary each year.

Vacancy savings

43. The Plan includes a significant level of savings within the financial year. These arise because of posts left unfilled due to a reduction in workload in several business units. Members should be aware that these savings are for 2021/21 only and the need for the posts will be reviewed as part of the normal budget process.

Use of Specific Reserves

44. Many business units have built up funds within Specific Reserves which would be used for certain specified purposes rather than general revenue expenditure. However, where circumstances allow, the budget holders are being encouraged to use these reserves in order to relieve the pressure on revenue spending in this year. This is expected to total £250k in this year.

Revenue savings

45. The impact of the crisis on the finances of the Council is severe. In addition to the anticipated impact on the Council's reserves, the revised MTFP has been adjusted to include revenue savings of £250k per annum over the next four years. (Appendix C provides detail of the work to support this).

Movements to reserves

46. To aid clarity and transparency we have assumed that all previously agreed movements to reserves (e.g. Contribution to Development Plan Reserve) remain. For modelling purposes, we are making any further adjustments via new lines on the Plan.

47. It would also be prudent to look ahead for other factors that may influence the Plan over the next few years.

Economic Outlook

48. The full extent of the impact of the pandemic has still to be fully reflected. In the short term there has been a severe global downturn, with mass job losses and declines in output. Massive central bank and Government support has eased some of the pain but will not prevent business closures, especially in the already troubled high street. The ONS published its ‘Business Impact of Coronavirus Survey’ which reported that the number of firms ceasing trading has slowed from 25% in early April to 18% in the first half of May.

49. The furlough scheme will be pared back in August, which will put businesses into a position of whether to retain staff or release them. This could force the Bank of England to loosen policy further in order to generate demand and push inflation back towards the 2% target. The easing of the lockdown on 13th May 2020 generated only modest recovery in activity. Data shows that GDP declined by 5.8% m/m in March, even though lockdown was only in place for nine days. Worst hit sectors were those where social distancing was a fundamental problem such as hotels/restaurants, education and transport/leisure.

50. Consumer spending will be helped by the lifting of restrictions, but it will take time to recover. Retail sales dropped by a record 18.1% m/m in April, pulling sales to 2005 levels. Online sales benefited but clothing and petrol sales were badly hit, both falling by more than 50% m/m, and even food and drink spending suffered, but to a far lesser degree. With hotels/restaurants/car sales falling outside of retail sales, overall consumption contraction will be even sharper over Q2, possibly up to 25%. On the plus side, with nothing to spend on, household debt was reduced by a record £7.4bn. Consumers remain pessimistic about their financial position, indicating that a return to normality remains a way off, even though shops are starting to open.

51. The Coronavirus Job Retention Scheme should ensure that the rate of unemployment has not run away during the pandemic. Nationally, the claimant count unemployment rate increased to 5.8%, but with Universal Credit claims having fallen back nationally, the rate of joblessness might peak at around 9%, which would be lower than had been initially feared. Average earnings growth fell to 2.4% in March but was set to fall further in April.

52. Consumer price inflation (CPI) has fallen and will remain subdued as it will likely take demand some time to fully recover. April saw CPI ease to 0.8%, after the largest monthly decline since December 2008. Underlying core inflation has dipped, while output price inflation is in negative territory for the first time in nearly four years. With demand having collapsed, core deflation will deepen, particularly in the hardest hit industries. Analysts do not see CPI inflation getting too close to the 2% target in the next 18 months.

53. Equity markets have continued to reverse losses and are expected to gradually climb over the coming years. At the end of July, the FTSE 100 had recovered 18% from the March crash.

54. Governments have increased levels of debt to unprecedented levels, which will likely take some time after the pandemic clears to bring down to more manageable levels. Central banks are maintaining stability and viability of their financial markets with massive asset purchasing programmes. These also help to suppress upside rate pressures, having followed interest rate policies that have seen all major central banks slash interest rates to, or almost zero percent. The Bank of England base rate is currently 0.1%. This low level has had a major impact on the Council's investment income. Interest rates have been predicted to increase beyond 0.5% in 18 months for the last eight years and have not. The financial model prudently assumes base rate remains at the current level for the duration of the model.

National Policy

2020 Comprehensive Spending Review

55. The Chancellor has launched the 2020 Comprehensive Spending Review, which will report in the Autumn and will set out the Government's revenue spending plans for 2021-22 to 2023-24 (and capital plans to 2024-25).

https://www.gov.uk/government/news/chancellor-launches-comprehensive-spending-review

56. No "spending envelope" has been set by the Chancellor in advance of the spending because of the "unprecedented uncertainty" caused by Covid-19. He has, however, "confirmed that departmental spending (both capital and resource) will grow in real terms across the CSR period".

57. On the face of it, this suggests that there will be no return to austerity but the redirection of resources within the public sector means that there will still be cuts in lower-priority services. The Chancellor refers to the "tough choices in other areas of spending" and that "departments have been asked to identify opportunities to reprioritise and deliver savings". Local government will certainly not be immune to these cuts, although we should expect funding increases (alongside reform) in adult social care.

58. Various other tax changes and reviews have been announced by the Financial Secretary to the Treasury via a written statement, including announcements affecting business rates:

https://www.parliament.uk/business/publications/written-questions-answers-statements/written-statement/Commons/2020-07-21/HCWS400/

Business Rates review

59. A review of business rates was previously announced in the Spring 2020 Budget. The effect of COVID19 on the economy and on business rates has made fundamental change to business rates – or even replacement with a different business tax – much more likely. Responses on proposals for the multiplier and rate reliefs are required by 18 September (for an interim Autumn report) and on the remaining questions by 31 October 2020 (for the review's conclusions in Spring 2021).

https://www.gov.uk/government/consultations/hm-treasury-fundamental-review-of-business-rates-call-for-evidence

60. In the meantime we are forecasting existing levels of business rates income within the MTFP.

Business rate revaluation

61. The next revaluation was going to take effect on 1st April 2022 (based on a valuation date of 1st April 2019). A postponement of revaluation was announced in May 2020. This statement confirms that the next revaluation will take place a year later, on 1st April 2023, and it will be based on property values as of 1st April 2021 “so that it better reflects the impact of Covid-19”.

New Homes Bonus (NHB)

62. This scheme was introduced in 2011/12 as a way to encourage local authorities to facilitate housing growth. The grant is top sliced from Revenue Support Grant and paid as an un-ringfenced revenue grant. The Government has indicated NHB is not delivering the policy objective of increasing new houses and will cease from 2020/21 with only legacy payments made after April 2021. These total £1.425m in 21/22 and £548k in 22/23.

63. Whilst Mid Sussex does not use NHB to finance day to day spending, the ending of the scheme does affect the build up of the General Reserve over the longer term.

Welfare Reforms and Universal Credit

64. Universal Credit was to be introduced between 2013 and 2017 through the Welfare Reform Act. Universal Credit is an integrated working-age credit that will provide a basic allowance with additional elements for children, disability, housing and caring. It will support people both in and out of work. For local authorities, this means the link between Housing Benefit and Council Tax discounts will be broken and that Universal Credit will be administered by the Department of Work and Pensions. As Universal Credit currently only applies to new working age claims it is assumed the Council will continue to administer Housing Benefit for the duration of the MTFP.

Homelessness

65. For the whole of 2019/20 the maximum number of households in nightly paid temporary accommodation at any one time was above the target of 17. For Q4 the monthly average was 45. This rise is partly due to the increase in cases presenting during the Covid-19 pandemic. This trend has continued into Q1 2020/21, with the monthly average being 48. The main reasons for homelessness are: the reduced benefits for people of age under 35 years; high rents and loss of private sector tenancy; lack of affordable housing; and family relationship breakdowns with young adults leaving home (sometimes leaving home due to abuse). The implementation of the Homelessness Reduction Act in April 2018 has also influenced outcomes, and this is reflected both regionally and nationally. While additional grants will assist with the additional costs relating to Covid-19 cases there is a potential additional cost in the future.

Environment Bill

66. The Government is proposing a consistent set of materials to be recycled by each authority from households and businesses, including weekly collection of food waste. The Council currently collects cans, plastics, paper and card, glass and green waste free of charge fortnightly. The financial impact of the proposals has not yet been evaluated.

Council Tax

67. The Council is committed to do all it can to reduce the financial burdens placed upon its residents and the Council was able to freeze its average Band D Council Tax for the five consecutive years from 2010/11 to 2015/16.

68. Since 2016/17 there is now an expectation from Government that annual increases in Council Tax will form an integral part of the resources supporting local authorities. There is also an assumption, built into the Government's calculation of Spending Power, that Councils will increase tax by the maximum permissible amount.

69. The MTFP assumes the Council's average Band D Council Tax will increase by £4.95 per annum for a Band D equivalent property (from £170.46 at 1st April 2020). Were the flexibility to increase by £5 or 3%, whichever is higher, to be available, this would be considered on a year by year basis.

Income Generation

70. The Local Government Association has long campaigned for local freedom for authorities to set fees based on local circumstances.

71. The Council relies on a number of external income sources. For example, car park charges contribute 20% of our overall income from rents and sales, fees and charges. Overall the fees for pay and display car parking have not increased since 2011/12. A car parking strategy has been completed which includes several considerations, including a possible review of tariffs linked to location, but this needs revisiting for the post-Covid environment.

72. The financial model assumes income from external charges in general increases by 2% annually with the exception of parking charges, green waste and planning fees or other fees set by other bodies.

73. The budget setting process for 2021/22 will recommend annual price rises for all sales, fees and charges where circumstances allow.

Service Demand and Other Budget Pressures

74. The Government expects local authorities to play a major part in revitalising the local economy and at the same time bear a share of the costs of Covid-19. Nationally the greatest pressure on demand for services is due to the aging population profile and is mainly affecting immediate health and social care budgets. There has been little concentration on longer term preventative measures such as housing, employment and leisure, where many of these services are provided by district councils in two tier areas, like Mid Sussex.

75. Councils have increased requirements to prevent homelessness and have also seen an increase in the number of cases.

76. The 2020/21 – 2024/25 financial model assumes levels of demand remain constant, with the exception of the homelessness service outlined above. Other increases in demand will be addressed as a service budget pressure within the annual budget setting process.

Overall impact

77. The changes set out above have been included within the MTFP at Annex B.

78. This shows that Mid Sussex will need to finance a deficit over the life of the plan of some £8.3m, in other words, the overall impact of Covid-19, over the life of this plan, is just over £12.3m with forecast Government funding of £4m taken into account.

Effect on the General Reserve (GR)

79. With this level of GR being used for 4 years (£6.3m) the outlook is as shown below (extract from Annex A):

		Balance	Balance	Balance	Balance	Balance	Balance
	Note	01-Apr-20	31-Mar-21	31-Mar-22	31-Mar-23	31-Mar-24	31-Mar-25
		£	£	£	£	£	£
General Reserve							
TOTAL GENERAL RE	6,132,556.63	6,132,557	5,555,756	5,280,819	4,700,357	3,637,251	4,462,145

Note that this includes the minimum GR level of £1.5m

Other matters

Capital

80. The Council's Capital Strategy sets out how the Council will manage its capital investments in the future. It is agreed on an annual basis and sets out how capital contributes to the achievement of the Council's corporate objectives, how capital resources are allocated and how capital projects should be managed and monitored to ensure the outcomes are delivered. The Capital Strategy was approved by Council in February 2020.

81. The Strategy has been reviewed and given that it is relatively modest there is no need to amend it prior to its next programmed review in March 2021.

Reserves

82. As part of the review of the cash balances, **Interest income** has been shown at pre-Covid levels. This calculation uses sizeable capital receipt income as the principal for future investment and at rates that had been forecast prior to the pandemic. In all likelihood this will need adjusting downwards as economic conditions become clearer. The effect of this is to reduce our general reserve on a year on year basis; a factor that will increase in importance were levels to drop towards the minimum.

83. As outlined elsewhere in these papers, it is proposed to draw on the general reserve to both augment an existing reserve (£300k) and set up a further specific reserve (£300k) to assist with our Covid-19 response (see below). These have been included within the reserves forecast set out earlier.

Reserve to support work planned under Effective and Responsive Services

84. The purpose of this reserve is to act as seed funding towards the cost of making efficiency savings over the next four years. (Appendix C). It is expected that it will pay for external reviews and data gathering in order to better inform service efficiency. It will not be used to finance the cost of implementing review outcomes – which should be the subject of a Business Case before proceeding.

Economic and Community Covid-19 Recovery Grants

85. It is proposed to allocate an additional £300k to the existing grant funding used by the Capital Grants Panel for economic and community grants. The purpose of this additional funding and a refocus of the economic and community grants will be to support businesses and the local community with modest grants to assist with Covid-19 recovery work. As currently, the administration of these grants will be overseen by the Capital Grants Panel. Of course, the criteria for these new grants will need to be agreed by the Panel and this work can begin once Council agrees the whole package at its September meeting. (Also see action plan in Appendix A).

Conclusion and Way Forward

86. The financial model will be fully updated as we go into the budget cycle in the autumn. However, our preliminary forecasting shows that a deficit will be a feature of the MTFP over the next four years due to the impact of Covid-19.

87. The most significant variables in the financial model are the nature and the extent of disruption from Covid-19 across many business units and the timing and nature of change in Government funding.

88. **The Council is now in a very serious financial position**, although the adequate General Fund balances and reserves before the pandemic, robust financial management practices and excellent track record in achieving efficiency savings should assist in mitigating the worst of the effects.

89. Further significant key decisions will still be needed to deliver savings while safeguarding frontline services to maintain a balanced budget. Members will note the proposal to achieve £1m of revenue savings over the next four years (£250k per annum). This is outlined in the revised MTFP (Annex B) and Appendix C provides detail of the work to support this.

90. Significant changes were expected to the local government finance system from April 2021, which are expected to reduce income available to the Council. The timing of these changes is now very uncertain but do have the potential to destabilise our position quite significantly.

91. The modest capital programme can continue into the future although other sources of funding other than the General Reserve will be investigated for their suitability wherever possible.

Sensitivity analysis and scenario planning

92. Risk Management is a key feature of the Council's financial planning process. The Council is very aware of the need for effective risk management and considers that the assessment and minimisation of all types of risk to be vital. It has an adopted Risk Management Strategy in place, and the financial risks to the Council are assessed in the context of the Council's overall approach to risk management.

93. To mitigate risk the Council regularly monitors its budgets. The corporate Risk Management process is used by Mid Sussex to identify, monitor and report on risks. Quarterly performance monitoring reports provide a platform for the Members to scrutinise the financial and non-financial performance (e.g. local and national indicators).

Annex A – Forecast Reserves Balances

	Note	Balance 31/03/20 £'000	Balance 31/03/21 £'000	Balance 31/03/22 £'000	Balance 31/03/23 £'000	Balance 31/03/24 £'000	Balance 31/03/25 £'000
Usable Reserves							
General Reserve:							
Non-Earmarked General Reserve	1	5,262	4,868	4,593	4,013	2,950	3,775
Total Earmarked General Reserve	2	870	687	687	687	687	687
Total General Reserve:		6,133	5,556	5,281	4,700	3,637	4,462
Specific Reserve :							
Housing		1,010	358	308	158	8	(95)
Planning Policy & Economic Development		3,069	472	472	472	472	472
Development Management		21	0	0	0	0	0
Parking Services		94	(0)	(0)	(0)	(0)	(0)
Cleansing Services		141	83	83	83	83	83
Landscapes and Leisure		407	168	168	168	168	168
Community Services, Policy & Performance		375	556	525	525	525	525
Corporate Estates and Facilities		5,566	5,566	5,566	5,566	5,566	5,566
Finance Accountancy		14	19	24	28	33	37
Finance Corporate		134	701	1,093	1,625	2,219	2,813
Revenues & Benefits		283	696	696	696	696	696
ICT		74	74	74	74	74	74
Human Resources & Payroll		1	1	1	1	1	1
Democratic Services		148	191	235	279	322	366
Land Charges		2	2	2	2	2	2
Planning and Building Control Service Support		0	0	0	0	0	0
Environmental Health		5	5	5	5	5	5
Corporate Funds	3	4,363	4,383	4,383	4,383	4,383	4,383
Total Specific Reserve:	4	15,709	13,273	13,632	14,062	14,555	15,094
Total Revenue Reserves		21,842	18,829	18,913	18,763	18,192	19,556
Total Usable Capital Receipts Reserve	5	1,145	12,873	22,823	32,773	32,723	32,673
Total Capital Grants Unapplied Account	6	5,669	6,208	5,875	6,625	7,375	8,125
Total Usable Reserves		28,655	37,910	47,611	58,160	58,289	60,353
Other Balances							
Total Capital Grants & Contributions -Receipts in Advance		9,061	8,448	8,448	8,448	8,448	8,448
Total Other Balances	7	9,061	8,448	8,448	8,448	8,448	8,448
Total Reserves and Other Balances		37,716	46,358	56,059	66,609	66,738	68,802

NB. Figures to nearest £'000 therefore totals subject to rounding variations

Annex B – Medium Term Financial Plan (MTFP)

Revenue Spending	Year 0 2020/21 *£'000*	Year 1 2021/22 *£'000*	Year 2 2022/23 *£'000*	Year 3 2023/24 *£'000*	Year 4 2024/25 *£'000*
Base Net Expenditure	13,984	13,994	13,669	13,685	13,716
Benefits	(119)	(119)	(119)	(119)	(119)
Drainage levies	-	-	-	-	-
Base Revenue Spending	13,865	13,875	13,550	13,566	13,597
Balance Unallocated	28	20	20	20	20
Council Net Expenditure	13,893	13,895	13,570	13,586	13,617
Contribution to Rate Retention Scheme Equalisation Reserve	-	-	-	-	-
Contribution to ICT Reserve (Digital)	-	-	-	-	-
Contribution to Burgess Hill Growth Reserve	-	-	-	-	-
Contribution to Orchards Reserve	-	-	-		
Contribution to Development Plan Reserve	436	300	300	300	300
Contribution to Waste Reserve	40	-	-	-	-
Contribution to Job Evaluation Reserve	267	392	532	594	594
Income reduction as a flat figure inc leisure	600	2,000	2,000	2,000	-
Loss of leisure income					
Increased cost of leisure	2,000				
Net General inflation		569	1,138	1,707	2,276
Savings from vacancies	(300)				
Savings from efficiency programme		(250)	(250)	(250)	(250)
Other savings - use of SR	(250)				
Total Revenue Spending	16,686	16,906	17,290	17,937	16,537
External Funding (RSG)	-	-	-	-	-
Rates Retention Scheme (RRS) funding	(3,400)	(3,400)	(3,400)	(3,400)	(3,400)
HB Admin Grant / LCTS Grant	(315)	(315)	(315)	(315)	(315)
Council Tax Requirement @ 3.0% in 20/21	**(10,519)**	**(10,933)**	**(11,399)**	**(11,876)**	**(12,364)**
Dividend income LAPF	(240)	(240)	(240)	(240)	(240)
Collection Fund:					
- Council Tax deficit / (surplus)	(162)	-	-	-	-
-Rates Retention Scheme deficit / (surplus)	581	-	-	-	-
Contribution from Rate Retention Scheme Equalisation Reserve	(581)	-	-	-	-
Use of General Reserve to balance budget	(2,050)	(2,018)	(1,936)	(2,106)	(218)
Cumulative Balance deficit; / (surplus)	**0**	**(0)**	**0**	**0**	**0**
Difference year on year		0	0	0	0

Financing Revenue Spending

	Year 0 2020/21	Year 1 2021/22	Year 2 2022/23	Year 3 2023/24	Year 4 2024/25
Council Taxbase	61,711.6	62,329	63,201	64,086	64,983
Change in Taxbase	1.65%	1.00%	1.40%	1.40%	1.40%
	£'000	*£'000*	*£'000*	*£'000*	*£'000*
Revenue Budget	16,686	16,906	17,290	17,937	16,537
% change in Formula Grant /External Funding	-100.0%				
External Funding (RSG)	0	0	0	0	0
Rates Retention Scheme (RRS) funding	(3,400)	(3,400)	(3,400)	(3,400)	(3,400)
HB Admin Grant / LCTS Grant	(315)	(315)	(315)	(315)	(315)
Council Tax Requirement	**(10,519)**	**(10,933)**	**(11,399)**	**(11,876)**	**(12,364)**
Dividend income LAPF	(240)	(240)	(240)	(240)	(240)
Collection Fund:					
- Council Tax deficit / (surplus)	(162)	-	-	-	-
-Rates Retention Scheme deficit / (surplus)	581	-	-	-	-
Contribution from Rate Retention Scheme Equalisation Reserve	(581)	-	-	-	-
Use of General Reserve to balance budget	(2,050)	(2,018)	(1,936)	(2,106)	(218)
Total Financing	(16,686)	(16,906)	(17,290)	(17,937)	(16,537)
Balance [(deficit); /surplus]	0	0	(0)	(0)	(0)
	(16,686)	(16,906)	(17,290)	(17,937)	(16,537)
Council Tax at Band D	**£ 170.46**	**£ 175.41**	**£ 180.36**	**£ 185.31**	**£ 190.26**
Change from previous year	**3.00%**	**2.90%**	**2.80%**	**2.75%**	**2.65%**