ITEM NO. 6.1

Report of:	**Deputy Managing Director**
Contact Officer:	**Bob Kean**
Telephone No:	**01543 464 334**
Portfolio Leader:	**Leader of the Council**
Key Decision:	**Yes**
Report Track:	**Cabinet: 13/11/19**

CABINET

13 NOVEMBER 2019

FINANCIAL PLAN 2019-20 TO 2022-23

1 Purpose of Report

1.1 To present an updated financial forecast for the Council for the next three years with a forecast outturn for 2019-20.

2 Recommendation(s)

2.1 That Cabinet note that no specific details exist in relation to the levels of funding the Council will receive from the Government with effect from 2021-22. The proposed new funding regime has been delayed a year with the effect that the 2020-21 Budget effectively represents a roll over of the 2019-20 settlement as adjusted for inflation. The Financing element of the Financial Plan therefore represents this authority's interpretation of how new funding regimes, yet to be finalised, will impact on existing forecasts, as compared to actual Indicative funding levels provided by the Government.

2.2 That subject to 2.1 Cabinet:-

(a) Note the Financial Plan 2019-20 - 2022-23 , and the various scenarios that exist in relation to individual funding streams;

(b) Approve the forecast outturn for 2019-20;

(c) Note the draft Capital Programme 2019-20 to 2022-23;

(d) set the General Fund working balance at a minimum of £1.0 million;

(e) adopt the principles set out in the Council's Financial Plan and Budget Strategy in finalising the preparation of the 2020-21 budget.

2.3 That Cabinet note that a submission has been made to the Secretary of State for Local Government for an extension of the Business Rates Pilot to 2020-21. The Council and all members of the pilot continue to Lobby for an extension with only Devolution pilots currently approved to roll forward to 2020-21. In the event that the request is not successful, the Council is seeking that pooling arrangements, with a similar membership, remains in place to avoid a levy on growth being applied in 2020-21.

2.4 That the Financial Plan be updated as further details of the Government's proposed changes to its funding become available during the budget process.

3 Key Issues and Reasons for Recommendation

3.1 The report sets out the Council's forecast financial position for the next three years, incorporating anticipated spending pressures and savings already identified. Financial resources available to the Council over the three year period are also set out. The Financial Plan reflects the Government's current Funding Regime as adjusted for proposals currently being considered in the design of the new Regime.

3.2 A new Financial Regime for Local Government was intended to be introduced with effect from 1 April 2020, but following the Government's One Year Spending Review, and the need to provide certainty of funding levels for 2020-21, this has now been delayed until 2021-22

3.3 Although this provides a degree of certainty for 2020-21 the ongoing funding for this Council remains unclear.

3.4 The future amount of core funding to the Council and its share of incentive funding is to be determined based upon a Fair Funding review of relative needs and resources; the implementation of a 75% Business Rates Retention Scheme, including the reset of growth achieved to date; and a review of the New Homes Bonus Scheme. No specific details exist in relation to these changes and proposed settlements for this Council are not likely to be known until the Autumn of 2020

3.5 The Technical Consultation on the 2020-21 Local Government Settlement provides further assurances in relation to the forthcoming Financial Year. However it creates greater uncertainty for future years with the 2020-21 New Homes Bonus allocation not being classified as a legacy payment thereafter.

3.6 Potential scenarios in changes in funding have been developed to enable a Budget Strategy to be put in place. The Strategy is based upon an interpretation of the "issues" being evaluated as part of the Design stage of the new Regime. An interpretation of potential changes- adopting a middle ground stance- is likely to result in a:

- Deterioration of Business Rates following the reset of £0.7 million in 2021/22.
- A compensating increase in Business Rates from growth relating to Mill green in Autumn 2020, but likely to be time limited for five years only.
- Legacy payment in relation to New Homes Bonus not being applicable to the 2020-21 allocation.

3.7 The overall position can be summarised as follows:-

Table 1: Changes to Financial Plan 2019-20 to 2021-22				
	2019-20	***2020-21***	***2021-22***	***2022-23***
	£'000	**£'000**	**£'000**	**£'000**
Approved Feb 2019	(102)	602	(12)	(12)
Revised October 2019	**(4)**	**12**	**(41)**	**468**
Planned Use of Balances		602		
Revised Use of Balances	**-**	**12**	**-**	**468**
Potential ongoing shortfall				**468**

3.8 Due to the material amounts involved in the extreme scenarios for business rates and new homes bonus as set out in paragraph 5.5.3, a best case scenario would provide a surplus of £0.222 million in 2022-23, whereas the worst case a deficit of £1,544 million. It is essential that a prudent approach is adopted until further details become available

3.9 The revised Financial Plan therefore provides the framework for the preparation of detailed budgets. Its principles and those detailed in the approved Budget Strategy, subject to approval, will be used to prepare both the Revenue Budget and Capital Programme for consideration by Cabinet in February 2020.

3.10 The removal of legacy payments for 2020-21, representing potentially the last year of the current scheme, will have a detrimental impact on the Medium Term Financial Plan leading to a shortfall in 2022-23 of £0.468 million. Sufficient working balances exist to offset this in that year, however the deficit is likely to be ongoing and will be compounded by a further £0.700 million increase with the growth in Business Rates in relation to the MGDOV likely to be limited to the Autumn of 2025. The overall shortfall may be partly offset by future economic and housing growth however the timeframe and magnitude cannot be forecast at this time.

3.11 Key elements of the delivery of service budgets will be the maintenance of existing levels of service provision and, the implementation of actions as contained in the Corporate Plan. Due regard also being taken to the emerging changes to Services of partner organisations within Staffordshire.

3.12 The Secretary of State for Local Government has announced that all pilots, other than for Devolution areas will cease on the 31 March 2020. In the event that lobbying by the Staffordshire Wide Business Rates Pilot is unsuccessful the Council will be seeking to ensure a pooling arrangement, similar to pre-pilot, is put in place for 2020-21

4 Relationship to Corporate Priorities

4.1 The revenue budget and capital programme reflect the Council's priorities.

5 Report Detail

5.1 Background

5.1.1 The Financial Plan sets the framework for the determination and setting of the budgets for Revenue and Capital, and ultimately, arriving at the level of Council Tax to be set for the next Financial Year.

5.1.2 Council approved its three-year Budget/Financial Plan at its meetings in January/February 2019. In accordance with the Financial Recovery Plan, the use of Working Balances was envisaged for 2020-21, pending the opening of Mill Green Designer Outlet Village, with a potentially Balanced Budget existing in 2021-22.

Table 2 : Revenue Budget Recommended to Council January 2019			
	Budget 2019-20	**Budget 2020-21**	**Budget 2021-22**
	£000	**£000**	**£000**
Transfer to Working Balances	**102**		**12**
Transfer from working Balances		**602**	

5.1.3 At the time of approving the Financial Plan a great deal of uncertainty existed in relation to the funding of Local Government. The introduction of the 75% Business Rates Retention Scheme was envisaged for 2020-21, with core funding or baselines determined by a Fair Funding Review. No details of the proposed regime existed, and hence Budgeted figures for 2020-21 and 2021-22 simply represented this authority's interpretation of the proposed Local Government Regime.

5.2 <u>Proposed New Funding Regimes</u>

5.2.1 In accordance with details as contained in the Provisional Local Government Settlement for 2019-20, the Ministry for Housing, Communities and Local Government (MHCLG) published a consultation in December 2018 entitled 'Business Rates Retention Reform: sharing risk and reward, managing volatility and setting up the reformed system'.

5.2.2 The Business Rates scheme is particularly complicated and consultation focused on the key elements, notably: Appeals Provision; Tier Splits; Central /Local Rating Lists; Section 31 Grants; Resets and Pooling.

5.2.3 A simplified scheme was proposed particularly in relation to appeals, whereby tariffs or top-ups would be adjusted each year (rather than being fixed) to reflect the local authorities' own estimates of income including provision for appeals (base funding guaranteed). The proposal would see the impact of appeals and valuation change being removed and a separate baseline would then be used to measure growth. However a lag of one year would exist before authorities were rewarded for growth.

5.2.4 The document sought views on Tier splits, the Safety Net Provision, the Levy and incentives to pool however a degree of clarity was provided in relation to the Reset of baselines.

5.2.5 The Business Rates System is due to be reset for 2021-22. The reset is effectively about how much growth generated between resets (in this case 2013-14 to 2020-21) is retained by the local authority and how much is redistributed in the sector. At the time of writing the 2019-20 Financial Plan three potential options existed notably: No Reset (all growth retained); Full Reset (No growth retained) or Partial Reset (proportion of growth retained) with the growth not retained being redistributed across the local government sector.

5.2.6 The Consultation document indicated that a Full Reset would take place in 2020-21, but thereafter a partial or phased reset would take place. Proposals of how a full reset will apply for the first year of the scheme are still not clear. The consultation sought views on resets to be applied after 2020-21 and not what happens at the transition to the reformed system. The document further stated that the approach to the reset in 2020-21 and future resets need not be the same.

5.2.7 Initial feedback suggested that post 2020-21 a phased reset, where authorities retain each years growth (or loss) in rates for a number of years and thereafter that growth is redistributed was the Government's preferred option and although the reset period is still to be determined, a minimum five-year reset reflected the feedback to the Consultation.

5.2.8 A full reset from day one, without transition, would be the worst case scenario whereas a phased approach based upon a five year rolling average may provide a short term benefit, although ultimately, without further growth, the Council would lose all its incentive based funding.

5.2.9 The forecast growth above baseline for the District for 2019-20 currently amounts to £5.86 million, and in accordance with a 50% scheme, £2.93 million is retained within Staffordshire. The Council retains £1.172 million with the County Council and Fire and Rescue Service receiving £0.264 and £0.029 million. The balance is retained as part of the pooling arrangements with the authority retaining 40% of pooled growth as previously; 20% is set aside for in year contingency requirements with the balance being effectively used to create a contingency fund for the new pool. The contingency sums will be returned at the cessation of pooling arrangements. In total the Council retains nearly £1.64 million as part of incentive funding.

5.2.10 In comparison, Core Funding currently amounts to £3.0 million and any change is likely to be subject to transitional arrangements. Hence it can be seen that the basis of the Reset represents a material risk to the Council. The resources saved from a Reset will be redistributed across the sector however, using the Council's proportion of the Government's current Spending Assessment as a guide, the redistribution could be less than £0.100 million on a 50% Reset.

5.2.11 Table 3 shows the potential implications for the Reset options

Table 3: Implications of options to Reset Business Rates Growth			
	Worst	**Best**	**Indicative**
	£'000	**£'000**	**£'000**
2021/22 Impact	1,410	(708)	705

5.2.12 As stated in paragraph 5.2.10, the Government have in the past provided transitional funding between funding regimes and between settlements. In particular, a system of floors and ceilings existed that limited the impact both positively and negatively. Transitional Funding has however not applied to the two Incentive funding regimes i.e. New Homes Bonus and Business Rates. In relation to the latter, a Safety Net existed to secure 95% of core funding, but not growth.

5.2.13 The Fair Funding changes are even more complicated with three strands of work: Relative Needs; Relative Resources and Transitional Arrangements. A consultation document was issued in December 2017 on determining options for measuring Relative Need for different services together with general and specific service cost drivers. How cost drivers are weighted and allocated across tiers together with the quantum of resources allocated to Fair Funding is yet to be determined

5.2.14 A formal consultation on Relative Needs, Resources and principles for Transitional Arrangements was published in December 2018. The consultation set out the governments proposals to simplify the assessment of Relative Needs, determine what factors need to be taken into account in determining Relative Resources and proposed that stability, transparency, time limited and flexibility to be the four principles for Transitional Arrangements.

5.2.15 In relation to Relative Needs, the Government is minded to deploy a per capita Foundation Formula for upper and lower tier authorities, alongside seven service specific funding formulas. With the exception of Flood Defence and Coastal Protection (Districts) and Legacy Capital Finance (All authorities) all the other five funding formulas relate to Upper Tier/County Councils. In addition to the basic formula, Area Cost adjustments taking into account accessibility and remoteness of each authority, together with their relative ability to raise resources will also be utilised in determining core funding requirements,

5.2.16 Details of the weightings of funding between services is still awaited, nevertheless, it is evident this review will undoubtedly see a movement in resources towards Adult Social Care & Children and Young People's services that will impact upon the Core Funding Baseline and the Business Rates Retained by the County Council and the District.

5.2.17 As detailed above, it is impossible to determine how Core Funding will change under the new regime. In addition different options exist to determine proportionate shares for baselines and the Council awaits the formal consultation on such proposals.

5.3 Local Government Finance Settlement 2020-21 – Technical Consultation

5.3.1 The formal Government response to the Business Rates Reform and Fair Funding are still awaited.

5.3.2 Initial feedback has been provided to the Joint Working Groups that were established between the Local Government Association (LGA); MHCLG; representatives from the relevant Tiers of authorities and CIPFA to progress the scheme. The outcome of the consultations undertaken and further more detailed consultations are awaited

5.3.3 In order to provide certainty and stability for Local Government for 2020-21 the Secretary of State announced that the introduction of changes to Business Rates Retention and Fairer Funding would be delayed until 2021-22.

5.3.4 MHCLG published a Technical Consultation on the 2020-21 Settlement on the 3 October 2019. The consultation covered:-

New Homes Bonus

In relation to New Homes Bonus the main change proposed is that allocations for 2020-21 would not continue for four years but would only apply for 2020-21. The consultation document states that the Government is minded to make a new round of allocations in 2020-21 and hence the top slice of Revenue Support Grant to fund such payments will remain in place. However

"*It is the Government's intention to look again at the New Homes Bonus and explore the most effective way to incentivise housing growth. We will consult widely on proposals prior to implementation. As the roll forward is for one year, with any funding beyond 2020-21 subject to the 2020 Spending Review and potential new proposals, any new allocations in 2020-21 will not result in legacy payments being made in subsequent years on those allocations*."

The council had anticipated that any allocations received would count as Legacy payments and hence this proposal creates further uncertainty for 2021-22 and 2022-23 with the likelihood of a fallow year between the current and revised system in allocations terms.

Any redistribution of the Top Slice to Revenue Support Grant than funded New Homes Bonus would be immaterial compared to the amount of grant forfeited.

Council Tax Increases

The document does not propose a specific referendum principle for Districts at this stage, with a 2% core principle plus 2% adult social care principle being proposed for other tier of authorities. The question is then put by MHCLG whether "there should be a separate council tax referendum principle of 2% or £5, whichever is greater, for shire district councils in 2020-21?

Business Rates Retention Pilots

The background to the Technical consultation reiterates that business rates pilots, other than devolution areas will finish at the end of this financial year, with London operating under a 67% business rates retention scheme.

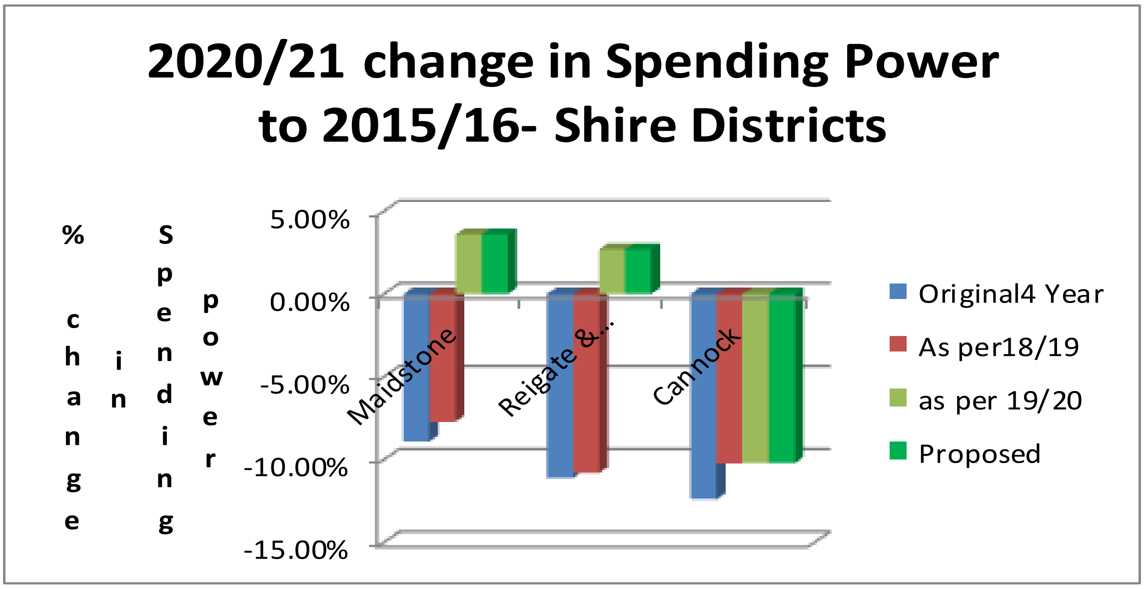
Negative RSG

A similar rollover of Negative RSG from 2019-20 to 2020-21 is proposed as part of the Consultation. Although this is to the benefit to the Council of £0.054 million it is to the detriment of the reduction in spending power as compared to a number of other authorities. Concern is also raised that the repetition of the higher Baseline may form part of the deliberations on Transitional Funding between 2020/21 and 2021/22 hence protecting such authorities.

Cannock Chase has seen a reduction of £2 million in RSG between 2015-16 to 2019-20. The reduction was based upon a set percentage being applied to the aggregation of the Settlement assessment and Council tax generated by each Council. If the reduction of RSG exceeded actual RSG then a negative RSG occurred to be funded from the Business Rates Baseline (Tariff) of that authority.

A number of authorities impacted in the first two years of the 4 year settlement made representation in relation to this and the Tariff Adjustment has been abated for authorities subject to such adjustments in 2017-18 and 2019-20. No adjustment was planned for 2020-21 since it was envisaged that a new Business Rates Regime (100% retention) would be in place by 2020-21 that could mitigate the effect.

In light of the Business Rates Regime not now applying until 2021-22 the Technical Consultation proposes that 2020-21 adjustment is similarly eliminated. Although this represents effectively additional resources of £0.054 million being received in 2020-21, it actually continues the disparity with the changes in Spending Power as compared to other authorities. The Council, as in previous years, has objected to this change in its response to this consultation. The impact as a result of the 2020-21 proposal is particularly pronounced as shown in Graph 1



The Graph shows a comparison between Maidstone /Reigate & Banstead with the highest level of Negative RSG and this Council. If RSG is abated Maidstone will have, excluding New Homes Bonus, a 3.6% increase in Spending Power and Reigate 2.7%, as compared to a reduction of 10.2% for Cannock Chase

5.4 2020-21 to 2022-23 Financial Plan - Revenue

5.4.1 The Council has far greater control over its own net expenditure and projections were provided up to and including 2021-22 as part of the 2019-20 budget process. However it's net expenditure is still subject to external influences and the Financial Plan has now been updated to reflect a number of key changes involving:-

- Inflation
- The outturn for 2018-19 and the first half of 2019-20
- Cost pressures together with changes in income generated
- The cost of maintaining service provision in 2022-23.

Inflation

5.4.2 No changes have been made to the 2019-20 assumptions for CPI, and the provision for pay awards and these have been assumed to remain at 2% for 2019-20 to 2021-22 and for the new Financial Plan Year of 2022-23.

The outturn for 2018-19 and the first quarter of 2019-20 Spending Pressures

5.4.3 The Financial Plan has been refreshed to reflect the outturn for 2018-19 and latest spending patterns in relation to both cost pressures and income variances

Cost Pressures

5.4.4 Employer contribution rates for 2020-21 to 2022-23 are to be set as part of the triennial review of the Pension Fund that is currently being undertaken. The latest indications that the present assumption of a 2% increase per annum will apply for the upcoming three year period.

Income Variances

5.4.5 Income from fees and charges is mainly in line with the overall budget although service variances do exist. Market income is expected to be £9,000 down on the budget., Pest Control and Cemeteries income is up by £6,000 and £8,000 respectively whereas income from the new car park is expected to be down by some £44,000 as it becomes established The above have however been offset by additional Land Charges income of £13,000.

5.4.6 No account has been made for additional Land Charge income in future year's budgets pending its transfer to the Land Registry service.

5.4.7 In relation to 2022-23 the indicative budget for that year has also been increased to reflect the final year of the four year phased reduction in green waste recycling credits with a further £61,000 reduction.

Anticipated Changes in Available Revenue Resources

5.4.8 The Council's revenue budget covers day to day spending on the services provided by the Council. It is currently financed from the following sources:-

- Central government grant called Revenue Support Grant (RSG);
- Business Rates Retention Scheme
- New Homes Bonus Grant
- Council Tax income; and
- Use of reserves - both general and earmarked.

5.4.9 Proposed changes to Local Government funding have been outlined in sections 5.2 and 5.3 and the following paragraphs reflect the indicative impact upon the current Approved Resources Forecast (Council February 2019) notably:-

- **New Homes Bonus Grant** – The current New Homes Bonus grant is a now a four year rolling programme that commenced in 2011-12. The cumulative level of grant allocation for 2019-20 amounts to £1.437 million and was forecast to reduce to £1.353 million in 2020-21 following the implementation of proposed changes to the scheme

  The latest estimates based upon the Council Tax Base as at the beginning of October indicates that New Homes Bonus will increase to £1.382 million in 2020-21. In relation to future years a great deal of uncertainty exists. It was envisaged that some form of transitional arrangements would apply for 2021-22 with a hybrid system representing a transition year between the two systems; however as a result of the Technical Consultation it appears that 2020-21 allocations will not be treated as legacy payments as such with a £0.578 million detrimental impact

- **Business Rates Retention-** Gross Income from business rates in 2019-20 is likely to be lower than anticipated following back dated review of Landfill Sites Rateable Values however this has been offset by additional income retained as part of pooling arrangements with the Staffordshire &Stoke-on-Trent Business Rates Pool.

  In relation to 2020-21 the indicative Budget assumed that a Partial Reset would apply in that year with a loss of income to the Council of approximately £0.7 million, the Budget also assumed the removal of the Levy on growth.

  As a result of the new system being delayed a year, and Business Rates pilots (other than devolution areas) terminating on the 31 March 2020 the Council will revert back to a 50% system and additional income of £0.7 million. In order to achieve this additional income membership of a Business Rates Pool will be required as in previous years. Following discussions at Staffordshire Leaders and Chief Executives meetings an agreement has been reached, that if the pilot does terminate, pooling arrangements based upon the same membership will continue

  The 2021-22 and 2022-23 Business Rates funding levels therefore show no change to those contained in the 2019-20 Financial Plan with Provision being made for the additional income arising from the opening of the Mill Green DOV in the autumn of 2020..

- **Council Tax Base** - The Council Tax Base continues to increase reflecting the upturn in the number of new properties being built as reflected in the New Homes Bonus allocations. The assumptions have now been refreshed to take into account the experiences over the last 12 months and developments in progress with an increase in the forecast for the current year. The Council Tax Base assumptions for future years remain unaltered with an increase of 1.25% per annum forecast.

Council Tax Level

5.4.10 The assumptions in relation to the level of Council Tax are in accordance with the indicative increases as approved in February 2019 with a 1.95 % increase in each of the years of the Financial plan.

Detailed Revenue Budget 2020-21

5.4.11 In refreshing the current budgets, the starting point is the base budget for the 2019-20 financial year, and indicative budgets for 2020-21 and 2021-22 reflecting the current level of services provided by the Council including spending on its priorities.

5.4.12 The detailed budget for each of the three years covered by the Financial Plan will be refreshed based upon the outturn for 2018-19; monitoring up to 30 September 2019 and any other known changes that have arisen since last years detailed budgets were prepared. It is essential that the Council is diligent in reviewing its budgets and in particular any potential underspends or efficiency savings are identified.

5.5 **Refreshed Financial Plan**

5.5.1 **APPENDIX 1** to this report provides the updated position for the 2019-20 to 2022-23 Financial Plan, together with an analysis of changes being included as **APPENDIX 2**.

5.5.2 The Financial Plan is based upon assumptions relating to changes in future government funding streams. They therefore represent a "middle ground"/ "Likely" outcome. A number of material changes have arisen over the period nevertheless taking into account that it was anticipated that the Business Rates income from Mill Green DOV would in the main offset the loss of such income from Rugeley Power Station , and working balances would cover this loss until the opening of the centre, the budget effectively remains in balance until 2022-23 A deficit of £0.468 million exists in 2022-23 primarily as a result of no legacy payments existing in relation to the 2020-21 New Homes Bonus allocation.

5.5.3 Table 4 provides a summary of the changes between the approved Budget and the latest Financial Plan.

Table 4: Changes to Financial Plan 2019-20 to 2022-23				
	2019-20	***2020-21***	***2021-22***	***2022-23***
	£'000	**£'000**	**£'000**	**£'000**
Approved Feb 2019	(102)	602	(12)	(12)
Revised October 2019	**(4)**	**12**	**(41)**	**468**
Movement	98	(590)	(29)	480
Analysis				
Net Expenditure	199	225	490	310
Net Funding	(101)	(815)	(519)	170

5.5.4 As detailed previously there exists a worse and best case for each element of changes to the various Government Funding Regimes and Table 5 shows the potential impact of these extremities.

Table 5: Best and Worse Case Scenarios Financial Plan 2019-20 to 2022-23				
	19-20	**20-21**	**21-22**	**22-23**
	£'000	**£'000**	**£'000**	**£'000**
Approved Feb 2019	(102)	602	(12)	(12)
Revised October 2019	**(4)**	**(158)**	**(41)**	**468**
Change arising from Best Case				
Reset				
New Homes Bonus -				
- New Scheme			(480)	(731)
Best Case October 2019	**(4)**	**12**	**(521)**	**(222)**
Change Arising Worst Case				
Reset			711	725
Growth			304	310
-				
Worst Case October 2019	**(4)**	**12**	**974**	**1,503**

5.6 Reserves and Balances

5.6.1 Reserves and Balances comprise the Council's general reserves, the Working Balance, and Earmarked Reserves. The general strategy for using unallocated reserves is that they are used to meet shortfalls in the net budget during the year. This is particularly important in the current economic circumstances when sources of income are particularly volatile.

The Working Balance

5.6.2 The General Fund balance at 1 April 2019 was £2.916 million, and after taking into account a Minimum Requirement of £1.0 million, there is £1.916 million remaining to support the Revenue Budget.

5.6.3 The forecast surplus on Working Balances as at 31 March 2023, including the offset of the deficit in 2021/22 is now £1.481 million.

5.6.4 The Chartered Institute of Finance and Accountancy (CIPFA) guidance states that a well-managed authority with a prudent approach to budgeting should be able to operate with a relatively low level of general reserves and that, in assessing the level of reserves, the Section 151 officer should take into account the strategic, operational and financial risks facing the authority.

5.6.5 **APPENDIX 3** highlights the risk areas that need to be taken into consideration when deciding on the minimum level of the General Fund Balance

Earmarked Reserves

5.6.6 The Council maintains a number of earmarked reserves which have been set aside for specific risks, for known future spending requirements or for specific projects.

5.6.7 Earmarked Revenue Reserves as at 31 March 2019, amounted to £6.3 million (excluding the business rates reserve) and based on the Financial Plan assumptions, are expected to reduce to £4.8 million by March 2022. The actual level will vary as the utilisation of Ring Fenced Grants and General Earmarked Reserves are approved over the duration of the Financial Plan. A full review is to be undertaken as part of the preparation of the 2020-21 and subsequent year's budget and will form part of Cabinets Budget recommendations.

5.7 Medium Term Financial Outlook

5.7.1 The financial outlook for Local Government remains very uncertain from a funding perspective with the 2020-21 settlement only representing a roll over of the previous system rather than the outcome of the new Funding Regime.

5.7.2 The introduction of a Reset of Business Rates in 2021-22 will have a material impact on funding and at best the changes arising from 75% Business Rate will be financially neutral. Proposed changes to the New Homes Bonus scheme could also provide severe financial challenges to the Council. In addition any such changes will also have an impact on service provision for other tiers of the public sector within Staffordshire.

5.7.3 The Council's current budget strategy is based upon delivering its Corporate Plan 2018-23 and is focused on the maintenance of current service provision as a minimum.

5.8 Capital Programme 2019-20 – 2022-23

5.8.1 Council approved the current capital programme in January 2019 and the list of schemes included in the programme is set out in **APPENDIX 4** for information. The programme has been reviewed to reflect slippage from the 2018-19 financial year, new schemes approved by Council since the programme was approved in January 2019 as well as changes in circumstances that have impacted on schemes in the Programme.

5.8.2 No Provision has been made for any new schemes at this stage with the Capital Programme and Asset Management Plan subject to detailed review as part of the Budget Process.

5.8.3 The current Capital Programme is potentially underfinanced by £1 million pending the receipts from the disposal of assets. The overall position including such receipts will show uncommitted resources of £0.649 million pending determination of the 2022-23 rolling programme

6 Implications

6.1 Financial

The financial implications have been referred to throughout the report.

6.2 Legal

None.

6.3 Human Resources

None.

6.4 Section 17 (Crime Prevention)

None.

6.5 Human Rights Act

None

6.6 Data Protection

None

6.7 Risk Management

None.

6.8 Equality & Diversity

None.

6.9 Best Value

None

7 Appendix to the Report

Appendix 1: Draft Financial Plan – Revenue October 2019

Appendix 2: Revenue Known Variations to Approved Budget

Appendix 3: Working Balances – Financial Risks facing the Authority

Appendix 4: 2019-20 Capital Programme

Previous Considerations

None.

Background Papers

File available in Financial Services

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Appendix 1

DRAFT FINANCIAL PLAN - REVENUE OCTOBER 2019

Line No.		2019-20 £'000	2020-21 £'000	2021-22 £'000	2022-23 £'000
	Portfolio spending				
1	Base (Council 7 February 2019)	12,234	12,656	12,987	12,987
2	Pay inflation				210
3	Other inflation				225
4	Income				-150
5	Recharges				-118
6		12,234	12,656	12,987	13,154
7	Known variations	171	269	115	507
8		12,405	12,925	13,102	13,661
9	Investment Income/Technical Items	-177	-198	-176	-176
	Cap financing etc	185	150	138	138
	Reserves	830	692	280	280
	Known variations	28	-44	375	-364
10	Net spending	13,271	13,525	13,719	13,539
	Financed By				
11	Formula Grant				
12	Section 31 Grant	-97	-97	-97	-97
13	Business Rates Retention	-5,225	-4,777	-5,367	-5,367
14	levy Surplus	-46			
15	New Homes Bonus Grant	-1,437	-1,353	-1,095	-1,095
16	Special grant – Council Tax freeze				
17	Council Tax	-6,269	-6,471	-6,682	-6,682
18	Collection Fund	-100			
	Known Variations	-101	-815	-519	170
19	Net financing	-13,275	-13,513	-13,760	-13,071
20					
21	Efficiency Requirement				
22	Surplus Ref to Working Balances	-4	12	-41	468

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APPENDIX 2

REVENUE KNOWN VARIATIONS TO APPROVED BUDGET

Line No.	**Known Variations**	**2019-20 £'000**	**2020-21 £'000**	**2021-22 £'000**	**2022-23 £'000**
	Approved Variations				
1	Increments				13
2	Green Waste Recycling Credits				61
3	District Elections				108
4		0	0	0	182
	Potential Variations				
5	Demographic Growth				22
6	Parks Hawks Green not implemented	16	16	16	16
7	Postages	10	10	10	10
8	Actuarial Valuation		2	18	206
9	Hospital Car park	40	40	40	40
10	Leisure Contract	-12	-12	-12	-12
11	Netcall	21	21	21	21
12	Corporate R& M	40	70		
13	MSCP	30	100		
14	Market Hall	17	17	17	17
15	Other	9	5	5	5
16		171	269	115	325
17	**Total Known Variations**	**171**	**269**	**115**	**507**
18	Inflation	0			167
	Investment & Technical				
19	Capital financing				-11
20	Earmarked Reserve NHB/BRR		29	-5	-280
21	Pool Reserve	101		453	
22	Investment Income	-73	-73	-73	-73
23	**Net spending**	**199**	**225**	**490**	**310**
	Financed By				
	Potential Variations				
24	Inflation				-243
25	Business Rates				
26	- Reset		-571		
27	-Pool		-215		
28	S & sOt Pool	-216		-453	
29	Growth	115			
30	- Growth/appeals			-71	-71
31	New Homes Bonus				
32	- Growth		-29		
33	- Deadweight			-94	-94
34	- Legacy			99	578
35	Collection Fund				
36	Net financing	-101	-815	-519	170
37	Surplus Ref to Working Balances	98	-590	-29	480
R1	As approved By Council	-102	602	-12	-12
R2	Variations	98	-590	-29	480
R3	Revised	-4	12	-41	468

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Appendix 3

Working Balance - Financial Risks facing the Authority		
RISK	**Level of risk**	**Explanation of risk/justification for cover**
Inflation	Medium	Inflation has been included in the Financial Plan in accordance with Government policy.
Investment interest	Medium	The amount earned depends on the prevailing interest rates and the level of cash balances held.
Major income sources:		
• Planning fees	Medium	Dependent on economic conditions.
• Land charges fees	Medium	Dependent on the housing market / basis of determining recoverable expenses/ proposed transfer to Land Registry.
• Car parking	Medium	Certain amount of volatility based on demand.
• Markets	Medium	Dependent on occupancy levels.
• Licensing	Low	Licensing income dependent on renewals.
• Cemeteries	Low	Dependant upon capacity of cemeteries
Spending pressures:		
• Waste and recycling targets	Low	The Council will need to reach recycling targets in order to maximise income from recycling credits and avoid penalties. Recycling Credit regime operated by County Council
Funding Sources		
• New Homes Bonus	Medium	Although allocations for 2020-21 can be predicted accurately, the future level of funding is now not only dependant upon completions of new properties but what incentive scheme will exist instead of New Homes Bonus. A prudent approach has been set for the outcome of the scheme with only legacy payments existing post 2020/21`
• 75% Business Rates Scheme and Resets	High	new scheme is to be introduced wef April 2021.In addition a reset of growth achieved under the current system will take place at the same time The council is a high growth achiever hence how the rest is implemented could have material implications
• Volatility in Business Rates	Medium	The Council will be exposed to volatility or reduction in its business rates due to the failure or temporary closure of a key industry and successful back dated appeals against Rateable Values. Although this gives councils greater freedoms and removes dependency on central funding it passes on greater risks core funding will reduce if Business Rates contracts.

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Appendix 4

	2019/20 Revised	2020/21	2021/22	2022/23	Approved
	£000	£000	£000	£000	£000
HOUSING					
Disabled Facilities Grants	926	792	792	-	296
Private Sector Decent Homes	27	-	-	-	-
Total Housing General Fund	**953**	**792**	**792**	-	**296**
ENVIRONMENT					
Home Security Grants	28	18	-	-	-
Wheelie Bin Replacement	128	90	90	-	170
Replacement Vehicles - cleansing	74	-	-	-	15
Replacement vehicles - countryside	50	-	-	-	38
Car Park Improvements	-	-	-	-	292
Replacement Vehicles – Grounds	109	-	-	-	19
Total Environment	**389**	**108**	**90**	**-**	**496**
CRIME AND PARTNERSHIPS					
CCTV	55	-	-	-	-
Total Crime and Partnerships	**55**	-	-	-	-
CULTURE AND SPORT					
Additional Cemetery Provision	983	-	-	-	327
Stile Cop Cemetery Phase 2	3	-	-	-	-
Stile Cop Cemetery Modular build	60	-	-	-	-
Hednesford Park Improvements (part-S106 funds)	-	-	-	-	174
Stadium development	226	-	-	-	50
Relocation Arthur Street Play Area (S106)	-	-	-	-	3
Multi Use Games Area Laburnum Avenue (S106)	-	-	-	-	121
Heath Hayes Park / Pitch Refurbishment	-	-	-	-	115
Additional Car Park 5s Pavilion	98	-	-	-	-
Replacement Vehicles – Cemeteries	-	-	-	-	51
Wolseley Road Improvements	20	-	-	-	-
Total Culture and Sport	**1,390**	-	-	-	**841**
ECONOMIC REGENERATION AND PLANNING					
Economic Development & Physical Assets	176	-	-	-	-
District Investment	-	-	-	-	5,745
Lets Grow Grants	48	-	-	-	-
Hawks Green Rationalisation	298	-	-	-	-
Total Economic Regeneration and Planning	**522**	-	-	-	**5,745**
CORPORATE IMPROVEMENT					
Civic Centre Car Park	72	-	-	-	-
Total Corporate Improvement	**72**	-	-	-	-
TOWN CENTRE REGENERATION					
Anson Street	85	-	-	-	-
Rugeley Pedestrian Cycle Linkage (S106)	219	-	-	-	-
Total Town Centre Regeneration	**304**	-	-	-	-
TOTAL CAPITAL PROGRAMME	**3,685**	**900**	**882**	-	**7,378**