

## Medium Term Financial Plan 2021/22 to 2023/24

### Main Assumptions, Outstanding Matters and Potential Risk Issues

- Table 1 below shows the Medium Term Financial Plan (MTFP) for 2021/22 to 2023/24 before the use of reserves in each year:-

**Table 1: Medium Term Financial Plan 2021/22 to 2023/24**

	Budget 2020/21 £000	Forecast 2021/22 £000	Forecast 2022/23 £000	Forecast 2023/24 £000
<b>Net Cost of Services</b>	15,500	16,205	16,722	17,572
Corporate Income and Expenditure	(1,970)	(1,553)	(1,516)	(1,369)
<b>BUDGET REQUIREMENT</b>	<b>13,530</b>	<b>14,652</b>	<b>15,206</b>	<b>16,203</b>
Funding	(13,269)	(12,697)	(12,891)	(13,191)
<b>Net Shortfall / (Surplus)</b>	<b>261</b>	<b>1,955</b>	<b>2,315</b>	<b>3,012</b>

- The key assumptions on which the MTFP 2020/21 to 2022/23 have been prepared are as follows:-

#### **General Issues**

##### **a) Covid-19 Impact**

For the purposes of developing the Medium Term Financial Plan at this stage, it is assumed that Council activities will have returned to a degree of normality from April 2021. This position will be kept under review as the current financial year progresses and the MTFP will be updated accordingly if this position changes.

- Business Rates Retention (BRR)** – The assumption on retained business rates is that the Council's share of income will grow broadly in line with inflation reflecting, to a large extent, the experience of the current year funding settlement.

This also includes an assumption on potential surpluses on the Business Rates Collection Fund based on actual performance in previous years.

	2020/21 £000	2021/22 £000	2022/23 £000
Business Rates Retained	4,214	4,298	4,384
Collection Fund – Share of surplus	300	250	250

- Business Rates – Payment of Levy to MHCLG** – As a result of being in the Lancashire Business Rates pool no levy obligation is assumed – any levy payment that would have been paid to Government will be retained.

## Appendix D

- d) **S31 Grant for Business Rates** – It is assumed that the s31 Grant paid to the Council – which reflects business rates payments ordinarily due to the Council from Business Ratepayers where the Government has taken a policy position to introduce a relief/discount instead – remains unchanged in over the life of the MTFP. However, this is dependent on the Government maintaining these discounts/reliefs and reimbursing Councils for the income foregone. Again, this is something that is reviewed on a regular basis and will need updating in due course if there are any changes.
- e) **Revenue Support Grant (RSG) funding** – the MTFP reflects that RSG will continue to be paid in each year of the plan, increased by inflation in each year.

f) **New Homes Bonus Allocations**

Allocations reflect the cumulative effect of allocations paid in respect of previous years (or 'legacy' payments) (for a 4 year term) with no 'new' allocations in each year following the Government's announcement to end the New Homes Bonus Scheme in its present form.

	2021/22 £000	2022/23 £000	2023/24 £000
New Homes Bonus – previous years	155	142	0
New Homes Bonus – new in year	0	0	0
<b>New Homes Bonus – Total</b>	<b>155</b>	<b>142</b>	<b>0</b>

All NHB funding is used to support of the Council's base budget.

- g) For the purposes of financial planning only, **Council Tax** is assumed to increase by the maximum permitted for District Councils each year without the requirement to hold a referendum at 1.99%.
- h) **Localisation of Support for Council Tax (LCTS)** – Councillors approved the LCTS Scheme for 2021 at the Council Meeting in February 2020. It was agreed that support for Council Tax would be retained at a maximum of 80% of the Council Tax liability for working age claimants subject to eligibility. For the purposes of planning the budget for 2021/22, it is currently assumed that there will be no change to the above although this may be subject to review as part of the wider development work on the budget for next year.
- i) **Technical Changes to Council Tax** – No further changes to discounts/exemptions are assumed at this stage but this will be maintained under review as part of the Council's budget planning for 2021/22.
- j) A **Pay award** of 2% has been assumed in each year over the life of the MTFP. Subject to the outcome of the Pay negotiations in the current financial year, this may need to be reviewed accordingly.
- k) No provision for **Staff Turnover** is assumed in any year of the Medium Term Financial Plan at this stage.

## Appendix D

- l) The Council's **Employers' pension contribution rate** has been determined by the outcome of the 2019 valuation of the Lancashire Pension Fund. This has set contribution levels for three years up to March 2023. Employer contributions remain based on a combination of deficit payments (a fixed cash lump sum) plus a % contribution for future service. The respective elements in the Plan are as follows:-

	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Past Service Deficit Lump Sum*	574	596	619	700
Future Service % payment*	959	988	1,011	1,033
<b>Total Payment to Fund</b>	<b>1,533</b>	<b>1,584</b>	<b>1,630</b>	<b>1,733</b>

\* Estimates only after 2022/23 pending the outcome of the next Fund valuation as at 31<sup>st</sup> March 2023.  
Future service % rate is 18.1% for each year to 2020/23

- m) **National Insurance (NI) Contributions** – The plan reflects known and projected rates for NI at the time of preparation.
- n) **Robustness of Fees and Charges** – General fees and charges are assumed to increase in line with inflation (2.5% for the purposes of the MTFP) but are subject to annual review as part of the development of the budget in each year;
- o) **Council Tax Collection** – A collection rate of 96% in line with actual performance in recent years. The Council Tax Base is assumed to grow by 0.75% per annum. It is also assumed at this stage that there is a surplus on the Collection Fund for distribution to Pendle and the major preceptors over the life of the MTFP. This position is reviewed annually. The current assumption for Pendle's share is as follows:-

	2021/22 £000	2022/23 £000	2023/24 £000
Council Tax – Collection Fund Surplus	250	200	200

- p) **Revenue Contribution to Capital** – the Plan assumes no further revenue contributions towards the capital cost of improvements to the Council's own properties.
- q) **Net Contributions from reserves are as shown in the table below:-**

	2020/21 £000	2021/22 £000	2022/23 £000
Use of Reserves – Specific	295	150	(100)
Use of Reserves – Budget Support	650	0	0

The above use of the Budget Support Reserve will leave the balance on the reserve as 31<sup>st</sup> March 2022 at £37k. It is important to note that the reserve will be depleted earlier if the required level of savings assumed in the MTFP are not achieved each year.

### ***Specific Service Related Matters***

#### **a) Treasury Management Issues**

- ***Investment Income*** – At the time of writing, the Bank Rate now stands at 0.10% with mixed views amongst market commentators as to the rate and timing of any upward movement and the potential impact of both Covid-19 and Brexit. This has a direct impact on the Council's General Fund Revenue Budget insofar as interest rates on the Council's investments are generally reflective of the Bank Rate.

At the same time, as the number of external funding streams continues to reduce our surplus cash resources will start to diminish. Combined with prepaying 3 years' pension contributions for the period 2021/22 to 2023/24 means that investment income may be relatively suppressed. The preservation of security and adequate liquidity remain our priorities. Investment returns of 0.40% (2021/22) rising to 0.75% by 2022/23 have been assumed over the plan period;

- ***Minimum Revenue Provision (MRP)*** – This is the budget the Council must set aside annually for the repayment of debt. In recent years, MRP has been suppressed both by the amount of slippage on the Council's Capital Programme and also the policy of applying all available capital cash resources to capital expenditure before incurring the need for debt. As the capital cash resources are declining the level of MRP is projected to increase over the medium term; the MRP charge is projected to increase from £620k in 2020/21 to £673k by 2023/24.
- ***Debt Interest*** – Post the financial downturn and prior to 2014/15 the Council mainly used internal borrowing to finance capital expenditure as opposed to external borrowing. This was in recognition of the low investment returns on offer compared with the cost of borrowing externally. However, as the latter fell during 2014/15, significant external borrowing was taken from the PWLB. As a result of this and the further borrowing required to fund the Council's approved capital programme, the plan reflects the associated increase in interest costs.

- b) ***Pendle Leisure Trust*** – the financial sustainability of the Leisure Trust remains an issue and the Trust's cost base is continually under pressure. Given the scale of savings required by the Council over the plan period there is a need to look closely at the affordability of the Trust's activities in the context of the Council's own corporate priorities. Whilst the current payment to the Leisure Trust of £1.442m is assumed to remain unchanged over the life of the plan this is subject to annual review. A Strategic Review of Leisure was undertaken in 2019/20 and consideration of the recommendations arising from the review will need to form part of the Council's budget planning for 2021/22 onwards.

- c) **Council Tax Benefit & Housing Benefit Administration Subsidy** – In 2020/21, the Council will receive £386k from the Government for the administration of benefits split £124k (Council Tax) and £262k (Housing Benefit). The planning assumption is for a year on year reduction of 5% in both funding streams. In due course it is expected that Housing Benefit Administration will diminish if Housing Benefit for Working Age people is fully incorporated within Universal Credit.
  - d) **Universal Credit** – Universal Credit Full Service was rolled out in the Pendle area in 2018/19. As claimant transfer and migrate over to Universal Credit, which will be provided by the Department for Work and Pension, this will impact on the administration Housing Benefit. Further work is needed to assess the implication of this on the Council and this will be undertaken as part developing the budget in 2021/22.
  - e) **Other Budget Growth** – The MTFP includes no provision for additional growth either as a result of any statutory matters or specific service improvements. It will be important as part of the review of the Council's Strategic Plan to ensure that any additional cost pressures are identified as early as possible and factored into the MTFP going forward;
3. The Committee will appreciate that these assumptions are subject to change as the development of the budget progresses and more information becomes available. This is the first MTFP for a number of years where the level of funding has been based on estimates in lieu of the outcomes of the Spending Review and the Fair Funding Review being published. In view of this, the MTFP will be updated continuously and reported to Management Team and the Committee as and when it is appropriate to do so.