

SOUTH STAFFORDSHIRE COUNCIL

RESOURCE PLANNING AND PRIORITISATION

CABINET – 10th JANUARY 2023

**THE COUNCIL'S MEDIUM-TERM FINANCIAL STRATEGY 2023/24 – 2027/28 AND
2023/24 BUDGET**

**REPORT OF THE CORPORATE DIRECTOR RESOURCE (AND SECTION 151 OFFICER) AND
FINANCE TEAM MANAGER (AND DEPUTY SECTION 151 OFFICER)**

LEAD CABINET MEMBER – COUNCILLOR ROGER LEES, LEADER OF THE COUNCIL

1. Summary

- 1.1 This report sets out the Medium-Term Financial Strategy (MTFS) for the period 2023/24 to 2027/28, projected revenue expenditure for 2022/23, revenue estimates for 2023/24 and the capital programme for 2023/24 to 2027/28.
- 1.2 The proposals present a balanced budget for a three-year period to 2025/26, achieved with the use of reserves.
- 1.3 The Local Government Finance Settlement was announced on 19th December 2022 and this report incorporates the detail provided within the statement.
- 1.4 It is proposed that, subject to the final Local Government Finance Settlement members are asked to make use of the flexibility to increase Council Tax by £5 and utilise £1.772m of General Fund reserves in 2023/24.

2. Recommendations

- 2.1 It is recommended that:-
 - a) Members support this report together with the draft Medium-Term Financial Strategy (MTFS), projected expenditure for 2022/23, revenue estimates and capital programme for 2023/24 and proposals for the 2023/24 budget for consultation with stakeholders. In particular;
 - b) Members note the updated draft MTFS position and the revised revenue estimates for 2022/23 and 2023/24;
 - c) Members note the reconciliation for the previous approved MTFS to the updated draft MTFS;
 - d) Members support the revised capital programme;
 - e) Members support that the minimum level of general fund reserves is maintained at £1.5m;
 - f) Members note that the Leader of the Council be authorised to make any necessary amendments to include any late information or to correct any errors or omissions.

3. Summary Impact Assessment

POLICY/COMMUNITY IMPACT	Do these proposals contribute to specific Council Plan objectives?	
	Yes	The budget is the financial expression of the Council's priorities and therefore underpins the Council Plan.
	Has an Equality Impact Assessment (EqIA) been completed?	
	No	Budget / MTFS assumptions and forecasts do not impact on equality issues.
SCRUTINY POWERS APPLICABLE	Overview & Scrutiny Committee on 31 January 2023	
KEY DECISION	No – Council decision	
TARGET COMPLETION/ DELIVERY DATE	March 2023	
FINANCIAL IMPACT	Yes	As set out in the report.
LEGAL ISSUES	Yes	<p>The Council has a legal obligation to set a balanced budget (s32 of the Local Government Finance Act 1992) and must make three calculations namely:</p> <ul style="list-style-type: none"> • an estimate of gross revenue expenditure; • an estimate of anticipated income; and • a calculation of the difference. <p>The amount of the budget requirement must be sufficient to meet the Council's budget commitments and ensure a balanced budget. The 2023/24 budget requirement must leave the Council with adequate financial reserves. The level of budget requirement must not be unreasonable having regard to the Council's fiduciary duty to its Council Tax payers and non-domestic rate payers.</p> <p>Section 151 of the Local Government Act 1972 places a general duty on local authorities to make arrangements for 'the proper administration of their financial affairs'.</p>
OTHER IMPACTS, RISKS & OPPORTUNITIES	Yes	<p>The relevant risk (per the Strategic Risk Register) is:</p> <ul style="list-style-type: none"> • Budget pressures, increased income volatility and uncertainty as to the future of local government finance – The budget, the MTFS and the financial stability of the Council is severely impacted by reductions and/or changes in the way in which local government is financed.
IMPACT ON SPECIFIC WARDS	No	

4. Background

- 4.1 The Medium-Term Financial Strategy (MTFS) puts in place a strategic approach to the planning of the Council's resources and provides the framework for the planning of the Council's revenue and capital spending each year via the annual budget. The MTFS covers the five years 2023/24 to 2027/28 and highlights the various financial challenges facing the Council over this period.
- 4.2 On 17 November 2022, the Chancellor delivered his Autumn Statement. In his speech the Chancellor confirmed that Government will be sticking to the 2023/24 and 2024/25 departmental spending totals set at the 2021 Spending Review.
- 4.3 The Local Government Finance Settlement was announced on 19th December 2022 and added detail pertaining to each authority further to the Chancellor's Autumn Statement.
- 4.4 Where specific assistance, or additional flexibility was conveyed to local government in the Autumn Statement, the primary beneficiaries are upper-tier authorities with social care responsibilities. The ability to increase Council Tax without a referendum by 3% will not impact on South Staffordshire if Members choose to enact the existing and retained flexibility to raise Council Tax by up to £5 where this is greater in impact than 3% on Band D equivalent properties.
- 4.5 It must also be noted that as reported to members across successive MTFS reports the future of the system of local government finance remains uncertain. Despite previous commitments to re-assess the baseline need, financed via Business Rates for spend in each local authority (through its 'Fair Funding Review') it has now been confirmed that no such review will be undertaken in the current parliament.
- 4.6 There is consensus however, that the existing funding models across the sector are viewed as unsustainable. Given the uncertainty of which models of financing may emerge in the medium term, any potential impact remains a strategic risk for the Council in the latter years of the MTFS.
- 4.7 At this stage however, in the absence of any detail to the contrary, the MTFS will be based on broad assumptions of existing funding levels being broadly maintained (or replaced with equivalent transitional funding). Some sensitivity analysis and the impact on the level of General Fund reserves should these assumptions prove to be either too optimistic or too pessimistic is included in this report.
- 4.8 Even as the impact of Covid-19 on budgets and finances has receded, the overall future of Local Government funding and the volatile state of the local and national economy represents, once again, an exceptionally challenging context within which to set the budget and MTFS, one characterised by ongoing, and significant levels of uncertainty.

Report structure

4.9 This report is structured as follows:

- Section 5 summarises the annual budget setting cycle and timetable.
- Section 6 sets out the previous MTFS (set as at Feb 2022).
- Section 7 sets out the updated 2023/24 budget and the updated MTFS for the period 2023/24 to 2027/28. It also reconciles the previous MTFS to the updated MTFS (explaining key movements), summarises the key assumptions and highlights key areas of risk.
- Section 8 sets out the Collection Fund.
- Section 9 updates the Capital Programme.
- Section 10 provides an analysis of the Council's Earmarked Reserves
- Section 11 includes an assessment of the minimum adequate levels of General Fund reserves.
- Section 12 highlights the financial framework of the Council.

5. The Annual Budget Setting Cycle and Timetable

5.1 The construction of the budget and the MTFS involves a number of key stages designed to ensure the budget is robust:

- Identification of budget issues as part of budgetary control and monthly reporting to CLT;
- Assembly of savings, efficiencies and additional budget requirements through the Resource Planning and Prioritisation process (Oct – Dec);
- All member Resource Planning and Prioritisation Briefing Session (Dec 2022);
- Decision on Draft Budget – (Cabinet 10 January 2023);
- Consultation with Stakeholders (11 January 2023 – 3 February 2023);
- Overview and Scrutiny Committee consider the draft budget – (31 January 2023);
- Cabinet Review of Final Budget – (Cabinet 14 February 2023);
- Approval by Council – (21 February 2023);

6. The Prior Year MTFS 2022/23 – 2026/27 (approved February 2022)

6.1 The Council's MTFS is updated annually and was previously approved for the five-year period 2022/23 to 2026/27 by full Council in February 2022.

6.2 The following table sets out what, at that point the MTFS forecast in terms of annual budget deficits and opening and closing general fund balances.

Table 1: The Prior Year MTFS and General Fund Balance Forecasts

PRIOR YEAR MTFS	2022/23	2023/24	2024/25	2025/26	2026/27
	£000's	£000's	£000's	£000's	£000's
General Fund Opening Balance	(8,951)	(7,900)	(5,512)	(3,535)	(647)
Annual Deficit/ (Surplus)	1,051	2,389	1,977	2,887	3,247
General Fund Closing Balance	(7,900)	(5,512)	(3,535)	(647)	2,600

- 6.3 Table 1 shows that the previously approved MTFS predicted an in-year deficit of £1.051 million in 2022/23. Annual deficits were forecast for each subsequent year of the MTFS.
- 6.4 Annual deficits require the Council to utilise its General Reserve balances. As at February 2022, the MTFS, based on the annual deficits forecast above, showed that the Council's General Fund Balances would reduce from £8.951 million at 1st April 2022 to £0.647 million at 31st March 2026.
- 6.5 In the absence of any corrective actions or additional funding, the Council's General Reserves would be fully utilised during the course of 2026/27.

Updated Forecast Outturn Position for 2022/23

- 6.6 Since the previous MTFS in February 2022, the final outturn position for 2021/22 (confirmed in the audited 2021/22 accounts) allowed General Fund reserves of £9.296 million to be carried forward as at 1 April 2022. This actual position represented a £0.345 million increase on the value assumed when the MTFS was approved in February 2022.
- 6.7 The outturn position for this current year (2022/23) is forecast as at 30 September 2022 (per the Integrated Performance Management Report) to be a £0.935 million deficit taking into account planned transfers from Earmarked Reserves. This represents a positive £0.116m variance against the original budget approved by Council in February 2022.

7.0 The 23/24 Budget and (updated) MTFS for the period 23/24 - 27/28

7.1 The MTFS has been updated for the period 2023/24 to 2027/28 to model the impact of changes in assumptions, budgetary pressures, reductions in funding and savings.

7.2 The 23/24 Budget and updated MTFS is summarised (in terms of its annual revenue and general fund forecasts) for the period 2023/24 to 2027/28 in the tables below:

Table 2: The Updated MTFS and Annual Revenue Budgets

Annual Revenue Budget	2022/23	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	BUDGET	FORECAST OUTTURN	PROJECTED BUDGET	PROJECTED BUDGET	PROJECTED BUDGET	PROJECTED BUDGET	PROJECTED BUDGET
Total Service Expenditure	16,267	20,011	19,732	19,422	19,832	20,316	21,106
Capital Financing / Treasury	(28)	(400)	(671)	(440)	(185)	(133)	(54)
Net Expenditure	16,239	19,611	19,061	18,982	19,647	20,182	21,052
Total Funding	(15,188)	(16,926)	(17,289)	(17,662)	(17,675)	(16,061)	(16,376)
Forecast (Surplus) / Deficit	1,051	2,685	1,772	1,320	1,972	4,122	4,676

Table 3: The Updated MTFS and General Fund Forecasts

General Reserve Balances**	2022/23	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	BUDGET	FORECAST OUTTURN	PROJECTED BUDGET	PROJECTED BUDGET	PROJECTED BUDGET	PROJECTED BUDGET	PROJECTED BUDGET
Opening Balance 1st April	(9,296)	(9,296)	(8,361)	(6,589)	(5,269)	(3,297)	824
Forecast (Surplus)/ Deficit		2,685	1,772	1,320	1,972	4,122	4,676
Transfers to (from) Earmarked		(1,750)					
Closing Balance 31st March	(9,296)	(8,361)	(6,589)	(5,269)	(3,297)	824	5,501

7.3 The above table sets out how the Council's expenditure profile will be met by a combination of external funding and use of reserves over the period. General Reserves are forecast to remain above minimum levels (set at £1.5m) until partway through the 2026/27 financial year.

7.4 The draft budget for 2023/24 and the detailed draft MTFS are set out in full in Appendix 1.

7.5 Analysis of key changes to the MTFS – Forecast General Fund Balances

7.6 The following table sets out how the draft MTFS (as summarised in Section 7.2) compares to the previous MTFS in terms of forecast closing general fund balances:

Table 4: The Updated (versus Previous) MTFS and General Fund Forecasts

General Fund	22/23	23/24	24/25	25/26	26/27	27/28
Closing Balance	£000's	£000's	£000's	£000's	£000's	£000's
Previous (Feb 22)	(7,900)	(5,511)	(3,534)	(647)	2,600	n/a
Updated (Dec 22)	(8,361)	(6,589)	(5,269)	(3,297)	824	5,501

- 7.7 Table 4 above shows that the 2022/23 closing position is now forecast to be improved (£8.361 million as opposed to £7.900 million) than that forecast when the budget was approved in Feb 2022. This is due to a more favourable outturn for 2021/22 than anticipated at February 2021 (when the budget was set) and an in-year improvement against budget in the current financial year.
- 7.8 The table demonstrates that the updated MTFS forecasts improved levels of General Funds Reserves compared to the previous MTFS for all years where a direct comparison can be made.
- 7.9 Furthermore, the table shows that the General Fund balance is now forecast to total £3.297 million at the end of 2025/26 (compared to £0.647 million in the previous MTFS) and above minimum adequate levels (which have been set at £1.5 million) for that year. During the course of 2026/27 however, General Fund balances are projected to fall below this minimum.
- 7.10 It is clear therefore that before 2026/27 a combination of further savings, increased income levels, or more favourable local government settlements will be necessary to ensure above minimum levels of reserves over a five-year term.

Analysis of key changes to the MTFS – Forecast annual deficit / surplus position

- 7.11 Table 5 below sets out how the current draft MTFS compares to the previous in terms of annual outturn deficit forecasts.

Table 5: The Updated (versus Previous) MTFS and Annual Budget Forecasts

MTFS Deficit	22/23*	23/24*	24/25*	25/26*	26/27	27/28
	£000's	£000's	£000's	£000's	£000's	£000's
Previous (Feb 22)	1,051	2,389	1,977	2,887	3,247	n/a
Updated (Dec 22)	935	1,772	1,320	1,972	4,122	4,676

* Note: This is the total General Fund deficit after proposed contributions from earmarked reserves

- 7.12 Table 5 above shows that the current draft MTFS forecasts a draw upon General Fund reserves of £0.935 million in the current year (2022/23) which represents an improvement due to lower than expected borrowing costs and other budgetary improvements. Subsequently, there are consistent projected deficits for all the remaining years of the MTFS, increasing to in excess of £4 million from 2026/27 onwards.
- 7.13 Reconciling the current updated MTFS to the Feb 2022 Approved MTFS
- 7.14 Changes need to be made to the Council's budget and MTFS to keep them up to date and robust. In order to make these changes as transparent as possible these changes have been summarised in Table 6 below.

Table 6: Reconciliation of Previous and Updated MTFS - Adjustments made to the Annual Budget Forecasts

	Note	22/23	23/24	24/25	25/26
		£'000	£'000	£'000	£'000
Reported Deficit per MTFS (February 2022)		2,389	1,977	2,887	3,247
Pay Inflation	1	599	663	661	693
Superannuation	2	241	339	378	360
Contract Inflation	3	1,254	1,436	1,508	1,549
Income Inflation	4	(86)	(212)	(222)	(229)
One-off Events	5	332	0	0	0
RPP Decisions	6	(67)	(78)	(58)	(88)
Business As Usual Amendments	7	615	853	244	264
Interest on Balances	8	(547)	(405)	(270)	(164)
Costs of Borrowing	9	(150)	(150)	(150)	(150)
Costs of Capital	10	(234)	(166)	(138)	(203)
New Burdens	11	69	69	69	69
New Homes Bonus	12	(659)	(650)	(325)	0
Services Grant	13	39	(100)	(50)	(100)
Lower Tier Services Grant	14	0	0	0	0
Retained Business Rates	15	(1,000)	(1,218)	(1,487)	(1,092)
Council Tax Receipts	16	(13)	(29)	(42)	(33)
Application of Earmarked Reserves	17	(1,000)	(1,000)	(1,027)	
Other	18	(10)	(9)	(6)	(2)
Reported Deficit per draft MTFS December 2022		1,772	1,320	1,972	4,122

Table 6 above tracks through the adjustments made to the MTFS since it was last approved in February 2022. The main changes are as follows:

- 1 Pay Inflation.** The MTFS approved in February 2022 assumed a Local Government pay award of 2% for 2022/23 and 2023/24 respectively.

These were reasonable assumptions to have made given economic indicators although the prevailing uncertainty meant that a specific pay and inflation Earmarked Reserve was created to protect the General Fund from higher than anticipated pay awards.

In reality inflation pressures led the 2022/23 pay award to be settled as a flat increase in annual salaries of £1,925 per annum per full time equivalent post. For 2023/24 the current assumption that has been made is of a pay award of 5%. An assumption has been made that the award in 2024/25 will be 3% and 2% is assumed for each year of the MTFS thereafter.

The financial impact of the 2022/23 award on base salaries for future years, coupled with the impact of a 5% award in 2023/24 and a 3% award in 2024/25 both in the immediate years and on the base for the future is shown in the Table.

- 2 Superannuation.** The actuary to the Staffordshire Pension Fund has recommended to the Council that the employer's contribution per employee be increased from 16.3% to 21.5% from 2023/24 whilst, at the same time, the Council has been able to reduce a lump sum payable to the Fund in each year. The increasing salary costs, detailed above, will have had a greater impact on the percentage element of the employer's superannuation costs at the levels shown in the table.
- 3 Contract Inflation.** Similar to pay, the assumptions made in the last MTFS that contract inflation could be held to 2% have proved unsustainable in the current economic climate. The broad assumption throughout the MTFS is that where contracts are known, these will be budgeted for at the new level.

Outside of known contractual increases, standard 2% inflation has been applied. If possible, budget holders will be expected to find necessary efficiencies to maintain expenditure within budgetary constraints.

It is acknowledged however that in the current inflationary climate this may prove to be difficult. Without knowing exactly where specific unfunded and unavoidable inflationary pressures will occur it has been determined that within Partnership Services a recurring budget of initially £150,000 in 2023/24, increasing to £200,000 in the following year will be created. This can be drawn upon, with the approval of the Leader and S151 Officer should any budgets across the Council require support for unavoidable inflationary increases.

In addition to this resource, Appendix 8 details that further resources are also proposed to be added to the Inflation Earmarked Reserve to add further resilience for the Council finances against inflationary risk.

- 4 Income Inflation** The Council has benefitted since the previous MTFS from additional lets of accommodation at the Community Hub as well as some rental increases being agreed at higher levels than assumed in the previous MTFS.
- 5 One-off Events** The fire at Four Ashes in July 2021 will have a budgetary impact in 2023/24 in respect of an ability to rent space (excluding losses of income that are covered by insurance).
- 6 Resource Policy and Prioritisation (RPP)** Appendix 2 to this report itemises key budget changes that have arisen from service developments and decisions requiring Member approval and/or ratification.
- 7 Business As Usual Impacts** Appendix 3 to this report details increases (or decreases) to the costs incurred by the Council where the costs of delivering service in accordance with existing policies have changed since the previous MTFS (excluding those caused by inflation and detailed above).
- 8 Interest on Balances** Increases to the Base Rate during 2022/23, which have impacted on commercially available rates for lending have positively impacted on

the Council since the last MTFS as interest earned on held cash balances has increased materially. Prudent assumptions have however been made in relation to future years, matching projected interest rate assumptions against likely levels of cash reserves to be held by the Council.

- 9 Cost of Borrowing** The Council made the decision in December 2021 to undertake long-term borrowing from the Public Works Loans Board (PWLB). The timing of this decision was, in hindsight optimal, being undertaken at interest rates of between 1.62% and 1.51% in three tranches for forty, forty-five and fifty years respectively. These rates represented a £150,000 improvement per annum to the MTFS compared to the borrowing assumptions made when the MTFS was approved previously.
- 10 Costs of Capital** This primarily refers to the provision the Council has to set aside for repayment of principal for financing the Capital Programme (referred to as the Minimum Revenue Provision (MRP)). Following a detailed review of MRP and recent decisions to apply Capital Receipts to finance the Leisure refurbishments as opposed to financing via borrowing, a reduced MRP has been incorporated into the MTFS.
- 11 New Burdens** The Council is responsible for additional Housing Support Benefit payments which are only partially reimbursed. The additional burden this creates on the MTFS has been factored into budgets.
- 12 New Homes Bonus** The Local Government Finance settlement has provided for a continuation of New Homes bonus although without any legacy payments from prior years. Between October 2021 and October 2022 (the relevant points for measurement), South Staffordshire recorded its strongest year of growth in affordable housing since the inception of the NHB scheme. This is reflected in the figure included for 2023/24.
- 13 Services Grant** The Local Government Finance Settlement showed a reduction in the Services Grant to be paid to the Council owing to the decision not to implement a previous decision to increase National Insurance contributions. The latter would have been funded through this grant.
- 14 Lower Tier Services Grant** The cessation of Lower Tier Services Grant as a separate source of funding was correctly forecast in the previous year's MTFS.
- 15 Retained Business Rates** In its Policy Statement, Government announced that the 'Review of Relative Needs and Resources', which has been commonly referred to as the 'Fair Funding Review' and a reset of Business Rates growth will not take place within the next two years.

To this extent, South Staffordshire can assume therefore with some degree of confidence that it will continue to benefit from Business Rates growth above its baseline funding level and from its pooling arrangement with fellow members of the Staffordshire and Stoke Business Rates Pool.

These factors alone provide some betterment to the more cautious estimates applied in the previous MTFS, certainly for financial years 2023/24 and 2024/25 and most probably 2025/26 as any concluded review is likely to need some time before

being implemented. The prospect of additional growth arising via additional businesses becoming resident in the Council area further to completion of the West Midlands Interchange is also beneficial.

From 2026/27, there remains considerable uncertainty. At this stage, an assumption has been made that any change to the Business Rate regime in its entirety, or a simple fair funding review resetting baselines will be of detriment to this Council.

Given both the levels of uncertainty, and the significant impact Business Rates income has for this Council, Section 7.22 details some sensitivity analysis of how significant overly optimistic, or indeed overly cautious estimates could prove for the long-term finances of the Council.

16 Council Tax Receipts The assumption that Members would wish to raise Council Tax by the maximum amount permitted without recourse to a referendum (currently £5) has been retained from the prior year's MTFS.

Some growth in the projected Council Tax base (the number of Band D equivalent Council Tax properties) is accounted for when compared to prior year MTFS assumptions.

17 Application of Earmarked Reserves Members will recall that for some years, the Council has held an Earmarked Reserve to smooth out any potential impact of Business Rates revaluations. With some greater certainty, particularly in the shorter term (2023/24 and 2024/25) it is felt appropriate to apply these reserves over the course of the next three years to bolster the General Fund.

18 Other Minor other changes not categorised above.

7.16 Business Rates Retention

- 7.17 A key assumption (and risk) within the budget relates to the amount of business rate funding the Council will retain under the system of local government finance. This section of the report is therefore dedicated to this area.
- 7.18 In contrast to prior Local Government Settlement's the Government has on this occasion conceded that no fundamental Fair Funding Review will take place in the next two years.
- 7.19 Further to the Local Government Settlement, it appears realistic as a minimum to assume existing levels of base funding and an element of business rates growth that the Council can retain will exist until the end of 2025/26. The development of the West Midlands Interchange and other key strategic sites will further assist the latter. At this stage due to uncertainties in Local Government funding reforms and the exact timings of the build out programmes no additional business rates income from this site has been factored into the MTFS as presented.
- 7.20 From 2026/27 onwards the future is extremely unclear with no options that could be ruled out, including a complete dismantling of the business rates system to be replaced by an altogether different funding mechanism.

7.21 Taking all the above factors into account, the following assumptions have been made in estimating the level of business rates for 2023/24 and beyond

- i) Needs Assessed Baseline Level of £2.436 million for 2023/24 to increase in line with inflation in future years.
- ii) Baseline funding level of £9.603 million for 2023/24 assumed to increase in line with inflation.
- iii) Business Rates collectible assumed to remain broadly constant.
- iv) The ability of South Staffordshire to retain growth which is currently 70% of collectible rates above baseline funding (£9.603 million as in (ii) above) will be retained for 2025/26 (year three of the MTFs).
- v) From 2026/27, it has been assumed that future settlements, whether based on the Business Rates system or a radical alternative may be to the detriment of lower tier authorities. This is based upon the Chancellor's Autumn Statement which indicated that government spending will need to be reduced significantly around these dates and that within the overall amount available to local government, lower tier Council's may lose out as Councils with Social Care and Education responsibilities may be considered priority.

7.22 Table 7 below indicates how changes to the broad assumptions made, particularly from 2026/27 could impact upon the level of General Fund reserves held by the Council.

Table 7: Sensitivity Analysis: Impact of Business Rates Retention Scenarios on General Fund Balance Forecasts

Scenario	Description	23/24	24/25	25/26	26/27	27/28
		£'000	£'000	£'000	£'000	£'000
Upside Scenario	Continuation of Business Rate (or similar). New Homes Bonus remains (or replaced by similar)	(6,589)	(5,269)	(3,472)	(501)	3,026
MTFS Scenario	Significant loss (10%) of funding through Business Rates 2026/27 as Govt finances tighten. No NHB beyond 2026/27.	(6,589)	(5,269)	(3,297)	824	5,501
Downside Scenario	20% Reduction in ability to retain Business Rates further from 2025/26. No NHB beyond 2026/27	(6,589)	(5,269)	(2,972)	1,529	6,576

7.23 Table 7 above shows that the assumptions utilised in the Council's MTFs – as presented in this report - represent a prudent middle ground assessment. Simply

put, the MTFS general fund forecast (as highlighted in the middle row above) could prove to be better (see the 'Upside Scenario'), or worse (see the 'Downside Scenario').

- 7.24 Table 7 shows that under the 'Upside Scenario' general fund balances are modelled to be £0.501 million in deficit at the end of 26/27, whereas under the 'Downside Scenario' they would be in a negative position of £1.529 million. These compared to the MTFS modelled scenario which would result in £0.824 million general fund deficit at the end of 26/27. It is important to note that even under the 'Downside Scenario', general fund balances would remain above minimum levels for over 3 years.
- 7.25 At this stage the assumptions applied to the MTFS are therefore considered balanced and prudent. However, a constant watching brief is required on this area.

8. Collection Fund

- 8.1 Each year the Council makes an estimate as to whether that part of the statutory account that deals with council tax and business rates will finish the year in surplus or deficit or whether it be in balance. Deficits and surpluses are required to be shared amongst the major precepting authorities for council tax and with Government, the County and the fire authority for business rates, usually in the following year.
- 8.2 Within the MTFS, it has been assumed that Council Tax will increase by £5 for a Band D equivalent property and the same will apply for all years of the MTFS. This is the maximum allowable increase in Council Tax without triggering a referendum.
- 8.3 Table 8 below details the current South Staffordshire Tax Base, the estimated growth in this tax base across the MTFS and the impact this has on Council Tax receipts for the Council.

Table 8, Council Tax Assumptions within the MTFS

	2023/24	2024/25	2025/26	2026/27	2027/28
Assumed Tax Base (Total Number of Band D Equivalent Properties)	39,609	40,017	40,299	40,499	40,699
Council Tax – Band D (£)	135.34	140.34	145.34	150.34	155.34
Council Tax Increase (£)	5.00	5.00	5.00	5.00	5.00
Total Council Tax Receipts (£'000)	5,361	5,616	5,857	6,089	6,322

9. Capital Programme

- 9.1 The Capital Programme previously was approved in February 2022 as part of the budget setting process and is shown in totality in Table 9 below. It was noted at that time that there would be considerable slippage from the 2021/22 budget into 2022/23.

Table 9: Previously Approved Capital Programme (Feb 2022)

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	£m	£m	£m	£m	£m	£m
Capital	31.760	1.512	1.202	1.000	1.235	0.955

- 9.2 During the course of the current financial year, changes have been approved in respect of the 2022/23 Programme and projected expenditure assumptions in respect of the outturn updated, as reflected in Table 10 below;

Table 10, Revisions to the Capital Budget in 2022/23

	£m	Comments
Original	1,513	Approved within Feb 2022 MTFS.
Approved 21/22 slippage	20,247	Primarily in relation to Commercial Asset Strategy and Leisure Centre Investments.
	226	Additional Disabled Facilities Grant
	(163)	Street Scene vehicles to be leased as opposed to purchased
	11	Digital Services Firewall
Total	21,834	
Anticipated underspends	(12,716)	In most cases, underspent resources will be slipped into 2023/24 Capital Budget
Projected Capital Spend 2022/23	9,118	

- 9.3 The planned resourcing of the full 22/23 Capital programme is detailed below in Table 11 and is compliant with the Council's Treasury Management Strategy.

Table 11: Financing of 22/23 Capital Programme

Capital Financing	£m
Capital Receipts	3,310
Capital Grant – Disabled Facilities Grant Better Care Fund	1,794
Capital Grant – Regional Housing Board	127
Capital Grant – Decarbonisation Scheme	95
Revenue Contributions (Insurance Claim)	2,000
Leased Expenditure	3,266
Borrowing	11,242
	21,834

9.4 The 2022/23 to 2027/28 Capital Programme:

9.5 The full capital programme over the period to 2027/28 and related financing is detailed in **Appendix 4** to this report and is summarised below in Table 12. The budget recognises the recommendation in the recently undertaken Peer Review to profile Capital budgets appropriately across the full years of the MTFs as opposed to unrealistic front loading.

Table 12: Medium Term Capital Programme (2022/23 to 2027/28)

	22/23	23/24	24/25	25/26	26/27	27/28
	Projected	Budget incl 2022/23 slippage	Budget	Budget	Budget	Budget
	£'000	£'000	£'000	£'000	£'000	£'000
Total	9,118	11,733	5,008	1,462	1,182	1,172

9.6 Slippage

9.7 It should be noted that a large part of the 2022/23 capital budget is likely to be slipped into 2023/24. The precise amounts (largely relating to the commercial asset strategy and refuse vehicles) will be confirmed in the 2022/23 outturn report later in the financial year.

10. Reserves

10.1 In addition to the General Fund Balance the Council also has Earmarked Reserve balances which are set aside for a specific purpose.

Table 13: Analysis of General Fund and Earmarked Reserves (Opening balances for 2022/23)

	Balance at 31 st March 2022 £000
General Fund Reserve	9,296
Earmarked Reserves	8,255
Total Useable Revenue Reserves	17,551

10.2 Table 13 above shows that (as well as the General Fund Balance modelled in section 7 above) at the start of the 22/23 financial year the Council had £8.255 million in earmarked reserves and therefore £17.551 million of usable reserves in total.

- 10.3 There are a number of Earmarked Reserves, all of which, as the name suggests, are set aside for specific purposes. These can be categorised across a number of headings as set out in the Table 14 below:

Table 14: Summary Analysis of Earmarked Reserves (projected balance at 31/3/23)

Description	Balance at 31/3/22	22/23 Projected increase / (decrease)	Proposed Transfer	Projected Balance 31/3/23
	£'000	£'000	£'000	£'000
Covid and Pay Uncertainty Reserve	364	(33)	(331)	0
Corporate Priorities*	5,098	(794)		4,304
Service Teams	1,252	(101)		1,151
Localities	87	(52)		35
Grant Related Ring Fenced	419	3		422
Covid-Related Ring Fenced	362	(144)		218
Specific Pay and Inflation Pressures Reserve	600	(585)	331	346
Additional New Burdens to fund Carbon Reserve	73	(44)		29
TOTAL EARMARKED	(8,255)	(1,750)	0	6,505

**Note: Due to a technical accounting (re the timing of Section 31 Grants received in 2022/23 to fund collection fund losses repayable in 23/24) Corporate reserves are artificially inflated and will be required to fund Collection Fund deficits that arise consequent to this.*

- 10.4 In overall terms Table 14 above shows that Earmarked reserves are forecast (as at Month 6) to total £6.505 million at March 31st 2023. A critical and regular examination of Earmarked Reserves remains an integral part of the Financial Management of the organisation and an opportunity to strategically manage risks, pressures, and opportunities.
- 10.5 As detailed in the Table above a specific 'Pay and Inflation Pressures' Earmarked Reserve was created in 2021/22. This reserve has served the purpose intended, in effect financing the 2022/23 pay award to all staff. Despite the award being significantly greater than assumed when the MTFS was approved in 2022, this reserve financed the first year additional costs without recourse to the Council's General Fund reserves.
- 10.6 At the time of setting the prior-year budget significant Covid uncertainties, with unknown financial impacts remained. These particular financial risks have now been largely alleviated. In contrast inflation risks remain, even if for the greater part, effort has been made to incorporate known and expected impacts within service budgets. It is however proposed that at year end, any residual amounts in the Covid reserve (currently forecast to be £0.331 million) be transferred to increase the inflation reserve to provide further protection to the General Fund against this, identified risk.
- 10.7 A new Carbon Reserve was established in 2022/23 to fund any costs arising from future requirements to meet the challenge of Climate Change and has been applied to this effect.

10.8 The Council's Earmarked Reserves are set out in detail in **Appendix 8**.

11 Projected General Fund Balance and minimum adequate levels

- 11.1 The Council's approved minimum level of General Fund reserves is currently £1.5 million. It is recommended that this minimum level is maintained but is kept under review.
- 11.2 The draft MTFS forecasts a General Fund reserve balance of £3.297 million at the end of 2025/26 (that being a three-year period of our five-year MTFS). Whilst above minimum levels, this threshold is currently forecast to be breached during the course of 2026/27 based upon current policies and assumptions.
- 11.3 Further work is therefore still required to implement current saving plans as well as develop new ones in order to balance income and expenditure. There remains time to put this programme into action in a measured way to ensure reserve balances are maintained over the medium term.

12. Financial Framework

- 12.1 The Overall Financial Framework is delivered through various plans and policy documents, of which the MTFS is one, as set out in the table below:

Medium Term Financial Strategy	The medium-term financial plans of the Council.
Capital Strategy and Capital Programme	How capital spend is planned and managed (including how assets are identified for acquisition) in order to deliver against the Council's priorities.
Treasury Management Strategy	How cash and investments are managed to ensure the security and liquidity of any council money invested.
Financial Regulations	These are the detailed rules which are used by Council officers on a daily basis to govern their operations.
Internal Audit Plan	Setting out plans to provide assurance over the effectiveness of internal controls.

13. BACKGROUND PAPERS

- Appendix 1 – (MTFS) – Draft Income and Expenditure Account and MTFS
- Appendix 2 – Resource Policy and Prioritisation (RPP)
- Appendix 3 – Business As Usual Amendments to Budgets
- Appendix 4 – Capital Programme – Summary of Capital Investment Plans
- Appendix 5 – Cabinet Summaries (MTFS)
- Appendix 6 – Form of Resolution to approve the budget and set the council tax Indicative at this stage ahead of Parish Council's setting Council Tax
- Appendix 7 – Report on the robustness of estimates and adequacy of reserves
- Appendix 8 - Earmarked Reserves Analysis

Report prepared by:

Peter Shakespear, Corporate Director Finance and Resources (Section 151 Officer)

John Mayhew, Finance Team Manager (Deputy Section 151 Officer)

Appendix 1

Income and Expenditure Account and Medium-Term Financial Plan

<u>Income and Expenditure Account</u>	2022/23		2023/24	2024/25	2025/26	2026/27	2027/28
	BUDGET	PROJECTED OUTTURN	ESTIMATE	PROJECTED	PROJECTED	PROJECTED	PROJECTED
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Business Transformation	1,811	1,853	2,004	1,862	1,900	1,924	1,952
Community Services	4,830	5,600	6,326	6,700	6,852	7,011	7,197
Partnership Services	2,126	2,317	2,919	2,256	2,253	2,397	2,811
Regulatory	492	646	571	591	662	678	691
Planning and Business Enterprise	871	835	1,131	1,088	1,131	1,173	1,215
Welfare	1,109	1,294	1,753	1,847	1,906	1,952	2,000
Total Service Area Expenditure (A)	11,239	12,545	14,704	14,344	14,703	15,136	15,866
Enterprise Zone Expenditure	5,028	7,466	5,028	5,078	5,129	5,180	5,240
Total Other Service Expenditure (B)	5,028	7,466	5,028	5,078	5,129	5,180	5,240
TOTAL SERVICE EXPENDITURE (C = A+B)	16,267	20,011	19,732	19,422	19,832	20,316	21,106
Investment Income	(30)	(327)	(562)	(420)	(285)	(179)	(105)
Borrowing Costs	310	235	235	235	235	235	235
Minimum Revenue Provision	462	462	551	640	761	706	712
Depreciation included in Service Area Spend	(770)	(770)	(895)	(895)	(895)	(895)	(895)
Total Capital Financing and Treasury (D)	(28)	(400)	(671)	(440)	(185)	(133)	(54)
NET EXPENDITURE (=C+D)	16,239	19,611	19,061	18,982	19,647	20,182	21,052
External Funding							
New Homes Bonus	(499)	(499)	(659)	(650)	(325)		
Services Grant	(162)	(162)	(91)	(100)	(50)	(100)	(100)
Lower Tier Services Grant	(105)	(105)					
Net Retained Business Rates	(4,300)	(3,600)	(5,150)	(5,218)	(5,287)	(4,692)	(4,714)
Enterprise Zone Business Rate Receipts	(5,028)	(7,466)	(5,028)	(5,078)	(5,129)	(5,180)	(5,240)
Application of Collection Fund Smoothing			(1,000)	(1,000)	(1,027)		
Total External Funding	(10,094)	(11,832)	(11,928)	(12,046)	(11,818)	(9,972)	(10,054)
Council Tax Requirement	(5,094)	(5,094)	(5,361)	(5,616)	(5,857)	(6,089)	(6,322)
TOTAL FUNDING (Before Reserves) (E)	(15,188)	(16,926)	(17,289)	(17,662)	(17,675)	(16,061)	(16,376)
Annual (Surplus) / Deficit (= C+D-E)	1,051	2,685	1,772	1,320	1,972	4,122	4,676
General Reserve Reserves							
(Opening Balance 1 April)	(9,296)	(9,296)	(8,361)	(6,589)	(5,269)	(3,297)	824
Forecast Annual (Surplus) / Deficit	1,051	2,685	1,772	1,320	1,972	4,122	4,676
Add Transfers from Earmarked Reserves		(1,750)					
(Closing Balance 31 March)	(8,245)	(8,361)	(6,589)	(5,269)	(3,297)	824	5,501
Core data							
	2022/23	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Budget	Outturn					
Tax Base	39,080	39,080	39,609	40,017	40,299	40,499	40,699
Council Tax at Band D	130.34	130.34	135.34	140.34	145.34	150.34	155.34
Increase at Band D			5	5	5	5	5
Increase in Tax Base			408	282	200	200	200

Note: Cabinet (service) expenditure set out above is analysed at **Appendix 4**.

Resource Policy and Prioritisation Options

Business Transformation

	Change to Budget (£'000)			
	2023/24	2024/25	2025/26	2026/27
Cloud Hosting	20	25	25	25
Customer Experience Improvement Programme	0	48	48	48
Improve Resilience	38	23	32	27
Appointment of Procurement Officer	40	40	40	40
Total Business Transformation	98	136	145	140

Community Services

	Change to Budget (£'000)			
	2023/24	2024/25	2025/26	2026/27
Digital Only Communications	0	(14)	0	(14)
Charges for Bin Replacements	(50)	(50)	(50)	(50)
Charging for Developer/ Bin Stickers/ Bulky Collections	(10)	(10)	(10)	(10)
Crematoria Fees and Charges	(38)	(88)	(100)	(113)
Total Community Services	(98)	(162)	(160)	(187)

Planning and Business Enterprise

	Change to Budget (£'000)			
	2023/24	2024/25	2025/26	2026/27
Two New Posts Conservationist & Senior 106 Officer	90	90	90	90
Climate Change Staffing	49	54	58	60
Increase in planning fee income	(206)	(196)	(191)	(191)
Total Planning and Business Enterprise	(67)	(52)	(43)	(41)

Business As Usual Changes to Budget**Community Services**

	Change to Budget (£'000)			
	2023/24	2024/25	2025/26	2026/27
Increase in Insurance premiums for Community Hub	11	11	12	12
Commercial Income adjustments	26	26	26	26
Street Scene Fleet Insurance	10	11	11	12
Tree Software License	3	3	3	0
Reduction in Green Waste Credits Fees	25	25	25	25
Increase in Green Waste Credits - tonnage	(13)	(13)	(13)	(13)
Reduced expectation of Chargeable Green Waste Income	43	43		
Reduction in income expectations from sales of material	18	18	18	18
Reduction in dry credits income	12	26	40	54
Reduction in income from County Council from 2024/25	0	146	146	146
Leisure – miscellaneous employee changes	54	55	54	54
Leisure Software Licenses	2	2	2	2
Leisure – miscellaneous income reductions	19	19	19	19
Baggeridge reduction in car parking income	19	19	19	21
Admin fee for Highway Verge work	(7)	(7)	(7)	(7)
Increase in cemetery fees	(132)	(132)	(132)	(132)
Continuation of Chargeable Green Waste			(600)	(600)
Total Community Services	90	252	(377)	(363)

Regulatory Services

	Change to Budget (£'000)			
	2023/24	2024/25	2025/26	2026/27
Licensing Income			60	60
Miscellaneous Staffing Changes	3	3	4	3
Total Regulatory Services	3	3	64	63

Partnership Services

	Change to Budget (£'000)			
	2023/24	2024/25	2025/26	2026/27
Increase in External Audit Fees	91	93	94	96
Finance – fixed term contract (Transactional Services)	22			
Increase to Civic Functions Budget	1	1	1	1
Finance – procure specialist VAT Advice	10	10	10	10
General Insurance Pressures		17	23	30
Increase in Bank Charges for administering Chargeable Green Waste	8	8	8	8
Member Support salary adjustments	(6)	(6)	(6)	(6)
Performance Team correction to salaries	4	4	4	4
Elections correction to salaries	(4)	(4)	(4)	(4)
Elections – revised estimate of District 2023 Election	11			
Human Resources corrections to salaries	2	2	(3)	(3)
Economic Development corrections to salaries		4	8	9
Reassessment of achievable Rental income at Wombourne construction delays		87	35	25
Estates reduction in insurance recharges	6			
Four Ashes amendments to occupancy assumptions	21	21	21	22
Landywood amendments to occupancy assumptions	27	27	27	28
Littleton amendments to occupancy assumptions	5	5	5	5
Amendment to Sink Fund (pro-rata impact of income adjustments)	(6)	(10)	(7)	(5)
Element Court amendment to occupancy assumptions	18	19	19	20
Total Partnership Services	210	278	235	240

Planning and Business Enterprise

	Change to Budget (£'000)			
	2023/24	2024/25	2025/26	2026/27
Recruitment of Ecologist	54	55	55	55
Planning Enforcement uplift of existing post	6	7	7	7
Planning Enforcement additional consultancy	5	5	5	5
Planning Enforcement additional subscriptions	3	3	3	3
Land Charges reductions	3	3	3	3
Local Plans additional hours	5	5	5	5
Total Planning Services	76	78	78	78

Welfare Services

	Change to Budget (£'000)			
	2023/24	2024/25	2025/26	2026/27
Customer Services – ‘Meet and Greet’ function.	57	59	60	61
New Housing Post	38	39	40	41
Benefits – Two new posts as per Council 8/11/22	70	70	70	70
Customer Services –staffing adjustments	30	30	30	30
Benefits – Capita Contract	2	5	5	5
Housing Plus Budget corrected	12	12	12	12
Benefits – omitted	31	31	31	31
Revenues, minor changes to supplies and services	(4)	(4)	(4)	(4)
Total Welfare Services	236	242	244	246

Appendix 4

Capital Programme

Capital Programme	Estimated Outturn 2022/23	Budget 2023/24*	Budget 2024/25	Budget 2025/26	Budget 2026/27	Budget 2027/28	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Partnership Services							
Asset Strategy		4,359					4,359
Asset Strategy – Wombourne Redevelopment	4,025	1,400					5,425
Restoration of Unit 4E Fire Damaged	200	3,348					3,548
Capital Programme Contingencies		250					250
I-Trent Upgrade	20						20
Total Partnership Services	4,245	9,357	0	0	0	0	13,602
Business Transformation							
Replacement of workstations	31	150	45	45	45	45	361
Civica Licences		60					60
Digital Services Firewall	11						11
Digital Services		150		290	10		450
Total Business Transformation	42	360	45	335	55	45	882
Welfare Services							
Renovation & Disabled Facilities Grant	1,860	1,126	1,126	1,126	1,126	1,126	7,490
Total Welfare Services	1,860	1,126	1,126	1,126	1,126	1,126	7,490
Community Services							
Street Scene Fleet	188	79					267
Hub Electric car charging points	95						95
Refuse Vehicles New Contract			3,046				3,046
Waste Bins	86		790				876
Ten Year Leisure Cardiovascular renewal	142	97					239
Leisure Centre Indoor Cycling Renewal	12						12
Leisure Centre Resistance Equipment	100	70					170
Leisure Centre Air Conditioning	33						33
Leisure Centre Refurbishment	1,985						1,985
Leisure Centre Potential VAT Liability		645					645
Wombourne Leisure Centre 3G Pitch	83						83
Baggeridge Country Park Road Access	120						120
Total Community Services	2,844	891	3,836	0	0	0	7,571
Planning and Business Enterprise							
Regional Housing Board	126						126
Total Planning and Business Enterprise	126						126
GRAND TOTAL	9,117	11,734	5,007	1,461	1,181	1,171	29,671

*Budget for 2023/24 includes an estimate of slippage for 2022/23

Cabinet Summaries

	2022/23		2023/24	2024/25	2025/26	2026/27	2027/28
BUSINESS TRANSFORMATION	BUDGET	PROJECTED OUTTURN AT M6*	ESTIMATE	PROJECTED	PROJECTED	PROJECTED	PROJECTED
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Business Change Programme							
Information Communications Technology	225	225	225	0	0	0	0
Total Business Change Programme	225	225	225	0	0	0	0
Information Communications Technology							
Information & Comms Technology	1,291	1,332	1,471	1,545	1,577	1,596	1,619
Telephony	113	113	115	117	119	120	120
Total Information Communications Technology	1,403	1,445	1,586	1,662	1,696	1,716	1,740
Internal Audit							
Internal Audit	94	94	96	100	102	104	106
Total Internal Audit	94	94	96	100	102	104	106
Cabinet Management							
Assistant Director	89	89	98	100	103	105	107
Cabinet Management	89	89	98	100	103	105	107
TOTAL BUSINESS TRANSFORMATION	1,811	1,853	2,004	1,862	1,900	1,924	1,952

*Projection is before Earmarked Reserves funding of £96,000

COMMUNITY SERVICES	2022/23		2023/24	2024/25	2025/26	2026/27	2027/28
	BUDGET	PROJECTED OUTTURN AT M6*	ESTIMATE	PROJECTED	PROJECTED	PROJECTED	PROJECTED
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Facilities							
Public Offices	861	945	1,170	1,195	1,215	1,236	1,257
Total Facilities	861	945	1,170	1,195	1,215	1,236	1,257
Bereavement							
Cemetery	(78)	(82)	(247)	(298)	(312)	(327)	(331)
Total Bereavement	(78)	(82)	(247)	(298)	(312)	(327)	(331)
4Business Continuity and Emergency Planning							
BCEP	40	40	48	49	50	51	51
Total Business Continuity and Emergency Planning	40	40	48	49	50	51	51
Leisure Operations							
Baggeridge Country Park	69	23	115	121	125	128	130
Cheslyn Hay Leisure Centre	116	235	200	192	198	205	208
Codsall Leisure Centre	63	180	149	146	153	161	163
Facilities Development	210	218	234	239	243	247	251
Penkridge Leisure Centre	75	132	136	144	148	152	154
Wombourne Leisure Centre	(9)	98	(2)	14	22	29	28
Total Leisure Operations	524	886	831	857	888	922	933
Recycling							
Recycling	(249)	(181)	(81)	73	103	101	127
Total Recycling	(249)	(181)	(81)	73	103	101	127
Street Scene							
Car Parking - General	26	26	27	28	28	29	30
Environmental Improvements	7	7	7	7	7	7	7
Grounds Maintenance	344	362	375	386	396	400	406
Highways & Lighting	60	60	63	66	70	73	77
Land Drainage - General	4	4	4	4	5	5	5
Lane Green Depot	15	15	16	17	17	17	18
Street Cleansing	414	441	497	508	517	526	534
Street Scene (office)	255	265	282	292	298	304	310
Total Street Scene	1,125	1,180	1,272	1,308	1,338	1,361	1,387
Waste Collection							
Waste and Recycling	2,517	2,722	3,236	3,417	3,467	3,564	3,666
Total Waste Collection	2,517	2,722	3,236	3,417	3,467	3,564	3,666
Community Services Management							
Assistant Director	90	90	98	100	103	105	107
Total Community Services Management	90	90	98	100	103	105	107
TOTAL COMMUNITY SERVICES	4,830	5,600	6,326	6,700	6,852	7,011	7,197

*Projection is before Earmarked Reserves funding of £380,000

	2022/23		2023/24	2024/25	2025/26	2026/27	2027/28
PARTNERSHIP SERVICES	BUDGET	PROJECTED OUTTURN AT M6*	ESTIMATE	PROJECTED	PROJECTED	PROJECTED	PROJECTED
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Pay and Pensions Adjustments							
Pensions (Former Employees)	193	193	181	178	162	151	148
Lump Sum Pension Contribution and Other	906	1,027	988	1,189	1,367	1,497	1,677
Total Pay and Pensions Adjustments	1,098	1,219	1,169	1,367	1,529	1,647	1,825
Commercial Accommodation							
Economic Development	167	152	179	180	182	185	191
Income Generation	68	66	74	75	76	78	79
Jubilee House	(12)	(12)	(8)	(8)	(8)	(8)	(8)
Codsall Community Hub	(516)	(621)	(608)	(614)	(614)	(614)	(614)
Total Commercial Accommodation	(293)	(415)	(363)	(367)	(364)	(359)	(352)
Corporate Leadership Team							
Chief Executive	163	163	179	184	187	191	194
Corporate Director Commercial	115	115	125	128	131	133	136
Corporate Director Resources	116	116	126	129	132	134	137
Director of Legal of Governance	123	123	132	136	139	142	145
Corporate Director Planning	93	93	101	105	107	109	111
Total Corporate Leadership Team	610	610	663	682	696	709	723
Elections and Performance							
Elections	10	6	183	10	10	10	200
Electoral Registration	165	165	178	182	186	189	192
Performance	94	86	113	118	124	128	133
Total Elections and Performance	269	256	474	311	319	327	526
Estates and Assets							
Commercial Development	158	211	168	171	173	176	181
Hinksford Mobile Home Park	(206)	(220)	(213)	(216)	(221)	(225)	(229)
Industrial Units	(1,491)	(1,455)	(1,107)	(1,856)	(2,079)	(2,120)	(2,145)
Total Estates and Assets	(1,539)	(1,464)	(1,152)	(1,901)	(2,127)	(2,168)	(2,193)
Finance Team							
Finance Team	554	601	632	627	639	652	664
Total Finance Team	554	601	632	627	639	652	664
Human Resources							
Corporate Management	92	92	102	102	104	106	108
Human Resources	307	323	329	340	344	352	361
Training	7	7	7	7	7	7	7
Total Human Resources	406	422	438	449	455	466	477
Legal Services							
Legal Services	130	151	161	170	174	178	181
Total Legal Services	130	151	161	170	174	178	181
Localities							
Localities	169	221	177	177	178	179	180
Total Localities	169	221	177	177	178	179	180
Member Support							
Member Support Team	163	153	174	178	182	185	189
Monitoring Officer	14	14	14	14	14	14	14
Democratic Representation	404	404	379	389	397	404	412
Total Member Support	581	571	567	582	593	604	615
Communication							
Communications	141	144	155	159	161	163	165
Total Communications	141	144	155	159	161	163	165
TOTAL PARTNERSHIP SERVICES	2,126	2,317	2,919	2,256	2,253	2,397	2,811

*Projection is before Earmarked Reserves funding of £77,000

PLANNING AND BUSINESS ENTERPRISE	2022/23		2023/24	2024/25	2025/26	2026/27	2027/28
	BUDGET	PROJECTED OUTTURN AT M6*	ESTIMATE	PROJECTED	PROJECTED	PROJECTED	PROJECTED
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Building Control and Land Charges							
Building Control	36	36	36	36	36	36	36
Local Land Charges	(12)	(10)	(9)	(9)	(9)	(9)	(9)
Building Control and Land Charges Total	24	26	27	27	27	27	27
Planning Enforcement							
Planning Enforcement	174	189	223	229	235	241	248
Planning Enforcement Total	174	189	223	229	235	241	248
Planning Services							
Conservation	21	26	21	21	21	21	21
Climate Change	0	44	49	54	58	60	62
Development Management	162	(20)	220	254	277	301	325
Energy Conservation	4	4	5	5	5	5	5
Landscape Planning	50	52	0	0	0	0	0
Local Plans	347	425	489	399	407	414	422
Total Planning Services	584	531	784	733	767	801	834
Cabinet Management							
Assistant Director	90	90	97	100	102	104	106
Total Cabinet Management	90	90	97	100	102	104	106
TOTAL PLANNING AND BUSINESS ENTERPRISE	871	835	1,131	1,088	1,131	1,173	1,215

*Projection is before Earmarked Reserves funding of £154,000

	2022/23		2023/24	2024/25	2025/26	2026/27	2027/28
REGULATORY	BUDGET	PROJECTED OUTTURN AT M6*	ESTIMATE	PROJECTED	PROJECTED	PROJECTED	PROJECTED
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Community Safety							
CCTV	31	31	31	31	31	31	31
Total Community Safety	31	31	31	31	31	31	31
Environmental Health							
Dog Collection & Kennelling	10	10	10	10	10	10	10
Food Safety	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Health And Safety - Corporate	15	15	15	15	16	16	16
Health Licensing Services	(8)	(8)	(8)	(8)	(8)	(8)	(8)
Housing Standards	(10)	(10)	(10)	(10)	(10)	(10)	(10)
Licensing	(154)	(154)	(153)	(153)	(96)	(93)	(93)
Pollution	(10)	(10)	(10)	(10)	(10)	(10)	(10)
Service Unit Support	619	572	697	716	729	743	757
Covid Test and Trace (Earmarked Reserve Funded)	0	200	0	0	0	0	0
Total Environmental Health	461	615	540	560	631	647	660
TOTAL REGULATORY	492	646	571	591	662	678	691

*Projection is before Earmarked Reserves funding of £154,000 including Test and Trace

WELFARE	2022/23		2023/24	2024/25	2025/26	2026/27	2027/28
	BUDGET	PROJECTED OUTTURN AT M6*	ESTIMATE	PROJECTED	PROJECTED	PROJECTED	PROJECTED
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Customer Services							
Customer Services	460	547	586	603	614	625	637
Post Opening Room	43	43	45	41	40	40	40
Print	12	12	11	11	11	11	11
Total Customer Services	515	602	642	654	665	676	688
Homelessness and Welfare Support							
Homelessness Initiative	0	(29)	0	0	0	0	0
Total Homelessness and Welfare Support	0	(29)	0	0	0	0	0
Housing Operations							
Housing Services (Operations)	119	187	187	192	196	200	204
Housing Operations Total	119	187	187	192	196	200	204
Revenues and Benefits							
Housing Benefits Payments	(144)	(144)	(75)	(75)	(75)	(75)	(75)
Local Tax Collection	270	231	349	363	372	382	393
New Projects	40	(24)	45	46	47	48	49
Rebate Administration	224	386	508	567	599	617	636
Social Care Assessment	(6)	(6)	(0)	0	0	0	0
Total Revenues and Benefits	385	444	826	901	943	972	1,003
Cabinet Management							
Assistant Director	90	90	97	100	102	104	106
Total Cabinet Management	90	90	97	100	102	104	106
TOTAL WELFARE	1,109	1,294	1,753	1,847	1,906	1,952	2,000

*Projection is before Earmarked Reserves contributions of £189,000

WORKING DRAFT – TO BE COMPLETED – ILLUSTRATIVE ONLY

FORM OF RESOLUTION TO APPROVE THE BUDGET AND SET THE COUNCIL TAX

COUNCIL TAX 2023/24

The Council is recommended to resolve as follows:

1. Resolved to recommend to Council that it pass the necessary resolution to determine the Council Tax relevant to each part of the District at this meeting, namely,
 - a) that it be noted that at the meeting on the 21 February, 2023 the Council approved:-
 - (i) the revised revenue estimates for the year 2022/23 and the revenue estimates for 2023/24
 - (ii) the revised capital programme for the year 2022/23 and the capital programme for 2023/24
 - (iii) the following positive assurance statement from the Chief Finance Officer, under the terms of section 25 of the Local Government Act 2005: “I consider that the estimates that have been made as the basis for the calculations set out below are robust, and that the levels of financial reserves proposed are adequate.”
2. That it be noted that the Council calculated:
 - (a) the Council Tax Base 2023/24 for the whole Council area as [Item T in the formula in Section 31B of the Local Government Finance Act 1992, as amended (the “Act”)] and,
 - (b) for dwellings in those parts of its area to which a Parish precept relates as in the table below:

Parish of:

Tax Base

ACTON TRUSSELL, BEDNALL & TEDDESLEY HAY

BILBROOK

BLYMHILL & WESTON- UNDER- LIZARD

BOBBINGTON

BREWOD & COVEN

CHESLYN HAY

CODSALL

DUNSTON WITH COPPENHALL

ENVILLE

ESSINGTON

FEATHERSTONE

GREAT WYRLEY

HATHERTON

HILTON

HIMLEY

HUNTINGTON

KINVER

LAPLEY, STRETTON & WHEATON ASTON

LOWER PENN

PATTINGHAM & PATSHULL

PENKRIDGE

PERTON

SAREDON

SHARESHILL

SWINDON

TRYSULL & SEISDON

WOMBOURNE

3. Calculate that the Council Tax requirement for the Council's own purposes for 2023/24 (excluding parish precepts) is £.

4. That the following amounts be now calculated by the Council for the year 2023/24 in accordance with Sections 31 to 36 of the Act:

(a) £xx,xxx,xxx.xx being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act taking into account all precepts issued to it by Parish Councils.

(b) £xx,xxx,xxx.xx being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.

- (c) £being the amount by which the aggregate at 4 (a) above exceeds the aggregate at 4 (b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its Council Tax requirement for the year. (Item R in the formula in Section 31B of the Act).
- (d) £being the amount at 4(c) above (Item R), all divided by Item T (2(a) above), calculated by the Council, in accordance with Section 31B of the Act, as the basic amount of its council tax for the year (including Parish precepts).
- (e) £being the aggregate amount of all special items (Parish precepts) referred to in Section 34(1) of the Act.
- (f) £ being the amount at 4 (d) above less the result given by dividing the amount at 4 (e) above by Item T (2(a) above), calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its council tax for the year for dwellings in those parts of its area to which no special item (Parish precept) relates.
- (g) in the following parts of the Council's area

Parish of:

Band D

ACTON TRUSSELL, BEDNALL & TEDDESLEY HAY
 BILBROOK
 BLYMHILL & WESTON- UNDER- LIZARD
 BOBBINGTON
 BREWOOD & COVEN
 CHESLYN HAY
 CODSALL
 DUNSTON WITH COPPENHALL
 ENVILLE
 ESSINGTON
 FEATHERSTONE
 GREAT WYRLEY
 HATHERTON
 HILTON
 HIMLEY
 HUNTINGTON
 KINVER
 LAPLEY, STRETTON & WHEATON ASTON
 LOWER PENN
 PATTINGHAM & PATSHULL
 PENKRIDGE
 PERTON
 SAREDON
 SHARES HILL
 SWINDON
 TRYSULL & SEISDON
 WOMBOURNE

being the amounts given by adding to the amount at 4 (f) above the amounts of the

special item or items relating to dwellings in those parts of the Council's area mentioned above divided in each case by the applicable amount at 2 (b) above, calculated by the Council, in accordance with Section 34(3) of the Act, as the basic amounts of its council tax for the year for dwellings in those parts of its area to which one or more special items relate.

(h) in the following parts of the Council's area

	VALUATION BAND							
	A	B	C	D	E	F	G	H
PARISH COUNCILS	£	£	£	£	£	£	£	£
ACTON TRUSSELL, BEDNALL & TEDDESLEY HAY								
BILBROOK								
BLYMHILL & WESTON-UNDER- LIZARD								
BOBBINGTON								
BREWOD & COVEN								
CHESLYN HAY								
CODSALL								
DUNSTON WITH COPPENHALL								
ENVILLE								
ESSINGTON								
FEATHERSTONE								
GREAT WYRLEY								
HATHERTON								
HILTON								
HIMLEY								
HUNTINGTON								
KINVER								
LAPLEY, STRETTON & WHEATON ASTON								
LOWER PENN								
PATTINGHAM & PATSHULL								
PENKRIDGE								
PERTON								
SAREDON								
SHARESHILL								
SWINDON								
TRYSULL & SEISDON								
WOMBOURNE								

being the amounts given by multiplying the relevant amounts as above by the number which, in the proportion set out in Section 5(i) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Council, in accordance with Section 36(1) of the Act as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

	VALUATION BAND							
PERTON								
SAREDON								
SHARESHILL								
SWINDON								
TRYSULL & SEISDON								
WOMBOURNE								

5. Determine that the Council's basic amount of Council Tax for 2023/24 is **not excessive** in accordance with the principles approved under Section 52ZB of the Local Government Finance Act 1992.

COUNCIL TAX RESOLUTION EXPLANATORY NOTES

Paragraph 2 refers to the Council Taxbase at Band D at 2(a) and to the taxbase at Band D for each parishes at 2(b).

Paragraph 4 (a) refers to the total spending to be met from Council Tax and Exchequer support, in respect of Parish and District Services.

Paragraph 4 (b) refers to the income, grossed up from the approved estimates, to be deducted from the expenditure at 4 (a) to arrive at:-

Paragraph 4 (c) which is the net sum to be met from Council Tax and Exchequer support, in respect of District and Parish Services.

Paragraph 4 (d) is the average Council Tax at Band D for District and Parish Services.

Paragraph 4 (e) is the total of the Parish precepts.

Paragraph 4 (f) is the Council Tax for District services only.

The Table at 4 (g) shows the Council Tax applicable to Band D for each Parish, for District and Parish services.

The Table at 4 (h) shows the Council Tax applicable to each band, for each parish, for District and Parish services.

Paragraph 4 (i) shows the Council Tax for each band to be added to meet the precepts of Staffordshire County Council, Staffordshire Police and Staffordshire Fire and Rescue Service.

Paragraph 4 (j) gives the total amount to be raised for all services by parish and by band.

**REPORT OF THE CORPORATE DIRECTOR FINANCE AND RESOURCES (SECTION 151 OFFICER)
ON THE ROBUSTNESS OF ESTIMATES AND THE ADEQUACY OF RESERVES**

1. I am making this report in compliance with the personal responsibilities placed upon me as Chief Finance Officer by sections 25 to 28 of the Local Government Act 2003. The legislation requires me to report to the authority on two matters.
 - The robustness of the estimates it makes when calculating its budget requirement; and
 - The adequacy of the authority's reserves, taking into account the experience of the previous financial year.

This report fulfils this requirement and provides councillors with assurance that the budgets have been compiled appropriately and that the levels of reserves is adequate. It is a statutory requirement that councillors must consider this report when considering and approving a budget.

In presenting this report I am mindful of other associated statutory safeguards designed to prevent the authority from over-committing itself financially:

- Section 151 of the Local Government Act 1972 which requires the authority to make arrangements for the proper administration of its financial affairs and that the Chief Finance Officer has personal responsibility for such administration;
- Sections 32 of the Local Government Finance Act 1992 which requires the authority to set a balanced budget;
- The prudential code introduced as part of the Local Government Act 2003 sets out the framework within which the authority must manage its investments, including adequate planning and budget estimates; and
- The external auditor's duty to satisfy itself that the authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

To reinforce these obligations, section 114 of the Local Government Finance Act 1988 requires the Chief Finance Officer to report to all the authority's councillors, in consultation with the Monitoring Officer, if there is or is likely to be unlawful expenditure or an unbalanced budget.

Robustness of Estimates – preparation, review and scrutiny

2. The process for preparing the budgets started in the summer of 2022. The detailed budget preparation was overseen by an experienced qualified accountant, supported by other finance staff, both qualified and unqualified, familiar with the requirements of the budget preparation process. The basis of the estimates included the following elements which are in my view crucial to setting realistic budgets.
 - Staffing budgets are prepared on a zero base approach, and are built up based on the actual staffing establishment and its current costs.
 - The budgets reflect, as far as can be determined, costs of major contracts including likely cost increases.
 - The budgets are informed by the results of the 2022/23 budget monitoring and recognise those issues that are unavoidable and would carry through into 2023/24 and future years.
 - The budget identifies the on-going cost of council decisions taken where the financial impact has been quantified.
3. The detailed budgets have been scrutinised by:
 - Service Team Managers;
 - Corporate and Assistant Directors;
 - Cabinet members; and the
 - Overview and Scrutiny Committee
4. In particular, proposals for growth and savings have been carefully reviewed in order to be satisfied of their robustness and for their relationship to the priorities of the Council. The budget does not contain any unspecified or unrealistic savings proposals or contingencies. However, the budget is balanced by the use of reserves and more work needs to be done in order to be financially secure over a 5-year period. Efficiencies and income opportunities are being targeted in order to close the funding gap. These proposals must now be actively pursued through to delivery.
5. The budgets have been assessed as part of the authority's approach to risk management and the major financial risks identified. Whilst financial risks remain paramount, change management and transformation need adequate focus to ensure they don't become a risk to the sustainability of the authority. Continued strong governance and leadership are needed to identify and manage the plans for the future to create an organisation that is fit for purpose to face our financial challenges.

Robustness of the estimates conclusion

6. Taking all these factors into account, I am satisfied that the estimates have been prepared on a robust basis.

Adequacy of Reserves

7. The Chartered Institute of Finance and Accountancy (CIPFA) has produced guidance on local authority reserves and balances. As a member of this accounting body and the authority's Chief Finance Officer, I am bound to give my advice in the context of this guidance. The guidance does not consider it appropriate or practical to be prescriptive on the minimum level of reserves. It does outline the factors that must be weighed in coming to the view on the level of reserves appropriate at a point in time.
8. In considering the level of general reserves in addition to the cash flow requirements CIPFA recommends that the following factors are considered: -

Budget assumptions	Financial standing and management
The treatment of inflation and interest rates	The overall financial standing of the authority (level of borrowing, debt outstanding, council tax collection rates)
Estimates of the level and timing of capital receipts	The authority's track record in budget and financial management
The treatment of demand led pressures	The authority's capacity to manage in-year budget pressures
The treatment of efficiency savings/productivity gains	The strength of financial information and reporting arrangements
The financial risks inherent in any significant new funding partnerships, major outsourcing deals or major capital developments	The authority's virement and end of year procedures in relation to budget under/overspends at authority and service team level
The availability of other funds to deal with major contingencies	The adequacy of the authority's insurance arrangements to cover major unforeseen risks.

9. An appropriate level of reserves is determined by a professional judgement based on local circumstances. Not keeping a minimum prudent level of reserves can have serious consequences in the event of a major problem or a series of adverse events. Adequate reserves will help avoid potentially harmful cuts to services in year.
10. The Council holds earmarked reserves to provide against known commitments and general fund reserves to protect against a wide range of financial risks.
11. In arriving at the recommendation on the minimum prudent level of reserves, strategic operational and financial risks have been taken into account. These include:
 - Uncertainty about whether the full effects of any efficiency measures/increased income will be achieved;

- The risk of major litigation;
 - Potential insurance claims and outstanding liabilities;
 - Increases in demand led budgets above those planned, particularly in the context of an ageing population;
 - The need to maintain a general contingency to provide for any unforeseen circumstances which may arise;
 - The need to retain some reserves for general day to day cash flow management.
12. Taking the above into account alongside guidance from CIPFA and the robustness of the estimates (see above) I recommend that a minimum prudent level of reserves be set at £1,500,000 for 2023/24, which is to be reviewed annually.
13. At the start of the financial year 2022/23 the Council's general reserve stood at £9.296 million. This is in excess of the minimum level of £1,500,000. However, the continuing potential for significant reductions in government grant and business rate retention mean that these currently healthy levels of reserves will be required to buy the time necessary for the Council to deliver against further income and efficiency savings and arrive at a balanced budget without the call on general reserve balances.
14. Regarding the issue of risk, none of the elements of the base budget that members have agreed to include in either the capital or revenue budget result in the exposure of the Council to increased financial risk over and above those already identified in the budget papers considered by members. All current capital developments have been assessed and full revenue implications taken into account. I consider that the current and projected future levels of revenue and capital reserves as set out in the Medium term Financial Strategy are adequate to cover any unforeseen cost overruns that may arise from current and future operations.

Adequacy of reserves conclusion

15. I am of the opinion that, because of our record of prudent spending, careful budgeting and effective budgetary control, and especially because the Council has proved that it is willing and capable of taking the necessary actions to reduce the overall net cost of services, the desired level of general fund reserves can be maintained above £1,500,000. It can be seen from the MTFS this year that the reserves are projected to be in excess of this level at the end a three-year period. A specific programme has commenced to close the funding gap so I therefore consider that no specific action above that which is already being progressed is necessary at this time.

Peter Shakespear, Corporate Director Finance and Resources (Section 151 Officer)

John Mayhew, Finance Team Manager (Deputy Section 151 Officer)

Earmarked Reserves Analysis

Description	Balance at 31/3/22	22/23 increase / (decrease)	Proposed Transfer 22/23	Projected Balance at 31/3/23
	£'000	£'000	£'000	£'000
Covid-19 (Pay) Uncertainty Risk	364	(33)	(331)	0
CLT Forward Planning	292	(28)	0	264
Pay and Inflation Uncertainty Reserve	600	(585)	331	346
Carbon Reserve	73	(44)	0	29
Transformation Projects	208	(96)	0	112
Insurance	25	0	0	25
New Burdens Fund	0	30	0	30
Fairer Funding Reserve	3,652	(700)	0	2,902
Business Rates Pool Surplus	921	0	0	921
Total Corporate Priorities	6,135	(1,456)	0	4,679
Human Resources	49	(10)	0	39
Leisure Development Fund	10	0	0	10
Sink Fund (Commercial Assets)	176	89	0	265
Local Development Framework	147	(61)	0	86
Planning Fee (Increase)	53	0	0	53
Local Plans - Self & Customer Build Housing Grant	31	(10)	0	21
Housing and Homelessness	204	(12)	0	192
Leisure Grants	6	0	0	6
Ad Hoc DWP Projects	89	(89)	0	0
Covid Grants for Elections	50	0	0	50
Corporate Policy (Review Magazine)	10	0	0	10
A&FS Efin Upgrade	32	(32)	0	1
Joint Use Repairs	80	0	0	80
Legal Shared Services	64	0	0	64
WLC 3G Pitch	0	30	0	30
ICT Mobile Communication	34	(6)	0	28
Cemetery Drainage Works	30	0	0	30
New Earmarked Reserve - Planning	0	0	0	0
New Earmarked Reserve - Community	0	0	0	0
Digital 2 (Customer Services contribution)	111	0	0	111
Digital 2 (Staffing)	20	(20)	0	0
Community Budgets Waste and Recycling	40	(40)	0	0
Community Budgets Jubilee	5	0	0	5
Chairmans Functions	1	0	0	1
Finance VAT Consultant	10	0	0	10
New sink fund - gift in will	0	60	0	60
Total Service Teams	1,252	(101)	0	1,151
Community Lottery	17	(10)	0	7
South Staffs Tourism Assoc'	4	0	0	4
Localities Pcc Funding	51	(43)	0	9
Rural Transport	15	0	0	15
Total Localities	87	(52)	0	35
Customer Services - CRM	48	0	0	48
Land Registry and Biodiversity	33	3	0	36

LDF Grant income	42	0	0	42
Section 106	296	0	0	296
Neighbourhood Grant	0	0	0	0
Total Grant Related Ring Fenced	419	3	0	422
Track and Trace Payments	298	(144)	0	154
Covid Shielding Grant	64	0	0	64
Total Covid Related (Committed)	362	(144)	0	218
TOTAL EARMARKED RESERVES	8,255	(1,750)	0	6,505