

MEDIUM TERM FINANCIAL STRATEGY 2021/22 – 2030/31

INTRODUCTION

The Council continues to face a **challenging financial outlook** and in particular more recently as a result of the Covid-19 pandemic and consequent adverse impact on the Council's finances. We do, however, believe that our Medium Term Financial Strategy is resilient and the financial pressures likely to confront us can be addressed in a measured and controlled way, but this is becoming progressively more difficult.

This Medium Term Financial Strategy represents an update to the strategy approved by Council on 18 February 2020. The update has been prepared given the circumstances prevailing in February 2021. It will be reviewed and updated further as circumstances change, but nevertheless, remains a **statement of intent** by all stakeholders and should be read in conjunction with the Budget Statement for 2021/22.

Alongside the MTFs sits a Savings and Transformation Strategy. The purpose of the Strategy is to provide structure, focus and direction in addressing the financial challenge faced by the Council. In so doing, it recognises that there is no one simple solution and as a result we will need to adopt a number of ways to deliver the required savings and transformation contributions within an agreed timescale. A number of key themes have been identified, together with outline targets and timescales.

FINANCIAL CONTEXT

The Council's *notional* Band D tax rate for 2021/22 is £219.50 (an increase of £5.00 or 2.3%). In setting this level of Council Tax, the contribution to or from the General Revenue Reserve is a contribution to the Reserve of £405,050.

One of the external factors affecting the Council's budget is the level of Government Grant funding that is allocated to Tonbridge and Malling through the Local Government Finance Settlement.

The Council received a grant settlement of £2,301,752 in 2021/22, the same as that received in 2020/21 and a new (one-off) Lower Tier Services Grant in the sum of £665,485.

In addition, the Council's grant award under the New Homes Bonus scheme in 2021/22 is £2,209,818, a cash decrease of £1,165,245 or 34.5% when compared to the equivalent figure of £3,375,063 in 2020/21. The future of NHB or a replacement remains the subject of discussion, but at the very least will not continue in its current form leaving one of two options. The scheme is withdrawn and not replaced or is replaced, but where the funding stream and sum awarded is much reduced (our working assumption).

In the latest iteration of the MTFS it is assumed government grant funding (core funding + NHB or its replacement) will **steadily** reduce to £2.4m in 2023/24 uplifted by inflation thereafter and that the reductions in income and increased costs seen as a result of the pandemic in large part **will return** to pre Covid-19 levels in the short to medium term; where the latest projected funding gap between expenditure and income is **circa £475,000**. Adding to this sum those initiatives already built into the MTFS, but yet to be delivered, totalling in excess of **£500,000** gives a figure of **£975,000** to be found and delivered within the next four years.

However, funding beyond 2021/22 will be **dependent** on the outcome of the expected multi-year settlement to follow and the Fair Funding Review. How we will fair at the end of that process is extremely difficult to predict at this stage making financial planning that more difficult.

Dependent on the outcome of the expected multi-year settlement, the Fair Funding Review, what happens to NHB and the extent and speed of the recovery following the Covid-19 pandemic, there is a **risk** the funding gap could be more than is presently reflected in the MTFS.

That said, as in previous iterations of the MTFS the latest projected funding gap can be broken down into tranches to enable more measured steps to be taken and to give time for a better understanding to begin to emerge of the financial challenge ahead (Tranche 1 – £100,000 by April 2022; Tranche 2 – £100,000 by April 2023; and Tranche 3 – £275,000 by April 2024).

The Council has a wide-ranging Capital Plan and has adopted a Capital Strategy and Capital Planning process which are regularly reviewed to reflect changing circumstances. Other than funding for the replacement of our assets which deliver services as well as recurring capital expenditure, there is now an annual capital allowance for all other capital expenditure.

Any 'bids' for capital schemes or discretionary capital grants are to be assessed in the context of the annual allowance. The annual capital allowance is currently set at £250,000. Based on current projections, from 2027/28 the Council may need to borrow to fund such expenditure.

This does not however, preclude a decision to borrow in order to fund in full or in part a capital investment opportunity that meets the Council's strategic priorities and objectives, achieves value for money and delivers a financial return. Each such opportunity to be considered on a case by case basis as appropriate.

OBJECTIVES

- To achieve a balanced revenue budget that delivers the Council's priorities by the end of the strategy period.

- To retain a minimum of £3.0m in the General Revenue Reserve by the end of the strategy period and not to fall below £2.0m at any time during the 10-year period.
- Seek to set future increases in council tax having regard to the guidelines issued by the Secretary of State.
- Continue to identify efficiency savings and opportunities for new or additional income sources and to seek appropriate reductions in service costs in delivery of the Savings and Transformation Strategy approved by Members.
- Subject to there being sufficient resources within the capital reserve, set a maximum 'annual capital allowance' each year as part of the budget setting process for all new capital schemes (set at £250,000 from the Council's own resources) and give priority to those schemes that generate income or reduce costs.

THE STRATEGY

The updated Strategy is set out below. It incorporates:

Document 1: A Revenue Budget Plan for the period 2021/22 to 2030/31 together with a projection of Council Tax Levels in order to support that Revenue Budget Plan and meet the objectives set out above.

Document 2: A Capital Plan Funding Statement for the period to 2026/27.

The Strategy should be read in conjunction with:

- The Treasury Management and Annual Investment Strategy for 2021/22 recommended to full Council by Cabinet on 11 February 2021.
- The updated Capital Strategy recommended to full Council by Cabinet on 11 February 2021.
- The report to Cabinet on 11 February 2021 entitled 'Setting the Budget' for 2021/22.
- The report to Cabinet on 11 February 2021 entitled 'Setting the Council Tax 2021/22'.
- The Budget Statement 2021/22 to which this Strategy is annexed.

This Strategy, together with the Savings and Transformation Strategy will be reviewed and updated at least annually.

Director of Finance and Transformation
February 2021