EXECUTIVE **22 FEBRUARY 2021**

SUBJECT:	**MEDIUM TERM FINANCIAL STRATEGY 2021 - 2026**
DIRECTORATE:	**CHIEF EXECUTIVE AND TOWN CLERK**
REPORT AUTHOR:	**JACLYN GIBSON, CHIEF FINANCE OFFICER**

1. Purpose of Report

1.1 To recommend to the Executive the Medium Term Financial Strategy for the period 2021-2026 and the budget for 2020/21 for referral to Council.

1.2 To recommend to the Executive the Capital Strategy 2021-2026 for referral to Council.

2. Executive Summary

2.1 The financial landscape for local government presents an unprecedented challenge to the Council. The Covid19 pandemic is having immediate effects on the Council's budgets as a result of increases in spending on local services and plummeting income from sales, fees and charges and commercial activities. Beyond the immediate impact the crisis will cast a longer term shadow on the Council's finances. The Government has pumped billions of pounds into the economy to support the response phase of the pandemic and to protect jobs and services. In the medium-term the levels of additional national borrowing and the UK's budget deficit will need to be managed down at the same time as meeting ongoing needs to invest in recovery to achieve the growth required to repay the national deficit. The Government's strategy to address this challenge is not yet known, nor what it will mean for local government funding more generally. Furthermore, there remains potential longstanding impacts on the Council's local income sources if behaviour, working practices and spending patterns in the city continue to change.

2.2 The Council's reliance on local income streams has increased significantly in recent years as Government funding has reduced through austerity measures and new funding mechanisms have been introduced resulting in the Council having to be more self-sufficient and secure its own funding sources. Historically less than 20% of the Council's funding sources were subject to any level of volatility, for 2021/22 90% is now subject to volatility and emphasises the financial risk that the Council faces from its income streams.

2.3 In addition the Council faces further financial uncertainty surrounding significant national reforms to the allocation funding to local government though the Fairer Funding Review, the implementation of the 75% Business Rates Retention (BRR) scheme and Business Rates reset, all of which will affect the Council's MTFS. These reforms intended for implementation in 2021/22 have now been delayed with no firm date set.

2.4 In this current exceptionally difficult financial situation, faced with volatility, complexity and uncertainty, the Council's overriding financial strategy has been, and will continue to be, to drive down its net cost base to ensure it maintains a sound and sustainable financial position. The key mechanism for carrying out this strategy is through the Towards Financial Sustainability (TFS) Programme which seeks to bring service costs in line with available funding and: alongside this, to use the Council's influence and direct investment to create the right conditions for the City's economy to recover and once again grow.

2.5 Although there is a significant level of uncertainty about future funding, based on what is currently known, or can be reasonably assumed, there still remains a current projected budget gap of £1.750m which the Council must close to ensure it's financial sustainability. Although closing a gap of this size is a huge challenge it is not unprecedented, and the Council should have the confidence that it has a track record of delivering strong financial discipline and that it can rise to the challenge once again. However, as a result of the previous level of savings delivered and with a reduced number of alternatives from which to deliver reductions, the Council is left with little option but to revert to a more traditional cost cutting measures approach in order to deliver the scale of reductions required within the short lead in time. It will also require the careful use reserves and balances in the short term.

2.6 The Council will ultimately have to make some difficult decisions over the next 12 months as it prioritises which services it can afford to continue to deliver. The Council will continue to build on its successful financial planning to date and will seek to protect the core services for the people of Lincoln, whilst at the same time allowing for significant investment in the City, and its economy, and delivery of the Council's Vision. Adopting this approach will ensure that it carefully balances the allocation of resources to its vision and strategic priorities, whilst ensuring it maintains a sustainable financial position.

2.7 Prior to submission of the MTFS 2021-2026 and budget to the Executive and Full Council, public consultation and member scrutiny has been undertaken.

3. Background

3.1 The MTFS sets out the overall framework on which the Council plans and manages its financial resources to ensure that they fit with, and support, the direction of the Council's vision and strategic priorities.

3.2 The MTFS integrates revenue allocations, savings targets and capital investment and provides the budget for the next financial year and provides indicative budgets and future council tax and housing rent levels for the period covered by the strategy.

3.3 In light of the unprecedent impact of Covid19 on the Council's finances the existing objectives of the MTFS have been reviewed to ensure they remain relevant. This review has highlighted the key overriding objective to be;

- To continue to drive down the net cost base, in line with available resources, to ensure the Council maintains a sound and sustainable financial base, delivering a balanced budget over the life of the MTFS;

The further objectives that the MTFS seeks to achieve are as follows:

- To ensure the Council uses its reserves and balances carefully, seeking to maintain robust levels and replenishing where necessary, to address any future risks and unforeseen events without jeopardising key services and the delivery of outcomes;

- To ensure that the Council's limited resources are directed towards its Vision and strategic priorities, redirecting where necessary to allow for improvement and investment.

- To seek to maximise income levels, including maintaining in the short term and growing over the medium term, the Council Tax and Business Rates tax bases, whilst ensuring that Council Tax rate increases are kept an acceptable level;

- To ensure the Council provides efficient, effective and economic services which demonstrate value for money.

3.4 Over the last decade the Council, alongside the majority of other local authorities, has experienced unprecedented financial challenges in various forms. They have had to to adapt to; the impact of severe, unprecedented, central government funding reductions; radical reform of the methodology for funding local government - where councils are self-sufficient funded from local taxes with limited reliance on Central Government, changes in the use and demand for services; as well as escalating costs. The reform of the methodology of funding local government has in particular transferred a significant amount of financial risk and uncertainty to local authorities, creating a greater degree of uncertainty over the budget planning parameters for the Council than has been experienced previously.

3.5 In response to this challenging financial environment the Council has embraced a forward thinking, ambitious and commercial approach in maintaining a sound financial position. This is an approach that has served the Council well and allowed savings in excess of £9m to be delivered over the last decade.

3.6 Looking ahead the financial landscape for local government has significantly worsened over the past year and continues to pose significant challenge to the Council due to the volatility, complexity and uncertainty about future funding. Therefore in order to ensure that the Council maintains a robust and sustainable financial position and is able to respond to the impact of volatile external events and increased financial risks that it faces, the MTFS needs to remain flexible, the council's reserves resilient and the sound track record of delivering savings needs to be sustained, whilst ensuring that resources are directed towards its vision and strategic priorities.

4. The General Fund

4.1 The Council's spending requirement, after capital charges and contributions to/from reserves are taken into account, for 2021/22 amounts to £0.978m which is £11.984m lower than the current year's budget. This significant reduction reflects the level of deficit declared on the Collection Fund and is a direct result of Covid19. No direct comparisons should therefore be made. The provisional forecast spending requirements for the remaining four years of the MTFS are, £10.922m for 2022/23, £11.596m for 2023/24, £12.834m for 2024/25 and £13.545m for 2025/26.

4.2 The following paragraphs outline the key elements and assumptions on which the General Fund Revenue estimates have been prepared.

4.3 **Finance Settlement 2020/21**

The Local Government Finance Settlement for 2021/22 is the first and only year of the Spending Review 2020 and sets out the Council's Core Spending Power which consists of; it's Settlement Funding Assessment (SFA) made up pf Revenue Support Grant (RSG) and Business Rates baselines figures; along with other specific grant allocations; and an assumed level of Council Tax. Overall, the Council's Core Spending Power has increased by 0% in comparison to an increase of 4.6% across all English local authorities.

4.4 **Revenue Support Grant**

In terms of the Council's RSG element of the SFA, as a result of the delays in the implementation of the new 75% BRR scheme and Fairer Funding Review, the grant has been extended for a further year and is at the same level as the 2020/21 allocations but uplifted by 0.55% in line with CPI inflation. Although historically RSG was the Council's core source of funding this has now been replaced by the BRR scheme and as such RSG has dramatically reduced, and for 2021/22 is now only £0.023m. Beyond 2021/22 RSG is no longer assumed in the MTFS.

4.5 **Business Rates Retention**

The calculation of income to be received through BRR is critical in determining the amount of resources that the Council will have available to fund local services. The level of net rates payable by businesses in the City has significantly reduced during 2020/21 due to a significant number of Government funded reliefs as well as an increase in empty property reliefs and business closures. Furthermore, there has been a significant increase in the level of appeals due to the impact of Covid. These reductions in net retainable rates will continue to impact over the period of the MTFS until the City's economy is able to recover and once again grow.

4.6 The Council has undertaken an assessment of the amount of business rates that it expects to collect during 2021/22, based on this and after allowing for the allocation of resources to Central Government and to the County Council it is estimated that £5.142m of the £42.910m of net business rates receivable from Lincoln businesses will be retained by the Council. Beyond 2021/22, assumptions have been made in relation to the reform of the BRR system, these will continue to be assessed as further details of the changes are released by the Government. Although no specific implementation date has yet been confirmed the MTFS assumes this will be effective from 2022/23. However, as much of the design and relative starting positions in the new scheme are as yet unknown it is extremely challenging to forecast the likely level of resources.

4.7 As reported to the Executive on 18th January 2021, the Business Rates element of the Collection Fund has declared a deficit in relation 2020/21 of £30.071m of which the Council's share is £12.028m. Whilst this is a significant deficit, £26.398m (£10.557m City Council share) of the deficit is offset by Government grants received to compensate local authorities in respect of the expanded retail rate reliefs awarded to business in response to the Covid19 pandemic. The remaining £3.673m deficit, of which the Council’s share is £1.469m, has arisen primarily due to an increase in provision for business rates appeals and an increase in empty property reliefs, both of which have been adversely affected by the Covid19 pandemic and will in part be funded through a Government compensation scheme (as per para 4.13).

4.8 This level of retained business rates is calculated on the basis that the Council participates in the Lincolnshire Business Rate Pool in 2021/22. The pool consists of this Council, Lincolnshire County Council and five other Lincolnshire District Councils (excluding South Holland District Council). Membership of this pool allows the Council to retain an element of growth that would have otherwise been payable via a levy to the Government, this equates to retained resources of £0.418m in 2021/22.

4.9 **Council Tax**

The Localism Act 2011 introduced a power for residents to approve or veto excessive council tax increases. This means that any local authority setting an excessive increase, as set by the Secretary of State, would trigger a referendum of all registered electors in their area. The Government confirmed in the Settlement that there will continue to be differential limits that will trigger the need for a referendum. There will be a referendum limit of up to 2% for all authorities except Shire Districts and Mayoral Combined Authorities. For District Councils, as in previous years, there will be additional flexibility, with an increase of less than 2% or up to and including £5 (whichever is higher).

4.10 In view of this and taking into consideration the Council’s need to protect its financial position from further decline and maintain its local income streams, the MTFS for consideration proposes a 1.90% rise in Council Tax for 2021/22, and a further 1.9% p.a. in each of the subsequent years. An increase of 1.9% in 2021/22 equates to an additional 7p per week for a Band A property and 8p per week for a Band B property (80% of properties fall within Band A and B).

4.11 The Council Tax base on which the Council Tax yield is calculated has reduced for 2021/22 due to an increase in the working age claimant numbers under the Local Council Tax Support scheme. This increased caseload is set to gradually reduce over the period of the MTFS as the City’s economy begins to recover.

4.12 **Other Specific Grants**

In addition to RSG the Council also receives other specific grants. Further New Homes Bonus allocations for 2021/22 have been announced and the Council will receive £0.213m. The Settlement also announced a new Lower Tier Services grant, aimed at supporting lower tier authorities and ensuring that no one authority suffered a reduction in core spending power. This is an unringfenced, one-off grant. The Council’s allocation for 2021/22 is £0.266m.

4.13 **Covid19 Support**

Alongside the SFA and specific grant announcements the Government also announced a package of financial support in response to the pressures Local Authorities face in 2021/22 due to Covid19. This package included:

- A further £1.55bn of unringfenced grant in 2021/22, to respond to expenditure pressures e.g. homelessness, election 2021 etc. The Council’s provisional allocation is £0.640m.

- An extension of the income compensation scheme to provide reimbursement, after a 5% deductible and offset of expenditure savings, of 75% of irrecoverable income. This extension of the scheme continues from 2020/21 until June 2021, i.e. covering the first quarter of 2021/22. This announcement proposes that the scheme in 2021/22 will compare losses during quarter 1 to the 2020/21 budgeted levels. Based on this the MTFS assumes compensation in 2021/22 of £0.357m

- Recognising the reduction in Council Tax income as a result of increased LCTS claimant numbers, £670m of grant funding was announced, to broadly meet the additional costs in 2021/22. This funding is un-ringfenced and can be used to provide other support to vulnerable households as well as offsetting the loss in Council Tax income. The Council's provisional allocation for 2021/22 is £0.200m and will be used to offset the loss in Council Tax income.

- A new local tax income guarantee for 2020/21. This proposed scheme will compensate councils for 75% of irrecoverable losses incurred during 2020/21. Based on the Collection Fund deficits declared, it is estimated that £1.1m of compensation would be due to the Council.

4.14 **Fees & Charges**

The fees and charges levied by the Council are an important source of income, however as a result of Covid19 many sources of fees and charges have plummeted, and whilst some have begun to recover, others are still detrimentally impacted and are unlikely to return to their pre-Covid levels in the short term, and in some cases are likely to be permanently eroded. The forecast of income levels for 2021/22 is £2.420m less than the levels previously assumed for 2021/22, this is a total reduction in income of c21%. The biggest reduction is in forecast car parking income. As set out in paragraph 4.13 the Government are extending the income compensation scheme until June 2021, based on this the Council is forecasting to receive £0.357m of compensation against the forecast reduction of over £2m.

4.15 **Spending Plans**

The annual delivery plans that support the overall Vision 2025 are now currently in the process of being refreshed to reflect the impact the pandemic has had on the Council, the City, it's residents and business, to ensure that the correct priority areas are focussed upon.

4.16 The following other key assumptions have been used in formulating the draft General Fund revenue estimates for 2021/22 – 2025/26 as follows:

- Non-Statutory fees and charges mean average increase is 2.3% in 2021/22 with a 3% p.a. increase in yield thereafter. Although individual service income budgets have been re-based to reflect the impact of Covid19, with significant reductions forecasted.
- An increase in employer pension contribution rates capped at 1% p.a. for the period 2020/21 to 2022/23.
- A provision for pay awards of 1.5% p.a. for 21/22 and 22/23 and 2.0% p.a thereafter.
- A provision for inflation of 3% p.a. for contractual commitments linked to RPI based

- A provision for 2% p.a. for general inflationary increases and contractual commitments linked to CPI
- Average interest rates on investments have been assumed at 0.18% in 2021/22, 0.18% in 2022/23, 0.25% in 2023/24, 0.25 in 2024/25 and 0.25% in 2025/26.
- Staff turnover targets of 1% pa

Towards Financial Sustainability

4.17 The Council has a successful track record in delivering savings and has, over the last decade, delivered £9m of annual revenue savings. Despite this success, the Council faces the challenge of having to further reduce its net cost base if it is to remain financially sustainable.

4.18 As part of developing the MTFS 2021-26, due to significant changes in key assumptions, it has been necessary to increase the existing savings target with new targets from 2021/22 onwards, as follows:

2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
850	**1,350**	**1,750**	**1,750**	**1,750**

4.19 The key mechanism for delivering the required budget savings is through the Towards Financial Sustainability (TFS) Programme, which seeks to bring net service costs in line with available funding. Despite the previous success of the TFS programme, it is becoming much more difficult to find additional efficiency savings and some being considered need to be delivered as part of longer-term transformational changes to the organisation, the Council is taking a more prudent approach to commercial ventures; and it cannot deliver the benefits from economic development measures in the short term. It is therefore left with little option but to revert to a more traditional cost cutting measures approach in order to deliver the scale of reductions required within the short lead in time.

4.20 The focus of the TFS programme will now be on two key strands:

- "One Council" – One Council defines how the Council, as an organisation, will need to work in the future to meet changing demands. Through four themes of; organisational development; technology; creating value processes' and better use of resources, cross organisational programmes of work will explore common to all issues and how these can best be combined to a deliver a 'one organisational' approach more efficiently and cost effectively.

- Service Withdrawal/Reduction - withdrawal from some services or a reduced level of service provided for those services not deemed to be of sufficient priority or any longer affordable.

4.21 Alongside this programme the Council believes that the longer-term approach to finding efficiencies, to close the funding gap, is fundamentally through economic growth and investment. This is ever more critical in light of the crippling effect Covid19 has had on the local economy. As part of the recovery of the City from

Covid19, the Council, through Vision 2025, will continue to seek ways to maximise its tax bases by creating the right conditions for the economy to recover and grow, to increase Business Rates income; and to encourage housebuilding to meet growing demand, generating additional Council Tax.

4.22 Closing a projected budget gap of this size is a challenge for the Council, but this is not unprecedented, and the Council has confidence that it has a track record of delivering strong financial discipline and that it can continue to rise to the challenge.

Robustness and Adequacy of the Budget and Reserves – General Fund

4.23 In presenting the budget to the Council, the Executive must take account of the advice of the Council's Chief Finance Officer in relation to the robustness and adequacy of the budget and reserves.

4.24 The level of earmarked reserves is shown in Appendix 6, which shows the estimated closing balances at the end of each of the next five financial years. These reserves will only be used for the specific purposes for which they were set up. In response to the financial challenges the General Fund faces there are a number of earmarked reserves, having been established for such a purpose, that will be used in 2022/23 and 2023/24 to support the General Fund whilst the ongoing reductions in the net cost base are delivered. Having reviewed the level of earmarked reserves the Chief Finance Officer has concluded that they are adequate to fund the planned expenditure identified by the Council.

4.25 As a result of the level of financial risk currently faced by the Council and the threat this poses to the Council's financial position the prudent minimum level of general reserves remains at an increased level. Based on an assessment of the estimated exposure, likelihood and possible mitigation of the financial risks that the Council faces it is deemed prudent to hold general reserves around £1.5m-£2m. Over the MTFS general reserves are maintained in line with this prudent minimum and show an estimated balance of £2.067m by the end of 2025/26.

4.26 Whilst the overall level of balances will still be maintained over the period of the MTFS there are planned uses of balances in the General Fund of £0.477m in 2021/22, £0.110m in 2022/23, £0.373m in 2023/24 and £0.041m in 2023/24. This use of balances, along with the application of specific earmarked reserves will provide the Council the opportunity to deliver ongoing reductions in its net cost base, which will by the end of the MTFS period leave the General Fund in the position of making a positive contribution of £0.546m to balances. The careful use of balances, along with earmarked reserves, in supporting the General Fund is seen as a short-term measure only to ensure a balanced budget position is maintained whilst savings are delivered, it is not foreseen as a long-term solution.

5. The Housing Revenue Account

5.1 The Council's Housing Revenue Account Business Plan 2016-2046 was approved in February 2016. This Business Plan is scheduled for review during 2021, following completion of refreshed stock condition surveys, agreement of a Lincoln housing specification, refresh of the Lincoln Standard to reflect low carbon/climate change, progression of the Social Housing White paper and to ensure the priority schemes from Vision 2025 are all fully reflected. Pending update of the Business Plan, the MTFS is based on the 2016-2046 Plan, updated for revised financial assumptions reflecting current market conditions and expectations, subsequent government policy changes, updated development and investment profiles and other emerging service factors.

5.2 **Housing Rents**
Housing Rent increases are assumed to increase by CPI+1%, in line with the Government's Social Rent Policy that requires, from April 2020, social rents to increase by CPI+1% for 5 years. The approach from 2025 remains uncertain but there is an expectation that social rent increases will remain at this level.

5.3 The Council approved, on 19th January 2021, the rent levels for 2021/22 in line with the requirement to increase rents by CPI + 1% for general purpose accommodation and also increase sheltered accommodation and affordable rents, by the same. The average 52 week rent will be £70.84 per week for general purpose accommodation, £69.87 per week for sheltered accommodation, and £109.43 for affordable rents.

5.4 **Financing the capital programme**
Under HRA self-financing, the primary sources of funding for capital investment in the Council's housing stock is from the revenue account through asset depreciation charges and direct revenue contributions. This has however been lessened to some extent by the removal of the HRA borrowing cap, but based on the current Housing Investment Programme (HIP), the need for £54.795m of revenue support is still anticipated over the MTFS period.

5.5 The following other key assumptions have been used in formulating the HRA estimates for 2021/22 – 2025/26 as follows:

- Assumptions for price inflation, interest rates, pay awards, vacancy savings and employer pension contributions are as per the General Fund
- Average Garage Rents increase of 3% pa
- Housing voids assumed at 1.0% pa.
- A collection rate of 99% p.a.
- Additional rental income from 75 new build properties.
- Additional rental income from 50 Purchase and Repair Properties
- Additional rental income from 10 Next Steps Programme properties

Robustness and Adequacy of the Budget and Reserves – HRA

5.6 In presenting the budget to the Council, the Executive must take account of the advice of the Council's Chief Finance Officer in relation to the robustness and adequacy of the budget and reserves.

5.7 The level of earmarked reserves is shown in Appendix 6, which shows the estimated closing balances at the end of each of the next five financial years. These reserves will only be used for the specific purposes for which they were set up. The Chief Finance Officer has reviewed the level and purpose of the reserves as part of the budget setting process and has concluded that these are adequate to fund the planned expenditure identified by the Council.

5.8 The prudent level of general reserves on the Housing Revenue Account is considered to be £1m - £1.5m. Whilst in 2021/22 and 2022/23 the level of reserves is marginally below this prudent level, by the end of the MTFS period they are forecasted to be significantly in excess of this level, with an estimated balance of £2.610m at the end of 2025/26. During 2021/22 and 2022/23, and at the end of 2020/21, any underspends on the HRA budget will be prioritised to replenish general reserves.

6. The General Investment Programme

6.1 The General Investment Programme (GIP) for the period 2021/22 – 2025/26 is included within the MTFS at Appendix 2. The total allocated capital programme over the next five years is £17.501m of which £14.393m is estimated to be spent in 2021/22.

6.2 The GIP includes the delivery of key legacy schemes from Vision 2020 (some of which were delayed due to Covid19), new schemes from Vision 2025, with a focus on supporting the recovery of the City; or key One Council projects, and investment in existing assets to either maintain service delivery or existing income streams. Of the total £17.501m programme there are three key schemes:

- Western Growth Corridor Phase 1a - £9.7m
- Crematorium Investment - £2.5m
- Heritage Action Zone - £1.3m

6.3 Further schemes in support of the Vision 2025 are currently delayed until year 3-5 of the Vision and will be included in the GIP at the relevant stage in their development e.g. grant funding secure, design stage completed etc.

6.4 In addition, the Council is awaiting the outcome of the Lincoln Town Investment Plan submission, which if approved will have significant implications for the GIP. The Plan has the potential to secure £24.75m of funding to support proposals to deliver long-term economic growth in the City, of which £7.22m would be delivered directly by the Council.

7. The Housing Investment Programme

7.1 The Housing Investment Programme (HIP) for the period 2021/22 – 2025/26 is included within the MTFS at Appendix 4. The total allocated capital programme over the next five years is £71.751m of which £22.49m is estimated to be spent in 2021/22.

7.2 The 5-year HIP is based on the HRA 30 year business plan, updated to reflect revised spending and funding profiles of approved schemes as detailed schemes are developed. The key elements of the HIP are split into housing strategy and housing investment. In terms of housing strategy, the focus continues to be on maximising the use of 1-4-1 retained right to buy receipts, assessing the use of prudential borrowing and seeking government grant funding for new build schemes or purchase & repair schemes that generate a rental stream and delivering the De Wint Court Redevelopment. In relation to housing investment the HIP will continue to focus on the allocation of resources to the key elements of decent homes and supporting the Lincoln Standard.

7.3 Future spending plans for the HIP are expected to include capital investment in further progression of the Council House New Build Programme, initiatives through the Council's carbon neutral ambition, other new schemes emerging through Vision 2025 and implications arising from the anticipated Social Housing White Paper, particularly a revision to Decent Homes Standard. As set out above the HRA 30 year business plan is due to be refreshed during 2021, which will shape the direction of the HIP and its priority areas.

7.4 As set out in paragraph 5.3 above, the primary sources of financing for the HIP are from depreciation, with financing of £38.556m over the 5-year period and from revenue contributions, totaling £21.703m used over the 5-year period. In addition the HIP is set to utilise £5.208m of prudential borrowing to fund the Council House New Build Progamme this is further supported by capital receipts (including Right-to-Buy receipts) of £4.077m.

8. Capital Strategy

8.1 The CIPFA revised 2017 Prudential and Treasury Management Code now requires all local authorities to prepare a Capital Strategy which will provide the following;

- A high level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- An overview of how the associated risk is managed
- The implications for future financial sustainability.

8.2 The Capital Strategy should complement other key documents such as the MTFS, the Asset Management Plan, the Council's Strategic Plan, and Treasury Management Strategy, etc. by defining the approach, structure and governance for the effective management of the Council's capital investment needs and ambitions.

8.3 A draft Capital Strategy is attached at Appendix B.

9. Consultation and Scrutiny

9.1 Budget consultation has been undertaken online which consisted of the draft MTFS, proposed budget and council tax recommendation being publicised on the Council's website together with the opportunity for the public to comment. As at the date of writing report the public consultation is still open, a verbal update will be provided at the meeting of consultation responses received.

9.2 In terms of member budget scrutiny an all member workshop was undertaken during January 2021 to ensure that as large a number of members as possible had the opportunity to fully understand the financial position of the Council. This was followed in February by a Budget Review Group who focused on the detail of the draft MTFS, proposed budget and Council Tax recommendation.

9.3 The minutes of the Budget Review Group are attached at Appendix C, there were no specific recommendations made by the Group.

10. Strategic Priorities

10.1 The MTFS underpins this policy and financial planning framework and set out the overall framework on which the Council plans and manages its financial resources to ensure that they fit with, and support, the direction of the Council's vision and strategic priorities.

11. Organisational Impacts

11.1 Finance – The financial implications are as set out in the body of the report.

11.2 Legal Implications including Procurement Rules - Local authorities must decide, prior to the 11th March, each year how much they are going to raise from council tax. They base their decision on a budget that sets out estimates of what they plan to spend on services. Because they decide on the council tax before the year begins and can't increase it during the year, they have to consider risks and uncertainties that might force them to spend more on their services than they planned. Allowance is made for these risks by:

- making prudent allowance in the estimates for services; and

- ensuring that there are adequate reserves to draw on if the service estimates turn out to be insufficient.

11.3 Local government legislation requires an authority's Chief Finance Officer to make a report to the authority when it is considering its budget and council tax. The report must deal with the robustness of the estimates and the adequacy of the reserves allowed for in the budget proposals, so Members will have authoritative advice available to them when they make their decisions.

11.4 Land, property and accommodation - Specific implications for the deployment and management of the Council's assets are included within the Capital Strategy and Asset Management Plan which support the achievement of the objectives of the MTFS.

11.5 Equality, Diversity and Human Rights –

This report provides a summary of the financial planning activities across the Council. As a consequence of the approval of the MTFS and budget for 2021/22 there may be an impact on certain council services which will be subject to review. Planning work undertaken to develop the Towards Financial Sustainability Programme and strands and investment in the Vision 2025 and strategic priorities, set out above, involves taking an overview of the potential cumulative impact. This is further expanded and built upon as the specific reviews and projects are developed and so detailed equalities implications will be assessed at the individual service level.

12. Risk Implications

12.1 The Council has a very proactive approach to managing risk and there are effective arrangements for financial control already in place. That said, there is always a risk that the Council will become liable for expenditure that it has not budgeted for or face a reduction in resource available (as has been experienced during 2020/21), the impact of which must be mitigated by holding reserves. Due to the significant reduction in forecast income levels, forthcoming changes in core funding mechanisms for local authorities and uncertainty around future funding settlements, the level of volatility and risk to which the Council is exposed has increased exponentially, the MTFS therefore needs to remain flexible and the council's reserves resilient.

12.2 The financial risks, Appendix 5 of the MTFS, have been identified and an assessment of the estimated exposure, likelihood and possible mitigation has been made in the context of the Council's overall approach to risk management and internal financial controls. Officers will continually monitor and appraise these risks as part of the on-going budget monitoring and reporting to Members.

13. Recommendation

13.1 That the Executive recommend to Council for approval, the

- The Medium Term Financial Strategy 2021-2026, and;
- The Capital Strategy 2021-2026

Including the following specific elements:

- A proposed council tax Increase of 1.9% for 2021/22.
- The Council is member of the Lincolnshire Business Rates Pool in 2021/22
- The General Fund Revenue Forecast 2021/22-2025/26 as shown in Appendix 1 and the main basis on which this budget has been calculated (as set out in paragraph 4).
- The General Investment Programme 2021/22-2025/26 as shown in Appendix 2, and the main basis on which the programme has been calculated (as set out in paragraph 6).
- The Housing Revenue Account Forecast 2021/22-2025/26 as shown in Appendix 3 and the main basis on which this budget has been calculated (as set out in paragraph 5).
- The Housing Investment Programme 2021/22-2025/26 as shown in Appendix 4, and the main basis on which the programme has been calculated (as set out in paragraph 7).

Is this a Key Decision?	No – Referral to Full Council
Do the Exempt Information Categories Apply?	No
Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply?	No
How many appendices does the report contain?	Three

List of Background Papers:	Draft Medium Term Financial Strategy 2021-26 – Executive 18th January 2021
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