



**DRAFT Medium Term Financial
Plan
First iteration**

2024/25 to 2027/28

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1. Introduction

- 1.1. This report sets out the current position of the Draft Medium Term Financial Plan (MTFP) for the four year period 2024/5 to 2027/28. At this point in the cycle there are several aspects that are yet to be determined that may have a material impact on the MTFP prior to its finalisation and approval in February 2024, and implementation from 1 April 2024. These factors include, but are not limited to: the settlement announcement from central government (which is expected in December), more up to date assessments of the impact of forecast interest and inflation levels and reviews by heads of service into income and costs within their services.
- 1.2. This report indicates key assumptions, how they affect the financial position of the Council and the overall impact of these assumptions, including whether additional efficiencies will be required. Therefore, this report is indicative of the direction of the MTFP which will be refined over the coming months before its approval and implementation.

2. Capital Programme

- 2.1. The General Fund Capital Programme presented to and approved by Members in February 2023 has been reviewed, re-profiled and updated to reflect the latest capital projections to 31st March 2028. It also includes the carry forward from 2022/23 of £481,410 approved by Resources Overview & Scrutiny Panel as part of the Finance Quarter 1 report in October 2023. This table summarises the programme with more detail shown at Annex A.

	2023/24	2024/25	2025/26	2026/27	2027/28	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Asset Management Plan	1,188	1,632	4,286	2,338	3,032	12,476
Housing Grants	1,794	2,200	2,200	2,200	2,200	10,594
ICT Strategy	52	63	40	0	0	155
Fleet Management	487	332	28	1,496	1,072	3,415
Leisure	3,208	155	70	0	0	3,433
Regeneration	107	443	50	50	50	700
Levelling Up Fund	1,206	11,611	10,372	0	600	23,789
Other Schemes	256	0	0	0	0	256
Total Revised Programme	8,298	16,436	17,046	6,084	6,954	54,818
Financed by:						
External Contributions	4,488	12,014	9,760	2,200	2,200	30,662
Planning Obligations	83	0	0	0	0	83
Revenue Reserves	31	28	20	0	36	115
Capital Reserves	0	0	1,000	0	600	1,600
Earmarked Reserves	56	0	0	0	0	56
Borrowing	3,640	4,394	6,266	3,884	4,118	22,302
Total Revised Financing	8,298	16,436	17,046	6,084	6,954	54,818

- 2.2. The indicative capital programmes include the following major programmes:
- **Asset Management Plan:** it is essential that the Council maintains an asset base to facilitate provision of services and delivery of the Corporate Plan. In order to monitor affordability, the Capital Strategy in the MTFP will set out

the proposed outcomes and actions, and the consequent capital and revenue financial implications, both positive and negative, of maintaining the Council's current property assets over a 30 year period. This work is progressing based on the recent completion of condition survey works.

- **Housing Grants:** The Council is the duty holder under the Housing Grants, Construction and Regeneration Act 1996 for the mandatory Disabled Facilities Grant (DFG). From 1st April 2023 the Council has engaged its partner, Alliance Norse Ltd, to deliver DFG services under the 'N-Able' brand.
- **ICT Strategy:** An updated strategy is being developed currently, alongside an Organisational Development Strategy and Access to Services Strategy. The aim is to drive a change in culture and deliver the systems, processes and skills required in an environment where information is shared seamlessly through connected systems. This will potentially reduce the costs of services through optimisation, improving online services and enabling customers to self-serve. This will also reduce manual administrative tasks, removing paper processes and allowing Officers to focus on high-value tasks, which will be of the most benefit to our residents and businesses. There is £750,000 set aside in an earmarked reserve which was established specifically to support with the implementation of the ICT Strategy.
- **Fleet Management:** The Council has a forward plan of fleet replacement requirements based on estimates of the useful lives of the existing fleet and future business needs. Current assumptions are that new vehicles will be funded via direct capital purchase, but this will be subject to further funding options appraisals prior to purchase. In response to the climate emergency, the use of clean fuel and greater efficiency is a key consideration. Proceeds from the sale of vehicles will be used to fund future purchases through use of reserves and capital receipts to further reduce the overall cost of financing the vehicle fleet by reducing borrowing costs.
- **Leisure projects:** Horticulture works in parks and play areas.
- **Regeneration projects:** Cheadle Market regeneration, the annual contribution to support the Moorlands Partnership Board award of grants to improve historic buildings and structures.
- **Levelling Up Fund projects:** Brough Park Leisure Centre, Nicholson Institute, and Leek Markets.

2.3. Financing the Capital Programme

2.3.1. The capital programme is funded from several streams, including external grants and contributions from third parties, capital receipts from asset sales as part of the asset management plan, and earmarked revenue reserves.

2.3.2. Borrowing is undertaken to fund the shortfall after other capital resources have been used. The Council's estimated borrowing requirement for the capital programme is shown in the table above. The Treasury Management Strategy then considers whether this is funded externally or internally - both options

have a consequence on revenue either through reduced investment income or increased external interest liability.

- 2.3.3. It is proposed to utilise reserves allocated for capital spend (where possible) on the acquisition of short-life assets such as vehicles, plant, and equipment, where it is best value to do so.

3. Efficiency Programme

- 3.1. The 2023/24 to 2026/27 Medium Term Financial Plan (MTFP) was balanced with the inclusion of an efficiency requirement of £690,000:

£000	2023/24	2024/25	2025/26	2026/27	Total
SMDC Efficiency requirement	0	200	240	250	690
Cumulative	0	200	440	690	

- 3.2. This report reflects an update to the MTFP for 2024/25 to 2027/28 and it is yet to quantify whether further efficiency will be needed in 2027/28 and, should it required, how much will be needed although early indications suggest that the demand for efficiency is likely to increase. However, aiming for a 50% risk factor (taking the total programme target to £1.035million) is considered prudent. The efficiency programme presented at Resources Overview & Scrutiny Panel on 22nd November 2023 has identified a total programme of £1.065million, which is considered prudent ensuring there is a contingency level necessary to cover risks of delivery and that the updated MTFP is expected to contain additional efficiency requirements.
- 3.3. The Authority also has a £492,000 reserve earmarked to support the Efficiency Programme.

4. Financial Forecasts

4.1. Interest Rates

- 4.1.1. The current view of interest rates is that the Bank of England base rate will remain at the current level of 5.25% until the second half of 2024 when it will gradually start to decrease. This relatively high level will impact both increased income from investments as well as increased external borrowing costs.
- 4.1.2. The strategy for external borrowing will be to keep fixed term periods short until rates start to decrease and borrowing can be locked in at lower interest rates for longer periods to provide certainty of future costs. Internal borrowing will also be used where there is a net benefit from the reduction in the external borrowing cost, compared to the reduced investment income potential.

- 4.1.3. This table shows the net borrowing cost to the Council across the MTFP period:

	2024/25	2025/26	2026/27	2027/28
	£	£	£	£

Investment income	(1,235,940)	(1,023,960)	(700,990)	(614,420)
Borrowing cost	666,280	846,360	1,105,990	1,206,460
Net borrowing cost	(569,660)	(177,600)	405,000	592,040

4.2. Inflationary Projections

4.2.1. The Consumer Price Index (CPI), as at September 2023, stood at 6.7%. Current forecasts suggest this will be decreasing towards the Bank of England's target levels over the life of the MTFP. This informs the inflation forecasts applied to Council's expenditure and income.

4.2.2. There is an earmarked reserve of £250,000 available to support any unforeseen costs of inflation.

4.2.3. The MTFP presented to members in February 2023 has been updated to reflect the latest forecasts on inflation and to roll forward a further 12 months to include the 2027/28 financial year. The full costs to the Council arising from inflation are forecast in the table below.

Inflationary Changes	2024/25	2025/26	2026/27	2027/28
	£	£	£	£
Employee Costs	369,870	206,370	175,020	178,340
Premises Costs	43,240	4,400	33,040	33,460
Transport	2,140	2,170	2,200	2,240
Supplies and Services	143,350	150,560	105,660	101,980
In-Year Inflation Pressure	558,600	363,500	315,920	316,020

4.3. Budgetary Demand

4.3.1. The current indicative changes in budgetary demand since the MTFP was presented and approved to Council in February 2023 are highlighted below:

Increased / (Reduced) Budget Demand	2024/25	2025/26	2026/27	2027/28
	£	£	£	£
<i>Increased expenditure</i>				
Local Plan - Revision & Maintenance		172,500	(172,500)	
DCP online Planning subscription	3,400			
Leisure Transformation	874,380	(344,580)	(353,600)	(88,130)
<i>Reduced expenditure/reversal of prior year temporary increases</i>				
Market Stall Arrangements	(53,000)			
Community support funding	(20,000)			

Assets - Feasibilityworks (Energy)			(10,000)	
Assets - Watercourses conditions survey	(30,000)			
Assets - Benches & Street Furniture	(50,000)			
Assets - Door Entry Pass	(2,000)			
Cultural Strategy	(20,000)			
OD HR Support		(50,000)		
Total	702,780	(222,080)	(536,100)	(88,130)

5. Funding & Income Generation

5.1. Council Tax

5.1.1. The Council's ability to increase Council Tax by more than a certain percentage, which is set by central government each year, is subject to referendum. We await the confirmation of the capping position applicable to next financial year, which is anticipated as part of the December Settlement announcement; for the purposes of this preliminary iteration of the MTFP, an increase of 2.9% has been applied to year 1, with 1.9% in subsequent years, with estimates of tax base growth based on the trend history:

Increased Council Tax Income	2024/25	2025/26	2026/27	2027/28
	£	£	£	£
Revenue from increased Council Tax	(169,790)	(116,710)	(120,060)	(123,480)
Revenue from Tax Base growth	(118,140)	(59,240)	(60,370)	(61,510)
Total	(287,930)	(175,950)	(180,430)	(184,990)

5.2. Business Rates Retention

5.2.1. The multiplier used to set Business Rates charges is linked to CPI in September of the preceding year. Other increases in business rates retention may come from growth or an improvement in income from the Business Rates Pool. Forecasts for CPI and the trend history of growth and the Pool savings have been applied to this MTFP:

Business Rates Retention	2024/25	2025/26	2026/27	2027/28
	£	£	£	£
Total Retention	(5,464,320)	(5,560,620)	(5,713,350)	(5,812,140)
Change between years:	(580,880)	(96,300)	(152,730)	(98,790)

5.3. Collection Fund

5.3.1. The Council maintains a Collection Fund to record the receipt of Council Tax and Business Rates and their distribution to precepting authorities. Any surplus

or deficit generated is distributed or recovered from the preceptors in subsequent years:

Changes in Collection Fund Income	2024/25	2025/26	2026/27	2027/28
	£	£	£	£
Council Tax (surplus)/ deficit	(20,180)	(29,870)	(31,220)	(32,630)
Change from previous year	82,680	(9,690)	(1,350)	(1,410)
Business Rates (surplus)/ deficit	542,590	0	0	0
Change from previous year	713,050	(542,590)	0	0
Total (surplus)/ deficit	522,410	(29,870)	(31,220)	(32,630)
Change from previous year	795,730	(552,280)	(1,350)	(1,410)

5.4. Income from Government Grants

5.4.1. Government Grants to support the Council's expenditure are expected to be confirmed in the Local Government Settlement anticipated towards the end of December 2023. This draft iteration of the plan anticipates funding from New Homes Bonus, with no receipt anticipated in the first year of the plan based on the number of empty homes, Revenue Support Grant, and Lower Tier Services Grant.

5.4.2. The table below summarises the movement in Government funding over the MTFP period:

Government Grants	2023/24 (budget)	2024/25 (forecast)	2025/26 (forecast)	2026/27 (forecast)	2027/28 (forecast)
	£	£	£	£	£
New Homes Bonus	(59,450)	0	(80,000)	(80,000)	(80,000)
Lower Tier Services Grant	(165,310)	(165,310)	(165,310)	(165,310)	(165,310)
Funding Guarantee Grant	(354,960)	0	0	0	0
Revenue Support Grant	(98,160)	(98,160)	(98,160)	(98,160)	(98,160)
	(677,880)	(263,470)	(343,470)	(343,470)	(343,470)
(Gain)/ Loss in Govt Funding		414,410	(80,000)	0	0

5.5. General Fees and Charges

5.5.1. Charging for local services makes a significant contribution to the Council's finances. The Council also uses charging to influence individual choices and behaviour, and to bring other benefits to local communities.

5.5.2. The annual revision of the Council's fees and charges will take place over the next few months and the outcome presented for approval as part of the February 2024 MTFP. This iteration assumes a level of inflation will be applied to increase the fees and charges amounting to £50,000 in years 1, 3, and 4 of the plan, and £125,000 in year 2 of the plan. The 'Income and Charges' theme in the Efficiency Programme will add to this.

6. Contingencies & Use of Reserves

6.1. Contingencies

6.1.1. The Council will carry adequate reserves as a contingency against risks that cannot be fully mitigated. Section 25 of the Local Government Act 2003 requires the Chief Finance Officer (CFO) to report on the robustness of the estimates included in the budget and the adequacy of the reserves that the budget provides. The Council is required to hold a general (contingency) reserve to meet unforeseen expenditure, this was set at £1,478,000 in the February 2023 MTFP and will be reviewed in February 2024.

6.2. Use of Reserves and Balances

6.2.1. The February 2023 Medium Term Financial Plan included a £7,700 contribution per annum from General Fund Reserves in respect of Section 106 (Commuted Sum). This remains in this early iteration, but no other movements to or from contingency reserves have been included so the plan remains unbalanced until this is updated as part of the February 2024 MTFP. However, based on the deficit/surplus position in this preliminary iteration of the 2024/25 to 2027/28 MTFP, if the plan were to be balanced solely via the use of reserves; the draw on reserves would be an unsustainable £2,665,050.

6.2.2. Work will take place before the final version of the Plan is presented in February to balance the plan and reduce the requirement to draw heavily on reserves.

Use of Reserve	2024/25	2025/26	2026/27	2027/28
	£	£	£	£
Deficit/ (surplus)	1,334,410	598,360	326,270	406,010
Cumulative deficit (call on reserves)	1,334,410	1,932,770	2,259,040	2,665,050

7. MTFP Revenue Position

7.1. The medium term revenue position is as set out in the table below:

Budget Heading	2024/25	2025/26	2026/27	2027/28
	£	£	£	£
Employees	7,426,000	7,632,370	7,807,390	7,985,730
Premises	2,586,690	2,591,090	2,624,130	2,657,590
Transport	144,810	146,980	149,180	151,420
Supplies & Services	9,278,340	9,206,820	8,776,380	8,790,230
Benefits	5,010	5,010	5,010	5,010
Borrowing	666,280	846,360	1,105,990	1,206,460
Total Expenditure	20,107,130	20,428,630	20,468,080	20,796,440
Fees and Charges / Other Income	(5,980,900)	(6,105,900)	(6,155,900)	(6,205,900)
Interest Receipts	(1,235,940)	(1,023,960)	(700,990)	(614,420)
Net Expenditure	12,890,290	13,298,770	13,611,190	13,976,120
Council Tax	(6,142,800)	(6,318,750)	(6,499,180)	(6,684,170)
Other Grant Funding	(263,470)	(263,470)	(263,470)	(263,470)
Business Rates Retention	(5,464,320)	(5,560,620)	(5,713,350)	(5,812,140)
New Homes Bonus	0	(80,000)	(80,000)	(80,000)
Earmarked Reserves	(7,700)	(7,700)	(7,700)	(7,700)
Contingency Balances	0	0	0	0
Collection Fund	522,410	(29,870)	(31,220)	(32,630)
Total Financing	(11,355,880)	(12,260,410)	(12,594,920)	(12,880,110)
Cumulative Deficit / (Surplus)	1,534,410	1,038,360	1,016,270	1,096,010
Efficiency Requirement (cumulative)	(200,000)	(440,000)	(690,000)	(690,000)
Deficit / (Surplus)	1,334,410	598,360	326,270	406,010

Proposed Capital Programme (2023/24 to 2027/28)

	2023/24	2024/25	2025/26	2026/27	2027/28	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Asset Management Plan						
Public Buildings	707,950	262,430	729,750	106,730	1,602,430	3,409,290
Car Parks	400,000	364,770	120,000	162,830	0	1,047,600
Public Conveniences	0	18,830	17,370	5,650	75,170	117,020
Infrastructure/Waterways	80,000	410,000	230,000	490,000	205,000	1,415,000
Leisure Centres	0	383,610	2,841,870	1,314,480	854,060	5,394,020
Depots & Park Buildings	0	182,050	152,980	132,770	288,220	756,020
Industrial Units	0	10,500	194,350	125,120	7,500	337,470
Total	1,187,950	1,632,190	4,286,320	2,337,580	3,032,380	12,476,420
Private Housing Grants	20,390	0	0	0	0	20,390
Disabled Facilities Grants	1,774,000	2,200,000	2,200,000	2,200,000	2,200,000	10,574,000
ICT Projects	52,050	62,780	40,560	0	0	155,390
Fleet Management	487,380	331,500	27,500	1,496,200	1,071,600	3,414,180
Regeneration						
Conservation	106,750	70,000	50,000	50,000	50,000	326,750
Market Town Regeneration	0	373,000	0	0	0	373,000
Total	106,750	443,000	50,000	50,000	50,000	699,750
Leisure						
BVLC Energy Efficiency Works	2,424,500	0	0	0	0	2,424,500
Outdoor Sports Facilities	332,320	0	0	0	0	332,320
Public Parks/Play Facilities	451,510	155,000	70,000	0	0	676,510
Total	3,208,330	155,000	70,000	0	0	3,433,330
Other Schemes						
CCTV	56,140	0	0	0	0	56,140
Community Facilities	200,000	0	0	0	0	200,000
Total	256,140	0	0	0	0	256,140
Levelling up Fund (LUF)						
LUF Matched Funding	0	0	0	0	600,000	600,000
Nicholson Institute (LUF)	381,390	3,432,430	0	0	0	3,813,820
Brough Park Leisure Centre (LUF)	500,000	5,262,140	10,371,840	0	0	16,133,980
Leek Markets (LUF)	324,100	2,916,680	0	0	0	3,240,780
Total	1,205,490	11,611,250	10,371,840	0	600,000	23,788,580
TOTAL PROGRAMME	8,298,480	16,435,720	17,046,220	6,083,780	6,953,980	54,818,180