

DRAFT MEDIUM TERM FINANCIAL STRATEGY 2024/27

- Summary:** To provide Members with the opportunity to discuss assumptions around Medium Term Financial Planning and the impact on NNDC finances.
- Options considered:** That the Medium-Term Financial Strategy is reviewed by Members.
- Conclusions:** The Council is required to agree a budget in advance of each financial year. This is done in February of each year at Full Council, after meetings of Cabinet and Overview and Scrutiny. To aid the Committee, an early draft of the Medium-Term Financial Strategy is presented here for scrutiny and discussion.
- Recommendations:** **It is recommended that Overview and Scrutiny Committee review and consider the current financial projections for the period to 2026/27 and make recommendations to the Cabinet where necessary.**
- Reasons for Recommendations:** To enable Members of the Overview and Scrutiny Committee to scrutinise, comment on and have input into the setting of Medium-Term Financial Strategy that is recommended by Cabinet for approval by full Council.

LIST OF BACKGROUND PAPERS AS REQUIRED BY LAW

(Papers relied on to write the report, which do not contain exempt information and which are not published elsewhere)

<i>Budget Monitoring Reports 2022/23</i> <i>Outturn Report 2021/22</i> <i>Medium Term Financial Strategy 2023-26</i>
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Cabinet Member(s) Cllr Eric Seward	Ward(s) affected All
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1. Introduction

- 1.1 This report presents the projections for the three financial years, 2024/25 to 2026/27, alongside the Annual Budget for 2023/24 and Capital Programme elsewhere on the agenda.
- 1.2 Also included within the annual budget report is the updated Capital Programme has also been included covering the periods 2023/24 to 2026/27 which takes account of slippage of schemes between financial years. Details of new proposed capital schemes are also included within the report.
- 1.3 The Medium-Term Financial Strategy (MTFS) is a strategic document that supports the delivery of the Corporate Plan outcomes. The MTFS establishes how the Council's priorities will be achieved by setting out the framework within which resources are available over the medium term and the financial challenges facing the Council in terms of future funding gaps. It is the method by which the Council plans translates its long-term goals into action by considering;
 - Where the Council is now
 - Where the Council wants to be
 - What the Council's plans are to get there
- 1.1 The MTFS helps to ensure that the Council is 'doing the right thing' while taking account of internal strengths/weaknesses and external threats/opportunities. It should also provide a link between the Council's long-term service objectives and its financial capacity, which effectively asks the question 'can the strategic objectives be achieved within the available financial envelope?'
- 1.2 The Medium-Term Financial Strategy will be presented for final approval by full Council as part of the February Committee cycle and is provided here in draft format to allow discussion by the Overview and Scrutiny Committee.

2. 'Where we want to be' - The Council's Corporate Plan

- 2.1 In May 2019 the Council was elected and set out its Corporate Plan containing its intentions and ambition for 2019–2023 (which can be found [here](#)). The Council is in the last year of its Corporate Plan and will develop a new plan after the Council elections in May 2023. The Corporate Plan has provided the framework and context for the Council's service provision, project interventions and resource allocation (financial and staffing) for the period through to 2023. The Plan has been subject to annual review to ensure that it has continued to reflect the Council's priorities and objectives each year throughout the four-year period to ensure that it has been able to respond to emerging trends, policy developments and legislation.
- 2.2 It has reflected the essential needs and aspirations of our residents, businesses, visitors and communities and how we have felt the Council could best use its resources to deliver the services and outcomes that would make a positive difference for everyone who lives in, works in or visits North Norfolk.

- 2.3 However, despite the District having a number of very positive attributes we continue to also face some big challenges: – responding to environmental change, increasing housing supply, supporting economic growth, meeting the challenges of service delivery to rural communities and the needs of both our young people and a rapidly ageing population.
- 2.4 The Corporate Plan identified six key themes where we proposed developing actions and allocating resources to respond to the challenges our district faced in the years of the Plan and continues to face in the years to come as detailed below;
- Local Homes for Local Need
 - Boosting Business Sustainability and Growth
 - Climate, Coast and the Environment
 - Quality of Life
 - Customer Focus
 - Financial Sustainability
- 2.5 Planning for the future is challenging, especially given the broad range of services provided, and the competing demands for increasingly scarce resources. All our services are committed to making improvements and finding savings, so that the Council remains efficient, effective and meets the day to day needs of the communities we serve. The purpose of the Corporate Plan is to focus our attention specifically on the priorities that have been identified. It has helped us target better our limited capital and revenue resources and help direct and focus any bids for external grant support. The Plan has also provided a framework against which we could assess our progress to support the needs of our customers and communities.
- 2.6 The Delivery Plan, which supported the objectives contained within the Corporate Plan, was approved by Full Council during 2020. This detailed how we would judge our performance; it was also the means by which the Council agreed its improvement objectives. It included the expected outcomes from each of the six key themes and how they would be supported by a set of priority actions and measures through which the Council will undertake a self-assessment of the level of improvement made.
- 2.7 The Climate, Coast and Environment theme was identified as a priority to help ensure that the Council delivers on its Climate Emergency agenda and this element of the Corporate Plan has permeated and influenced all the other work streams and Delivery Plan themes so that it has become embedded within the culture of the organisation, and it should continue to do so. The Council has looked to generate income from the Electric Vehicle Charging Points which have been installed in Council owned car parks across much of the District. Solar panels are also generating an income on the Council's main office block in Cromer. In addition to reducing the Council's running costs, these panels are projected to provide £10,000 per annum of income to support the Council's budget.
- 2.8 A number of the Delivery Plan projects have supported the Climate Emergency agenda and the Council will continue to try and ensure as far as possible that environmental considerations are built into all areas of the Council's day to day business operations.

2.9 The Council has been supporting its Climate Change agenda and motion on Climate Emergency by earmarking £330,000 from the Delivery Plan Reserve to facilitate the planting of 110,000 trees in the district. This project has just been successfully completed. An Environment Charter and Action Plan was completed and adopted in April 2021. A further £150,000 is available within an earmarked reserve to support initiatives under this plan. Activities are likely to be related to:

- Monitoring and managing the Council's carbon footprint
- Alternative Energy Projects
- Biodiversity improvements
- Electric Vehicle Charging
- Waste reduction
- Raising awareness and creating behaviour changes through community engagement

2.10 Underpinning the Corporate Plan is the day-to-day business that departments undertake, and which will be reflected in Service Plans. All Service Plans are linked to the Corporate Plan and will be updated when the Corporate Plan is updated. These plans have also included the performance measures by which the delivery of wider improvement activity could be measured. The Corporate Plan is a living document and will be regularly reviewed throughout its life to reflect changes in the local, regional and national context.

2.11 The priorities within the Corporate Plan were developed by talking with, and listening to the community, Elected Members, staff and other key stakeholders all of whom helped to shape the content of the Plan.

Our Strategic Priorities 2019 – 2023

2.12 The Delivery Plan includes a series of priority actions and measures that we will monitor to assess if we have made a difference. Progress and tracking against the identified actions and delivery of the outcomes will form a key part of the Council's performance management framework.

Investment in Priority Areas

2.13 The overall level of the Council's resources is reducing so it is important that a clear focus is maintained on matching funding to priorities. This will remain a key focus over the coming years to ensure the updated aspirations in the new Corporate Plan and the projects in the new Delivery Plan are realised.

Our Vision

2.14 To develop a long-term plan, every organisation needs to set an aspiration of where the organisation is aiming to be in the future. This enables everyone to be united in a shared direction and purpose. The Council's current aspiration is as follows:

“North Norfolk District Council – putting our customers at the heart of everything we do”

Our Values

2.15 Our values represent the beliefs and expected behaviour of everyone working for North Norfolk District Council. Our values, which aim to support quality services, we;

- Respect everyone and treat everyone fairly
- Are open and honest and listen
- Strive to offer the best value for money service
- Welcome new challenges and embrace change

‘One Team’ Team Approach

2.16 To deliver high quality services, we need to have excellent teams to deliver them. We recognise that our staff are our most important resource at the heart of the services we provide. We are committed to investing in staff and their development so that we have well trained and supported employees, who can provide professional services and who are happy and motivated in their work. The One Team approach includes Members to ensure we all work closely together to deliver our priority outcomes and that training needs are also met as part of the ongoing development of everyone.

3. ‘Where we are now’ – Current financial projections and analysis

3.1 The Provisional Local Government Finance Settlement was announced on Monday, 19th December. It was a single-year settlement that included a new grant, the 3% Funding Guarantee Grant, which was £1.039m for NNDC. This was welcomed as it has partly met the inflationary pressures the Council is facing in 2023/24. The Settlement is again another one-year settlement, and it was announced that the long-awaited Fair Funding Review and Business Rates Reform has been delayed until 2025/26. This does not provide the long-term stability needed for strong medium term financial planning.

3.2 The forecast financial projections shown below make assumptions around future spending forecasts and include the provisional settlement figures for 2023/24 and reflect predicted future income levels. Pay inflation has been included at 2% and inflation on other expenditure has been included where unavoidable but has been reduced to 3% and then increases in fees and charges income have been included at 3%.

General Fund Summary 2023-24	2022/23 Base Budget £	2022/23 Updated Budget £	2023/24 Base Budget £	2024/25 Forecast £	2025/26 Forecast £	2026/27 Forecast £
Directorate						
Corporate Leadership/Executive Support	350,720	421,717	484,705	339,302	343,558	348,897
Communities	10,512,392	10,496,392	12,102,119	11,503,077	11,383,361	11,445,519
Place and Climate Change	6,368,062	5,854,297	6,634,032	6,649,906	6,426,934	6,518,466
Resources	4,383,405	4,349,295	4,973,854	4,909,413	4,909,659	4,984,087
Net Cost of Services	21,614,579	21,121,701	24,194,710	23,401,698	23,063,512	23,296,969
Parish Precepts	2,724,873	2,724,873	2,724,873	2,724,873	2,724,873	2,724,873
Capital Charges	(2,456,953)	(2,456,953)	(2,456,953)	(2,456,953)	(2,456,953)	(2,456,953)
Refcusc	(1,677,167)	(1,677,167)	(1,677,167)	(1,677,167)	(1,677,167)	(1,677,167)
Interest Receivable	(1,136,652)	(1,136,652)	(1,533,436)	(1,533,436)	(1,533,436)	(1,533,436)
External Interest Paid	145,532	145,532	0	0	0	0
Revenue Financing for Capital:	1,173,426	2,494,426	0			
Minimum Revenue Provision	562,500	562,500	330,000	349,000	349,000	349,000
IAS 19 Pension Adjustment	265,496	265,496	265,496	265,496	265,496	265,496
Net Operating Expenditure	21,215,634	22,043,756	21,847,523	21,073,511	20,735,325	20,968,782
Contribution to/(from) the Earmarked Reserves						
Capital Projects Reserve	0	(400,000)	0	0	0	0
Asset Management	5,466	(24,534)	0	0	0	0
Benefits	(32,303)	(32,303)	(111,305)	0	0	0
Building Control	0	0	(81,866)	(53,529)	(53,529)	0
Business Rates	(18,000)	(389,000)	(420,317)	(18,000)	(18,000)	(18,000)
Coast Protection	(62,422)	(62,422)	0	0	0	0
Communities	(275,000)	(275,000)	(275,000)	0	0	0
Delivery Plan	(2,117,608)	(2,263,498)	(979,412)	(424,860)	(10,000)	(10,000)
Economic Development & Tourism	0	34,800	(44,800)	(10,000)	(10,000)	0
Elections	50,000	50,000	(100,000)	50,000	50,000	50,000
Environmental Health	0	16,000	(16,000)	0	0	0
Grants	(51,476)	(141,476)	0	0	0	0
Housing	(544,192)	(544,192)	(555,898)	(189,179)	(52,897)	(72,046)
Legal	(29,612)	(29,612)	(31,745)	(31,745)	0	0
Major Repairs Reserve	280,000	150,000	0	0	0	0
New Homes Bonus Reserve	(160,000)	0	(178,000)	0	(18,000)	(18,000)
Organisational Development	(12,446)	(59,156)	(42,742)	(7,860)	0	0
Planning Revenue	0	198,965	(148,965)	50,000	50,000	50,000
Restructuring/Invest to save	130,453	130,453	0	0	0	0
General Reserve Movements:						
Contribution to/(from) the General Reserve	(76,043)	(100,330)	(64,491)	(9,298)	0	0
Amount to be met from Government Grant and Local Taxpayers	18,302,451	18,302,451	18,796,982	20,429,040	20,672,899	20,950,736
Collection Fund – Parishes	(2,724,873)	(2,724,873)	(2,724,873)	(2,724,873)	(2,724,873)	(2,724,873)
Collection Fund – District	(6,513,398)	(6,513,398)	(6,879,503)	(6,910,064)	(7,330,887)	(7,777,338)
Retained Business Rates	(7,206,520)	(7,206,520)	(7,200,000)	(7,376,000)	(7,300,000)	(7,400,000)
3% Funding Guarantee			(1,039,298)	(1,040,000)	(1,050,000)	(1,060,000)
Family Annexe Council Tax Discount Grant			(50,074)	(50,000)	(50,000)	(50,000)
LCTS Admin Grant			(136,747)	(140,000)	(150,000)	(160,000)
New Homes bonus	(886,575)	(886,575)	(31,080)	(50,000)	(50,000)	(50,000)
Rural Services Delivery Grant	(507,661)	(507,661)	(507,661)	(729,206)	(965,166)	(1,223,425)
Lower Tier Services Grant	(147,545)	(147,545)	0	0	0	0
Services Grant	(222,339)	(222,339)	(125,284)	(129,043)	(132,914)	(136,901)
Income from Government Grant and Taxpayers	(18,302,451)	(18,302,451)	(18,796,982)	(19,149,185)	(19,753,840)	(20,582,537)
(Surplus)/Deficit	0	0	0	1,279,855	919,059	368,199

3.3 The assumptions around council tax funding reflect a year on year £4.95 increase in council tax in line with the current referendum principles although it should be noted that any decision regarding increases to council tax will be made annually in line with the budget setting process.

3.4 The Government have indicated that we can expect to see the outcomes of the Fair Funding Review and Business Rates Reform introduced in 2025/26. Therefore without any firm and reliable information on which to base future funding levels the grants for 2024/25 onwards have been included at the 2023/24 levels. This introduces a big risk for the Council because of the uncertainty of funding going forwards. In particular there is a risk around the inclusion of the 3% Funding Guarantee Grant at c.£1.0m, but there is some

expectation here that the Fair Funding Review funding should in some way replace this.

- 3.5 The future years' level of retained business rates has been modelled, again based on the current system and using currently available information.
- 3.6 The General Fund Summary 2023/24 at 3.2 above shows that the assumptions included result in an overall deficit for each of the years 2024/25, 2025/26 and 2026/27.
- 3.7 In order to set a balanced budget in future years the Council will have to look at every option open to it and should include:
 - Identifying savings and efficiencies
 - Reviewing service delivery
 - Growing the Council Tax Base
 - Growing the number of businesses in the district to increase business rates income
 - Increasing income from fees and charges
 - Taking a more commercial approach.

4. Conclusions

- 4.1 At the present time the forecast draft budget position for 2023/24 is balanced, subject to taking the savings (as detailed in the Budget Report on this Agenda also) and if all the assumptions are included. This report presents a Medium-Term Financial Strategy which carries a higher level of risk than there might have been in previous years, and this is due to knowing that the basis of local government funding is changing from 2025/26, but not having any further detailed information about how it will change. This leaves the Council with challenges ahead as there is a budget gap in future years. The Council will need to address this by taking the measures outlined within 3.7 above.

5. Sustainability

There are no sustainability issues as a direct consequence of this report.

6. Equality and Diversity

The Council is required to consider the equality duty in its decision-making and this includes the budget process. As part of any savings or investments the Council must consider how it can:

- Eliminate unlawful discrimination, harassment and victimisation;
- Advance equality of opportunity between different groups; and
- Foster good relations between different groups by tackling prejudice and promoting understanding.

No new specific savings proposals have been factored into the 2022-23 budget, so there are no equality issues arising.

7. Section 17 Crime and Disorder considerations

There are no Section 17 Crime and Disorder considerations as a direct consequence of this report.

