

**NEWCASTLE
UNDER LYME**
BOROUGH COUNCIL

Draft Medium Term Financial Strategy 2020/21 – 2025/26



Medium Term Financial Strategy 2021/22 to 2025/26

1. Corporate Plan

- 1.1 The Council agreed a Council Plan setting out its key priorities in 2018. A mid-term review of the plan has recently been completed and is shown at Appendix A.
- 1.2 The four key corporate priorities remain:
 - Local services that work for local people
 - Growing our people and places
 - A healthy, safe and active borough
 - A town centre for all
- 1.3 These priorities are underpinned by the existence of a modern council with
 - A skilled, empowered and responsive workforce
 - Accessible and efficient services
 - Financial resilience and good governance
 - A strong culture of partnership working

2. Financial Strategy

- 2.1. A sound financial strategy is key to the delivery of the Corporate Plan and financial resilience.
- 2.2. There are five key strands to the strategy:
 - A financially self-sustaining Council
 - Value for Money
 - A One Council culture
 - Underpinned by robust financial position
 - Ensuring a fair financial settlement for Newcastle-under-Lyme

Financially Sustainable Council

- 2.3. The change in the balance of funding to local authorities has shifted over the last ten years with the reduction of Revenue Support Grant by Government being replaced by income from retained Business Rates and Council Tax. This has led to a need for local authorities to be increasing self-financing with a need to grow local economy and Council Tax bases to provide prosperity and reduce need alongside delivering efficiencies and generating more commercial income.
- 2.4 Newcastle-under-Lyme has a growing population (despite a small fall from 2018-2019), but in recent decades it has seen low levels of house building which have not kept up with housing demand. The resulting affordability gap for residents puts pressure on our homelessness service but also has dampened council tax income.

- 2.5 Newcastle-under-Lyme's industrial and retail sectors have remained relatively healthy in recent times and the business rates base has grown significantly (current rateable value of £90.940m) since the borough joined the Staffordshire business rates pool in 2013/14 (rateable value of £83.842m).
- 2.6 Alongside the growth in the tax base the rates need to keep base with the Council's inflationary and demand pressures. Accordingly the MTFS assumes annual increases up to the referendum threshold of the greater of 2% or £5.

Value for Money

- 2.7 It is essential that the Council makes best use of its finite resources. In simple terms this means evidence based decisions, testing the market, strong business cases, delivering to the corporate objectives.

One Council Culture

- 2.8 The Council's finances need to be everyone's responsibility. It is not the sole responsibility of the Council's S151 Officer, ownership is required across the entire Council, the Cabinet, Chief Executive, Executive Directors and their management teams, senior manager and front line workers. This has increasingly been the case through ten years of austerity and now more than ever with the huge financial impact of the Covid-19 crisis.

Robust Financial Position

- 2.9 There needs to be clear, transparent and integrated service and budget planning to ensure the Council's finite resources are directed to where they are most needed. It is essential that the finances are understood by members, senior officers, managers and the community. The finances need to be sustainable. A single year budget is not enough, the finances need to be planned over the medium term and good practice is for this term to be five years.
- 2.10 The budgets need to be robust with realistic savings plans to avoid in year volatility. The five year plan needs to recognise all future pressures and income flows. Local Government is a dynamic environment with many demand led services and the growth in demand for services needs to be accurately modelled. The same applies on the income side with a clear understanding required of changes to the Council Tax and Business Rates tax bases and the level of Government support.
- 2.11 There is inevitably a gap between the two or the need to invest in priority areas which will need to be met by changing the way in which the Council operates. This will be through delivery of efficiencies, reducing services or generating more income. All of these measures need to be realistic with appropriate processes in place to ensure their delivery.
- 2.12 Finally, the Council needs to hold an appropriate level of reserves to ensure that it can continue to deliver its objectives in times of financial uncertainty. These reserves will cover the smoothing of spend areas that are known to move from year to year, for specific and general risks and a general provision for unknown risks. In light of Covid-19 it is likely that the Council will need to increase the level of reserves it holds.
- 2.13 Much work has been done over the past two years to put the Council's finances on a robust sustainable footing. Undeliverable savings and historical overspends have

been built back into the base budget, there is a more focussed view of the medium term and there is a far more realistic assessment of future demographic pressures and investment needs. In addition, a new Ten Year Capital Strategy has ensured that decision making considers this wider, long term context. This Strategy will set out how this approach can be taken further forward.

- 2.14 The Council has been operating in a period of great uncertainty with Brexit and a snap general election and delays in essential reforms to the local government financial framework. This uncertainty has been taken to another level with the impact of the worldwide Covid-19-19 Pandemic. Detailed scenario planning will therefore be required to identify the different actions that may be necessary to ensure the Council's continued financial sustainability depending on the financial impact in 2020/21 and any potential ongoing consequences.

A fair financial settlement for Newcastle-under-Lyme

- 2.15 The Government introduced its Business Rates Retention model for funding local government in 2013/14. It however relied on the historical needs data and damping arrangements from the previous model. At the time government committed to address both of these issues and also set out plans to reset the business rates growth on a regular basis.
- 2.16 Government has been developing Fair Funding proposals to remedy the position but this is now years overdue and local authorities have been disadvantaged by both the lack of an update of the underlying data and the damping arrangements. Implementation has been held up due to Government being stretched with Brexit, a snap General Election and now the Covid-19 pandemic and it is currently unclear whether the Government will press ahead with plans for a business rates reset in 2021/22 which would see the accumulated growth built up since 2013/14 being redistributed across the system.
- 2.17 As a member of the Staffordshire business rates pool the Council currently saves £1.5m per annum on the levy that would otherwise be payable to the Treasury. A 50% reset would reduce this saving to £0.766m. In the event that a reset goes ahead strong lobbying will be required to ensure that appropriate transitional arrangements are in place to cushion the impact locally and that continuing Government support is made available for collection fund losses due to Covid-19.
- 2.18 Whatever funding system is in place, it will require relevant up to date information to ensure its effectiveness. The Census in 2021 will be key. Locally there was a 94% response in 2011 – whilst this matched the national average it was the lowest rate in Staffordshire; it is therefore important for the Council to promote the importance of the Census and ensure the maximum possible engagement across the Borough.
- 2.19 Finally the Council will need to continue to lobby to ensure that the resources required to regenerate the borough are secured via Town Deals and Future High Street Fund and continue to work closely with the county and LEP to secure inward investment in the borough to drive growth and employment opportunities for local people.

3. Economic Context

- 3.1 The following economic commentary has been provided by the Council's treasury advisers Arlingclose from their September Economic Update.

The medium-term global economic outlook is weak. While the strict initial lockdown restrictions have eased, coronavirus has not been suppressed and second waves have prompted more restrictive measures on a regional and national basis. This ebb and flow of restrictions on normal activity will continue for the foreseeable future, at least until an effective vaccine is produced and importantly, distributed.

The global central bank and government responses have been significant and are in many cases on-going, maintaining more stable financial, economic and social conditions than otherwise. This has supported a sizeable economic recovery in Q3.

However, the scale of the economic shock to demand, on-going social distancing measures, regional lock downs and reduced fiscal support will mean that the subsequent pace of recovery is limited. Early signs of this are already evident in UK monthly GDP and PMI data, even before the latest restrictions.

This situation will result in central banks maintaining low interest rates for the medium term. In the UK, Brexit is a further complication. Bank Rate is therefore likely to remain at low levels for a very long time, with a distinct possibility of being cut to zero. Money markets have priced in a chance of negative Bank Rate.

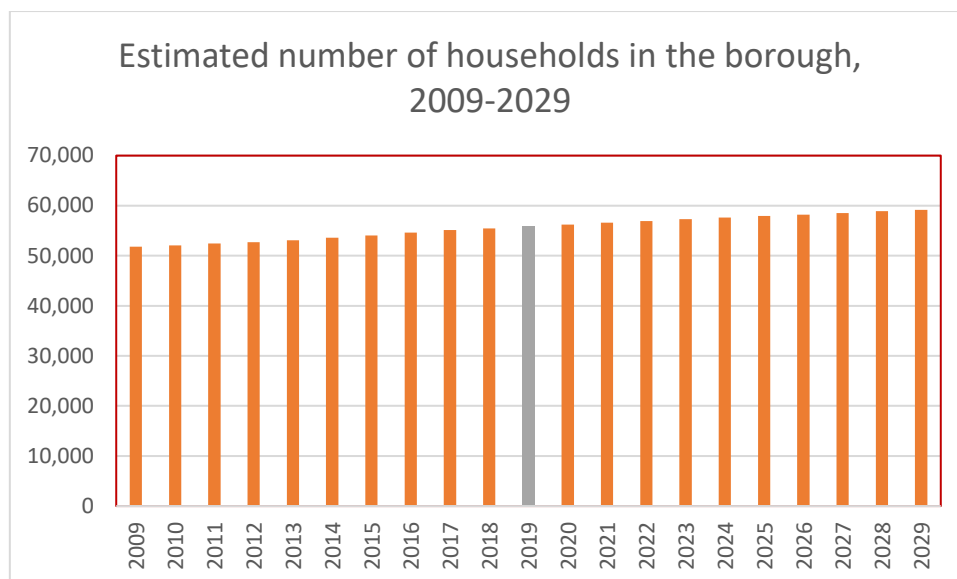
Longer-term yields will also remain depressed, anchored by low central bank policy rates, expectations for potentially even lower rates and insipid inflation expectations. There is a chance yields may follow a slightly different path in the medium term, depending on investor perceptions of growth and inflation, or if the UK leaves the EU without a deal.

Arlingclose expects Bank Rate to remain at the current 0.10% level and additional monetary loosening in the future most likely through further financial asset purchases (Quantitative Easing). While Arlingclose's central case for Bank Rate is no change from the current level of 0.1%, further cuts to Bank Rate to zero or even into negative territory cannot be completely ruled out.

Downside risks remain in the near term, as the government dials down its fiscal support measures, reacts to the risk of a further escalation in infection rates and the Brexit transition period comes to an end.

4. Borough Profile

- 4.1 Newcastle-under-Lyme has a population of 129,400 (2019 Mid-Year Estimate). Over the past decade the general population has grown by 5.2% but the over 65 population has increased by 29.6% and is projected to increase by a further 14.6% over the next decade. In the five years from 2014-2019, the percentage of the borough's population aged 70+ increased from 13.4% to 15.2% which is higher than the average for both the West Midlands region (13.6%) and England (13.4%).
- 4.2 Between 2009 and 2019 the number of households in the borough increased by 7.8% to 55,800 and further growth is projected to 59,200 by 2029, and to 62,100 by 2039.



- 4.3 Newcastle-under-Lyme is the 150th most deprived local authority in England, out of 317 overall, a slight improvement on its ranking in 2015. In terms of Health Deprivation and Disability the borough is the 80th most deprived local authority.
- 4.4 Parts of the borough including Cross Heath and Knutton are in the 10% most deprived areas in England. Further parts of Holditch and Chesterton, Kidsgrove and Ravenscliffe, Crackley and Red Street, Town and Westlands are also in the 20% most deprived. However, parts of Loggerheads, Westbury Park and Northwood, Madeley and Betley and Westlands are in the top 10% least deprived parts of England, with parts of Clayton, Crackley and Red Street, Thistleberry, Westlands, Bradwell, Madeley and Betley, Newchapel and Mow Cop in the top 20% least deprived.
- 4.5 Across the borough, the age-standardised mortality rate of 1,014.8 is significantly higher than the Staffordshire rate of 964.9.
- 4.6 The latest available local estimates from the ONS (Life Expectancy at Birth 2017 to 2019) suggest that life expectancy at birth for males born in this period in Newcastle-under-Lyme is 79.3 years and female life expectancy is 83.0 years, both below the Staffordshire and England averages.
- 4.7 There are, however, wide variations across the borough with the inequality driven by deprivation, with life expectancy for males up to 10.1 years higher in wealthier areas than in more deprived depending on where you live in the borough. This gap has widened significantly since 2010/12 when it was 7.8 years. For females, the gap is 9.3 years.
- 4.8 Across the borough in 2019, the annual mean gross weekly pay was £517. This was lower than for the West Midlands (£551) and Great Britain (£587). Across the borough there are significant differences in income. In three areas, net annual household income in 2018 was less than £26,000.

(Gross weekly pay for full-time workers)

	Newcastle-under-Lyme	West Midlands	Great Britain
Females	£463	£495	£529
Males	£534	£589	£632
Overall	£517	£551	£587

4.9 In the year up to March 2020, an estimated 72.5% of residents aged 16-64 were classed as 'in employment', a lower rate than for the West Midlands region (73.9%) and for Great Britain (76.0%). The reduction in economic activity mirrors the increase in the over-65 population.

(dataset All people in employment) Numbers in brackets are people.

	Newcastle-under-Lyme	West Midlands	Great Britain
April 2015-March 2016	76.9% (64,300)	70.4%	73.7%
April 2016- March 2017	77.4% (66,600)	71.4%	74.3%
April 2017- March 2018	78.0% (68,500)	72.7%	75.0%
April 2018- March 2019	74.6% (63,700)	73.8%	75.4%
April 2019- March 2020	72.5% (60,000)	73.9%	76.0%

4.10 The number of recorded crimes for headline offences in Newcastle-under-Lyme between April 2019 and March 2020 was 8.738 – an increase of around 1.4% on the previous 12 month period. The overall crime rate for this period was 67 per 1,000 residents, slightly lower than the Staffordshire rate of 70 per 1,000 people.

4.11 The three most common types of recorded crime were

- Violence against the person (3,411)
- Theft offences (2,867)
- Criminal damage and arson (1,173)

4.12 During 2019/20 Newcastle's Housing Advice service dealt with 1,122 housing options/homelessness applications, 499 interviews were held and 436 households were accepted as statutorily homeless and in priority need. As at 31st March 2020, 17 households were in temporary accommodation.

4.13 88.6% of residents of working age have qualifications at level NVQ1 or above, higher than the 82.0% across the West Midlands (82%) and Great Britain (85.6%) averages. As of December 2019, an estimated 30.4% of adults aged 16-64 were qualified to NVQ level 4 or above – lower than both the West Midlands rate of 34.1% and the Great Britain rate of 40.3%.

4.14 Universal credit claimant numbers were 8,250 in July 2020 (4,883 not in employment, 3,366 in employment), higher than any Staffs district other than East Staffs. The unemployment claimant count for the borough of 5% as at August 2020 was very similar to Staffordshire's rate of 5.1% and lower than Great Britain's 6.6%. As with most of the country, there was a large rise from March 2020 when the rate was 2.4%. There is a large variance across the borough – in four wards the rate is above 7%, in three wards it is lower than 4%.

5. Refresh of Financial Assumptions

- 5.1 Council agreed a five year Medium Term Financial Strategy in February 2020 covering the period 2020/21 to 2024/25. For 2020/21 there was Net Expenditure of £16.162m on services and a Council Tax Requirement of £7.520m. There is a Council Tax Base of 37,387 and a Band D Council Tax of £201.14. There was a balanced budget for 2020/21 but a forecast gap of £4.446m across the period 2021/22 to 2024/25.

Directorate	Expenditure (£000's)	Income (£000's)	Net Expenditure (£000's)
Chief Executive	2,238	(179)	2,059
Resources and Support Services	27,158	(23,646)	3,512
Operations	11,294	(5,024)	6,270
Commercial Development & Economic Growth	9,728	(5,407)	4,321
Total	50,418	(34,256)	16,162

- 5.2 The MTFS will need to be rolled forward a year to cover 2025/26 and the assumptions updated. This is the first refresh of those assumptions and there will be further review and refinement throughout the budget setting process.
- 5.3 Covid-19 is expected to have a long term impact on the Councils' finances, however, the degree of that impact is difficult to predict. The MTFS has been revised to reflect current information and includes an estimate of cost pressures arising directly due to the economic impact of Covid-19 which will also have both a short and medium term impact on the tax base. This is considered in the commentary below.
- 5.4 Overall, rolling the Plan forward a year the Council is forecast to have a funding gap of £5.911m over the next five years. £1.790m of this is in 2021/22 and whilst the overall strategy is to have a balanced five year plan the focus of attention will be on this first year.
- 5.5 However, the Covid-19 crisis is going to have an impact on the Council's finances beyond the current financial year. At the present time it is extremely difficult to assess this impact and for that reason a number of scenarios are put forward later in this Strategy. There are nevertheless some inevitable impacts that need to be included in this refresh and these are explored in the Income and Expenditure sections below.
- 5.6 Consequently the gap over the five year plan is forecast to be £5.911m and for the first year of the Plan will be £1.790m.

	2021/22 (£000's)	2022/23 (£000's)	2023/24 (£000's)	2024/25 (£000's)	2025/26 (£000's)	Total (£000's)
Income	210	421	247	(100)	(108)	670
Expenditure	1,580	1,173	831	1,030	627	5,241
Gap	1,790	1,594	1,078	930	519	5,911

- 5.7 The year one gap has increased from £1.367m to £1.790m as a consequence of the Covid-19 impact on both income and expenditure. The cost of Council Support has increased significantly, and expenditure pressures are expected to persist beyond 2020/21.

Income

- 5.8 There are two key changes in the assumptions which are set out in further detail below. A further provision for Covid-19 income losses of £200,000 has been built in for 2021/22 in addition to the £170,000 base budget adjustment in the existing MTFS. The assumed annual increase in fees and charges has also been adjusted from 2.5% to 3%.

	2021/22 (£000's)	2022/23 (£000's)	2023/24 (£000's)	2024/25 (£000's)	2025/26 (£000's)	Total (£000's)
Government Grant	276	181	215	23	23	718
Business Rates	(397)	250	48	(78)	(80)	(257)
Fees and Charges	(151)	(202)	(208)	(215)	(221)	(997)
Council Tax Collection Fund	52	52	52	-	-	154
Council Tax Support	60	(30)	(30)	-	-	-
Income Pressures	370	170	170	170	170	1050
Total	210	421	247	(100)	(108)	670

Government Grant

- 5.9 Local Government has been through an unprecedented period of austerity as demonstrated in the chart below. The Council no longer receives Revenue Support Grant and the initial assumption is for the remaining specific grant income to continue to decline over time. The chart below shows the decrease in settlement funding received from Central Government (please note that it includes the baseline funding allocation from Central Government regarding the Business Rates Retention scheme, but not the growth that the Council has generated above this).

Business Rates

- 5.10 The MTFS approved by Council in February assumed that £0.2m of income from the Staffordshire business rates retention pilot would come to an end in 2021/22. Due to the delay in implementing the business rates retention scheme and fair funding review it is now expected that the pool will continue for a further year, resulting in additional income of £0.2m in 2021/22.
- 5.11 There have been significant impacts to Business Rates as a result of the Covid-19 crisis. Firstly, there have been a wide range of interventions from Government with extensive discounts and also provision of grant to small businesses. These discounts have been matched with s31 grant and have therefore not impacted the Council's bottom line. However, during the first 6 months of this financial year there has been a like for like reduction in cash collection against the residual amount due compared to 2019/20, which equates to a potential loss across the financial year of which the

Council's share would be £0.375m. The MTFS assumes that this loss will be recovered over a 3 year period.

- 5.12 There is considerable uncertainty on the level of Business Rates for future years. The MTFS currently assumes no growth in 2021/22, an increase of 1% in 2022/23 and 2% per annum thereafter. This is in all likelihood an optimistic position to hold at this time and this assumption will need to be revisited as the longer term impact of Covid-19 on the tax base emerges over the Autumn. Further details are also expected in the November Comprehensive Spending Review of ongoing Government support for collection fund losses which may offer some mitigation.

Council Tax

- 5.13 The broad assumptions set out in February for growth of 260 homes per annum in the base and a £5 annual increase in the rate are unchanged with the exception of 2021/22, where no growth in the tax base has been assumed. The estimated £0.190m yield from a £5 Council Tax increase is still a fraction of the inflationary pressures faced by the Council even before considering demand and the impact of the coronavirus crisis.
- 5.14 The Council operates a Council Tax Support scheme following the localisation of support by Government at the start of austerity. As at April 2020 the scheme cost in the order of £7.244m to operate with low income residents and pensioners only billed for a proportion of the full Council Tax charge. As at 30th September 2020, residents that now qualify for the scheme total a cost of £8.313m.
- 5.15 The forecast has assumed a pressure of £0.060m on the Council's share of Council Tax Support (circa 11%) in 2021/22 based on a decrease in the current levels of support claimed in 2021/22 and a gradual reduction thereafter to return to pre-crisis levels. This may be an optimistic assessment.

Savings/Income Generation

- 5.16 The MTFS contained £4.522m of future year savings and there is no adjustment to these at this time other than the deferral of £0.25m of commercial income from 2021/22 to 2022/23. Work is continuing to identify additional savings proposals in order to address the increased forecast gaps in 2021/22 and beyond.

Expenditure

- 5.17 At this stage there have been four significant changes to expenditure assumptions. An additional pressure of £300,000 has been built in for 2021/22 relating to irrecoverable housing benefit on temporary accommodation. It is also assumed that there will be increased costs of £80,000 associated with the provision of supported accommodation for vulnerable homeless people and an increase in licensing costs of £50,000 for Microsoft software. A revised minimum revenue provision has decreased the pressure of capital financing in 2021/22 by £28,000, further details of this can be seen at 11.2.

	2021/22 (£000's)	2022/23 (£000's)	2023/24 (£000's)	2024/25 (£000's)	2025/26 (£000's)	Total (£000's)
Employees	647	586	565	550	565	2,913
Premises	15	27	27	28	28	125
Transport	10	10	10	10	10	50
Financing	478	550	229	442	24	1,723
Pressures	430	-	-	-	-	430
Total	1,580	1,173	831	1,030	627	5,241

- 5.18 It is clear that the financial impacts of Covid-19 will be felt well beyond the 2020/21 financial year and this will require continual reassessment.

Inflation

- 5.19 An additional £0.119m has been built into the 2021/22 base to reflect the full cost of the April 2020 pay award.

Investment

- 5.20 The base budget includes an annual contribution to the Borough Growth Fund of £0.25m to fund investment in key Council priorities. At the present time the assumption is that this level of investment will continue over the life of the MTFs. However this will be reviewed during budget finalisation.

Capital financing

- 5.21 The Council published a 10 year capital strategy in February 2019. This reassessed capital financing commitments arising from the historical schemes in the capital programme and future spending plans. At the time the strategy was agreed it had not been anticipated that long term borrowing would be required to finance the capital programme before 2022/23. However, in view of the need to accommodate additional costs for refurbishment of the Kidsgrove Leisure Centre and lower expectations of in-year capital receipts due to the impact of the coronavirus, borrowing will have to be brought forward. Further details are shown at 11.2.

Other financing adjustments

- 5.22 The Council budgeted to finance £0.4m of one-off costs from flexible use of capital receipts in 2021/22. The current assumption is for further use of £0.2m capital receipts to finance revenue expenditure in 2021/22, however this will be reviewed over the Autumn in light of emerging investment requirements in order to deliver future years savings.

6. In Year Response to Financial Pressures Arising from Covid-19

- 6.1 The additional cost, lost income and impact on savings programmes of Covid is being kept under continuous review. Additional Government support in the form of emergency Covid-19 grant funding of £1.981m and a scheme to reimburse councils for a proportion of lost income from fees and charges has to a large extent cushioned the in-year impact. In addition a number of immediate steps have been taken in year to ensure that the Council remains financially resilient including:

- A review of Covid-19 expenditure and income forecasts.
- Ensuring that 2020/21 budget savings are implemented.
- Maintaining spend within the existing budget envelope as far as possible.
- Identifying management action to reduce in year cost pressures.
- Re-focusing the income collection approach to reduce the impact of bad debt.
- Reassessment of Capital Programme commitments.
- A comprehensive review and risk assessment of the Council's reserves.
- Use of grants to substitute for existing spend wherever possible.
- Asset review to maximise receipts from disposals.

6.2 Where the impact of actions to reduce expenditure or generate additional income extends beyond the current financial year, these will come forward as early savings for the MTFS and base budgets will be adjusted accordingly.

7. Approach

7.1 The following section sets out the central approach to developing the Medium Term Financial Strategy for 2021/22 to 2025/26. However, notwithstanding the significant additional financial Government the Council has received to date there is considerable financial uncertainty about the longer term impact of Covid and it is therefore essential to have a Plan B. Section 8 of this Strategy considers a number of Scenarios for which the Council will need to develop further actions.

Foundation analysis

7.2 Over the summer and early autumn the groundwork for the MTFS has been undertaken which is primarily the review of the Council Plan, refresh of the Borough Profile and assessment of the longer term impact of Covid-19, a full benefit opportunity assessment and extensive benchmarking to give a clear context in which to identify areas for investment and redirection of resources, opportunities for efficiency and income generation and service reconfiguration. Service level benchmarking has primarily been based on MHCLG Revenue Outturn data focussed on the Council's CIPFA statistical "nearest neighbours" and Staffordshire geographical near neighbours. Spend has also been mapped to strategic priorities and outcomes.

7.3 Based on this work, the following key themes have been identified for further exploration:

7.3.1 Digital

The Council has been modernising its web access and has recently completed an upgrade of its Customer Management Resources (CRM) system to support digitally enabled customer self-service. System thinking and transformation now needs to be undertaken to drive out savings based on systemic service by service review of opportunities based on the 4 key benefit drivers of demand management, customer self-service, internal service reconfiguration and technology and process improvement.

7.3.2 Organisational Structure

The Council currently has an annual salary bill of £14.856m (including national insurance and superannuation) and it is appropriate to regularly review how these resources are utilised to deliver essential services and strategic priorities and provide

assurance that organisational structures are fit for purpose and match the ambitions of the Council as well as representing value for money.

In year, it is normal practice for the Council to keep under review long-term vacancies, use of honoraria, agency workers, market supplements, call out rates, allowances and overtime spend.

As part of the foundation analysis for the MTFS a high level business case is currently being developed for a new council operating model building on the digital opportunities outlined above. This will include a new organisational design informed by benchmarking of the Council's current pay and grading structure and supported by a culture that promotes flexible and agile working practices.

It is important to continue to explore how to prioritise and develop talent within the Council apprentices and trainees. Too often, structures become more expensive because of lack of internal development, hiring experienced but not necessarily high performing staff at the top of the scale and not building from the 'bottom up'. Career pathways for existing staff must be a priority. It is also a great time to prioritise entry level recruitment encouraging university talent in such a challenging employment market, so the Council needs to advertise its exciting opportunities widely.

7.3.3 Commercial

The Council approved its Commercial Strategy in October 2019 with the objectives of maximising commercial opportunities as Government support drops away, requiring councils to become more self-financing.

Key themes set out in the Commercial Strategy include:

- Creating and nurturing commercial and development opportunities
- Greater focus on procurement and contract management
- Creating a sustainable commercial programme
- Establishing a strong commercial culture and investing in staff and member skills
- Extracting maximum value from our land and property assets and income streams
- Challenging where services can be commissioned
- Driving our digital agenda forward

Progress in implementing some aspects of the commercial strategy in the current year has been limited due to the impact of Covid-19 and diversion of resources for preparation of Future High Street Fund and Town Deal bids. However, going forward this remains a key supporting strand of the MTFS and will need to be properly resourced.

7.3.4 Property

The Council last updated its Asset Management Strategy in 2018. A further review now needs to be undertaken to provide clarity about those assets which generate value and should be held and maintained and those which are not adding value and can be developed, backed up by a sound business case, or disposed of. It is imperative that as part of this review a planned maintenance schedule for Council owned assets is devised in order for this to be built into the Council's medium term financial planning.

8. Scenario Planning

8.1 To date the Council has received significant additional financial support from Government to help it manage in-year financial pressures arising from Covid, including £1.981m of emergency grant funding. However, given the high level of uncertainty around the longer term impact of Covid-19 and local government funding reforms the Council needs to plan for a number of eventualities and ensure that there is sufficient headroom and flexibility in the budget to respond effectively as developments unfold and new risks emerge.

8.2 The following alternative scenarios have therefore been considered alongside the central forecast:

Worst case – this assumes that the Council incurs additional costs and income losses in excess of the initial forecast resulting in £1m being drawn down from reserves in 2020/21 and a further £0.5m in 2021/22. These sums would need to be replenished over the medium term requiring additional base spending reductions of £1.5m on top of those set out in the MTFS.

Middle Case – this assumes that the Council incurs additional costs and income losses in excess of the initial forecast resulting in £0.5m being drawn down from reserves in 2020/21 and a further £0.25m in 2021/22. These sums would need to be replenished over the medium term requiring additional base spending reductions of £0.75m on top of those set out in the MTFS.

Best Case - this assumes that the Council's costs and income losses do not exceed the initial forecast and recover by the end of the 2021/22 financial year and that collection fund losses are shared on a 50/50 basis with Government. This would reduce pressures by £0.54m over the life of the MTFS and by £0.31m in 2021/22.

8.3 Options to address each of these scenarios will need to be developed alongside the main MTFS programme.

9. Reserves

9.1 Forecast balances for the Council's reserves as at 31st March 2021 are as follows:

Reserve/Fund	Balance at 31 March 2020 (£'000's)	Forecast Balance 31 March 2021 (£'000's)
General Fund (£1.241m)	1,241	2,356
Contingency (£0.100m)	100	100
Equipment Replacement (£0.462m)	462	365
ICT Development (£0.021m)	21	46
Budget Support (£1.312m)	1,312	0
Borough Growth (£0.030m)	30	104
Conservation & Heritage (£0.027m)	27	27
Mayor's Charity (£0.008m)	8	0
Museum Purchases (£0.136m)	136	0
Business Rates (£0.209m)	209	7,509
Keele Master Plan (£0.024m)	24	0
Elections (Nil)	0	50
Clayton Community Centre (£0.004m)	4	9
Totals	3,574	10,566

9.2 A full reserves risk assessment will be completed as part of the 2021/22 budget preparation. However, based on a preliminary assessment an additional contribution to the General Fund reserve of at least £0.8m will be required (i.e. £3.2m in total) to provide sufficient cover for foreseeable risks.

9.3 It should be noted that the forecast balance of the Business Rates reserve is inflated for 2021/22 due to s31 grants received to cover the cost of business rate reliefs in the current financial year. The true underlying position is closer to £1.5m which represents cumulative collection fund surpluses in previous years. This sum will be held to mitigate against future collection fund losses. However, following the announcement of Government proposals for apportionment of Covid-19 related collection fund losses later in the Autumn it may be possible to transfer some of these surpluses to top up the General Fund reserve in a phased manner over the first 3 years of the MTFS.

10. Capital Strategy

10.1 The Council agreed its Capital Strategy and Ten Year Capital Programme 2020/21 to 2029/30 in February 2020. The Capital strategy explains how the Council invests its capital funds and the various sources of funding and how this facilitates the delivery of its objectives.

- 10.2 The main governance of the Capital Strategy is through the Capital, Assets and Commercial Investment Review Group which:
- Reviews and recommends to Cabinet all new General Fund Capital projects
 - Ensures capital resources are viewed corporately demonstrating a clear link to corporate objectives
 - Ensures any revenue costs are identified and considered in the Treasury management strategy and the Council's MTFS
 - Develops a capital strategy which supports the delivery of the Councils corporate objectives
 - Oversees the development and implementation of the asset management and commercial strategies
 - Reviews new capital project and commercial investment requests on behalf of Cabinet.
- 10.3 In the move to a Ten Year Programme in 2019/20 the Board reviewed every capital scheme and in-year capital commitments have been reviewed again in light of Covid-19.
- 10.4 The ten year Capital Programme provides for total investment of £69.27m. This programme will be funded by capital receipts, external contributions and borrowing. As a large proportion of the programme will be required to be funded through borrowing, the revenue impact of these borrowings has been included within the MTFS.

11. Treasury Strategy

- 11.1 The Council agreed its Treasury Management Strategy for 2020/21 February 2020.
- 11.2 The Capital Financing Requirement is set to increase by £22.629m 2029/30. The funding profile over the 5 year period covered by the draft MTFS is as follows:

Funding Stream	2021/22 (£000)	2022/23 (£000)	2023/24 (£000)	2024/25 (£000)	2025/26 (£000)
Capital Receipts	2.875	0.628	0.500	3.187	4.825
External Contributions	2.317	2.065	1.065	1.030	1.075
Borrowing	6.734	5.293	6.931	0	0
Total Funding	11.926	7.986	8.496	4.217	5.900

- 11.3 The Public Works Loan Board (PWLB) has recently completed a "Future Lending Terms" consultation, which sought views from local authorities and other stakeholders. This consultation period closed on 31 July 2020 and the results are currently being analysed, however there is speculation that the outcome of this review will see the PWLB reduce its borrowing rates.
- 11.4 The PWLB is one of the borrowing options the Council is currently reviewing to fund its capital programme and will await the outcome of the consultation before securing borrowing requirements for the capital programme.

11.5 The strategy will be reviewed and updated alongside the development of the MTFS and Capital Programme.

12. Budget Preparation Timetable

12.1 Work on the development of budget proposals for 2021/22 has already commenced with the foundation analysis work at an advanced stage. Draft savings proposals will be considered by Cabinet and Finance, Assets and Performance Scrutiny Committee in December and the final revenue budget and Council Tax proposals, along with the Capital Strategy, capital programme and Treasury Management Strategy will be presented for approval at Council in February 2021.

12.2 A Financial Recovery Board chaired by the Leader of the Council was established in June 2020 and has played a key role in shaping the MTFS and providing input and challenge to savings and investment proposals.

12.6 The decision making timetable is as follows:

Event	Body Affected	Date
Consideration of draft MTFS	Cabinet	4 November
Consideration of draft budget proposals	Cabinet	2 December
Budget consultation	Proposed to run from 3 December to 10 January	
Scrutiny of draft MTFS and budget proposals	Finance, Assets and Performance Scrutiny Committee	14 December
Approval of MTFS	Cabinet	13 January
Scrutiny of final budget proposals	Finance, Assets and Performance Scrutiny Committee	January – date tbc
Final budget proposals recommended for approval by Full Council	Cabinet	2 February
Full Council to approve Budget	Full Council	17 February

Appendix A – Council Plan Mid Term Review

PRIORITY ONE:

Local Services that work for Local People

The Council committed to prioritise the delivery of services that local people want and need, whilst responding to the challenging local government environment. Key achievements include:

- ✓ The new Recycling Service has been successfully rolled out, with over 53,000 new wheelie bins and 53,000 bags for cardboard delivered in the summer of 2020. By the end of July 2020 every household had migrated to the new system, with separate food waste collection to re-start in August 2020; These changes will improve the overall efficiency of the collection service resulting in a recycling service which is simpler for residents to use, but maintains high quality material availability for recycling;
- ✓ All of our services have been migrated from an outdated Customer Relationship Management system to a modern system, ensuring that the public get access to information, or can transact business with the Council at the time that suits them.
- ✓ The Planning service is now fully online and the public can inspect and comment on planning applications via our website.
- ✓ Transformed the Council's Customer Services teams, establishing a single team, capable of addressing the majority of service requests at the point of contact, saving the Council in excess of £300,000 whilst improving services.
- ✓ Established with partners the Town Centre Communications Group to provide a positive social media profile for Newcastle town centre and the Market.

What is planned for 2020-22?

We are committed to:

- A new Digital Strategy was agreed by Cabinet, outlining the Council's digital aspirations over the next few years, covering action to improve digital accessibility and infrastructure development. Delivering on this strategy will be fundamental to driving further cost and service improvements. Key priorities for the years ahead will include:

- Continuing to redesign Customer facing services to ensure they focus on customer need and deliver consistent, reliable outcomes.
 - Invest in the use of automation of and AI technologies to improve our service offering and ensure that we are able to meet public expectations.
 - Develop our internal processes, focusing on what is possible with modern technology to remove inefficiency and waste.
 - Ensuring that the wider Newcastle communities are digitally enabled and individually capable, working with partners to ensure that no one is left behind
 - Encouraging investment in the Newcastle area to ensure our infrastructure is capable of supporting our digital future – for both residents and businesses
 - Deliver a new council website that meets modern accessibility standards and supports the customer experience with accurate and up-to-date content and enhanced self-service features.
- Building on the experience of the Covid19 pandemic, when the Council needed to respond swiftly to the needs of the most vulnerable, there is an opportunity to build on both the community and council response to ensure that services are designed in ways which respond directly to customer need. Priorities for action will be:
- Review our Customer Access Strategy, focusing on how we continue to offer safe and reliable customer services from our customer service centres and within the community.
 - Engage with the Borough’s distinct communities to ensure the Council has a current understanding of community activity and vulnerability, to better target services and support community action
 - Explore the opportunity to secure (digital) service access points in community locations around the borough.
- We will respond to changing Government Funding and White Paper on Devolution:
- Develop a new Operating Model and medium Term Financial Plan for the Council building on the Covid19 lessons and service benchmarking.
 - Work closely with neighbouring Councils to establish a clear North Staffordshire narrative in preparation for the devolution agenda

PRIORITY TWO:

Growing our People and Places

The Council wants to grow to borough’s economy and build on its many strengths. Our aim is to strive for a borough where the economy is strong and sustainable, where local people have the skills and opportunities to take up the good jobs that are created. This also means good homes for everyone and that every citizen has a safe and secure place to live. Key achievements include:

- ✓ We have secured real growth opportunities for our communities by building a Future High Streets Fund bid around the redevelopment of the Ryecroft site following the stalling of the previous retail led development
- We have progressed masterplans for land at Chatterley Close/ Bradwell crematorium, Knutton and Birchenwood, and brought forward the former Registry Office site for redevelopment;
- We are developing of Town Deal Investment Plans for Kidsgrove and Newcastle, including development of Town Deal Boards to drive development of the Investment Plans.
- ✓ We have adopted a Homelessness and Rough Sleeping Strategy, and agreed a Joint Housing Allocation Policy with Aspire Housing to ensure there is a single policy and application process for all our customers;
- ✓ The historic Guildhall has reopened as a community and voluntary sector hub and, following a successful first year of operation, the Council has signed 3 year lease with Support Staffordshire to retain community access to this historic building;
- ✓ The feasibility work to refurbish the transfer Kidsgrove Sports Centre, in line with the design commissioned by the Community Group, has been completed using the SCAPE Framework and the essential legal work to transfer the facility from Staffordshire County Council has been progressed.

What is planned for 2020-22?

We are committed to:

- Secure delivery of a new Local Plan, following the proposed policies being presented to Planning Committee and Cabinet in February 2020.

- Deliver the Economic Development Strategy and action plan with the focus on Town Centres in line with the Future High Streets and Town Deals, to include:
 - Redevelopment of Ryecroft
 - Redevelopment of Midway Carpark
 - Improvement of the market
 - Improvement of public realm
 - Development of a Kidsgrove Town Centre plan
 - Implement the Chatterley Close, Knutton and Birchenwood masterplans

- Deliver the Commercial Strategy adopted as part of this plan, as part of the re-set of the Council's finances.

- Secure the re-opening of Kidsgrove Sports Centre under community management
- Grow the Council Tax and NNDR Base for the Council, through securing higher value development of Council sites
- Establish a fresh focus on homelessness and homeless prevention, building on the work undertaken during the Covid19 pandemic.

PRIORITY THREE:

A Healthy, Active and Safe Borough

We want communities that are happy, healthy and active and able to enjoy living in a safe environment. We will work with partners to ensure there are opportunities for residents to enjoy an active lifestyle. Key achievements include:

- ✓ We have made a range of improvements to Jubilee 2, introducing energy efficiency measures delivering £1,000 per month in savings and worked with the original construction contractor to remedy a range of significant and long standing defects
- ✓ Alliance Leisure have been contracted to support the development of commercial operation of J2, with a specific focus on supporting the team to drive memberships and associated income
- ✓ Through the Daily Vulnerability Hub, our multi-agency team addresses the specific and complex needs of the borough's most vulnerable citizens.
- ✓ Work on the Air Quality Local Development Plan has been undertaken with Stoke-on-Trent City Council and Staffordshire County Council to create the North Staffs Local Air Quality Plan to bring about improvements in Nitrogen Dioxide (NO2) levels.
- ✓ The Licensing and Public Protection Committee has approved and implemented a new taxi policy to ensure the safety and wellbeing of passengers.
- ✓ In 2019-20, the Council secured its 18th Consecutive Gold Award in the Heart of England in Bloom competition and was awarded 6 Green Flag Awards.

What is planned for 2020-22?

We are committed to:

- Establish an Environmental Sustainability strategy for the Council and the Borough, linked to government targets;

- Prepare the Council and the community for “life with Covid19”, with services aligned to government guidance and supporting the County Council in the Covid track and trace requirements for high risk premises.
- Develop work with volunteers to assist the socially isolated and those with low level mental health needs to prevent escalation. To work towards the creation of a community anchor model with the Realise Foundation.
- Secure the reopening and development of the Kidsgrove Sports Centre site with the re-tender and agreement of a project plan for construction to start
- Grow membership of Jubilee 2 as it recovers from the Covid19 shut down period.

PRIORITY FOUR:

A Town Centre for All

We want our Town Centres in Newcastle and Kidsgrove to be the vibrant and successful centres of life in the borough We ant to ensure they have the right retail, public service, leisure, cultural, business and residential facilities that work for local residents and attract visitors and businesses to the town centre Key achievements include:

- ✓ Following the stalling of the retail led scheme for Ryecroft, we have developed fresh proposals for the site as a focus for the Future High Streets Fund bid. These will see the site used for a mix of office accommodation, residential and car parking. The site will become a significant driver of footfall for the town centre and represent a significant diversification of town centre land uses.
- ✓ We established a Town Centre strategy, including appointment of a Town Centre Officer for Newcastle town Centre to focus on improvement of Newcastle market and promotion of Newcastle as a place to visit.
- ✓ Following a review of Newcastle market, we established an improvement plan with additional visiting markets and better recruitment of traders
- ✓ With Newcastle Business Improvement District, we invested in a new comprehensive CCTV system, with improved technology and monitoring
- ✓ Through the Town Deal programme, we are developing a Town Investment Plan for Kidsgrove. This will form the basis of a bid for investment funding for the town.
- ✓ We adopted a Car Parking Strategy to set out a range of short, medium and long term plans for improvements to our service, introduced parking offers and invested in new parking infrastructure

What is planned for 2020-22?

We are committed to:

- Delivery of the key projects identified in the Future High Streets Fund and two Town Deal Investment Plans utilising government funding as confirmed including:
 - Redevelopment of Ryecroft
 - Redevelopment of Midway Carpark
 - Delivery of Nipper Parking in lower High Street
 - Improvement of the market
 - Improvement of public realm
 - Development of a Kidsgrove Town Centre plan

- Delivering a range of town centre activities to improve vacancy rates, retain retailers and business, revitalise the market and promote events

Covid-19 – The Council’s Response

Covid19 has required the Council to rapidly adjust how it works in order to sustain core services and simultaneously respond to the significant new demand to support vulnerable residents and local businesses. Many of the technologies we have introduced have been novel for the authority, but the effectiveness and efficiency with which they operate will ensure they continue to be used for years to come.

- ✓ **Enabling remote business activity** - since lockdown the Council has moved to address the needs of changing services to:
 - accommodate contract signing by switching the Legal team to an online signature platform;
 - launch an online video streaming service for Cremation ceremonies;
 - empower staff and members with video conferencing facilities
 - review and relaunch several online forms to make services available more easily.
- ✓ **Handle increased demand** - The Contact Centre saw a significant increase in the number of calls – particularly for benefits related enquiries, increased uptake of the Council’s Garden Waste Subscription Service during the first few weeks of lock down, and requests for assistance from concerned residents. Despite a daily increase in calls which saw the service deal with over 28,000 calls, performance improved with less than 6% of calls being abandoned and an average call answering time of 1 minute 38 seconds.
- ✓ **Recycling & waste services** worked as normal throughout the C19 pandemic, despite workforce absences as a result of the pandemic. From the announcement of the lockdown to the end of May 2020, the service have handled the following-

Total of 2,055,000 containers emptied
 Total tonnage collected 8,364.97 tonnes
 Recycling increased 3.6%
 Garden Waste increased 15.87%
 Refuse increased 21.83%

- ✓ **Leisure and Cultural Services** ceased operation with the museum service at the Brampton closing on 19 March and Jubilee2 and all community centres closed on 20 March 2020. Instead of running leisure services, the staff provided a critical resource for the vulnerability help line,
- ✓ **Business Support Team** processed in excess of 2,000 business support grant applications at the start of the Covid crisis, paying out over £20 million to local businesses. In addition a 100% Retail Relief Discount was provided for the financial year 2020/21. The Council’s website signposted businesses to business support and information during lockdown and recovery, and provided a business enquiry form for businesses enquiring about sources of government support and grants.

- ✓ **Hardship payments** offered additional support to more than 4,000 households where entitlements of up to £150 were automatically deducted from Council Tax accounts for all working age benefit claimants in the borough.
- ✓ **Our Planning Committee**, on the 14th April, was one of the first in the Country to host a post lock-down online planning committee with its Members debating applications and making decisions on planning applications. As the Planning Service is able to host applications on line, officers were able to successfully maintain an ongoing service through the peak of the crisis.
- ✓ **Environmental Services** – shifted their focus to Covid related work, playing a central role in managing local outbreaks and providing crucial advice to businesses.
- ✓ **The Partnerships Team** led on work with the Realise Foundation and Support Staffordshire to ensure vulnerable people access to food and medical supplies and ensured that temporary accommodation was made available for anyone rough sleeping or homeless.
- ✓ **The Bereavement Team** responded to a significant increase in demand, and successfully managed crematorium and cemeteries with essential social distancing and established live streaming of funeral services

Appendix B - Refreshed MTFS Assumptions

	Existing MTFS 2021/22	2021/22	2022/23	2023/24	2024/25	2025/26
Employees	529	647	586	565	550	565
Premises	30	15	27	27	28	28
Transport	6	10	10	10	10	10
Income	(2)	210	421	247	(100)	(108)
Financing	754	478	550	229	442	24
Spending Pressures	50	430				
Total Pressures	1367	1790	1594	1078	930	519
Savings						
Income	(50)	(50)				
Digital	(150)	(150)	(150)	(150)	(150)	(150)
Commercial	(250)	0	(250)	(250)	(250)	(250)
Staffing Related	(37)	(631)				
Good Housekeeping	(13)	(46)				
Tax Base	(150)	0	(109)	(167)	(170)	(172)
Council Tax Increase	(227)	(187)	(188)	(190)	(191)	(191)
Financing		(125)	(125)	(125)		
Total Savings	(877)	(1189)	(822)	(882)	(761)	(763)
Gap	490	601	772	196	169	(244)