

**NEWCASTLE
UNDER LYME**
BOROUGH COUNCIL

Medium Term Financial Strategy

2022/23 – 2026/27



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Medium Term Financial Strategy 2022/23 to 2026/27

1. Corporate Plan

1.1 The Council agreed a Corporate Plan in 2018 a mid-term review of the Council Plan was undertaken during 2020/21 and confirmed that the priorities remain unchanged.

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
- Everyone's responsibility 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. The reduced Revenue Support Grant awarded by Government has been replaced by income from retained Business Rates and Council Tax. This has led to a need for local authorities to be increase self-financing with a need to promote and grow the 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, 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 healthy in recent times and the business rates base has grown significantly (current rateable value of £90.499m) 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 £5, with the exception of 2022/23 where a 1.99% increase is assumed.

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.

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 financial impact of the Covid-19 crisis and the uncertainty around Local Government funding.

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.
- 2.13 Much work has been done over the past four 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 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 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 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, this is now 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 the Covid-19 pandemic and it is currently unclear when the Government will press ahead with plans for a business rates reset 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 £0.590m per annum in levy payments which would be payable to the Treasury if the Council ceased to be part of a pooling arrangement. In addition to this, growth within the Borough has enabled a further £1.780m of business rates income to be retained by the Council (this has been recognised in previous savings) over and above the funding baseline set by Central Government. In the event that a business rates reset goes ahead strong lobbying will be required to ensure that appropriate transitional arrangements are in place to cushion the impact locally.
- 2.18 Depending on the funding system in place for the medium term, there will be a requirement for relevant up to date information to ensure its effectiveness. The Census 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 has been successful in ensuring that significant resources required to regenerate the borough have been secured via Town Deals and Future High Street Fund (a number of projects are well underway) and continue to work closely with the County Council 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 October Economic Update.

The global economy continues to recover from the pandemic but has entered a more challenging phase. The resurgence of demand has led to the expected rise in inflationary pressure, but disrupted factors of supply are amplifying the effects, increasing the likelihood of lower growth rates ahead. This is particularly apparent in the United Kingdom (UK) due to the impact of Brexit.

While quarter 2 UK Gross Domestic Product (GDP) expanded more quickly than initially thought, the 'pingdemic' and more latterly supply disruption will leave quarter 3 GDP broadly stagnant. The outlook also appears weaker. Household spending, the driver of the recovery to date, is under pressure from a combination of retail energy price rises, the end of government support programmes and soon, tax rises.

Government spending, the other driver of recovery, will slow considerably as the economy is taken off life support.

Inflation rose to 3.2% in August. A combination of factors will drive this to over 4% in the near term. While the transitory factors affecting inflation, including the low base effect of 2020, are expected to unwind over time, the Monetary Policy Committee (MPC) has recently communicated fears that these transitory factors will feed longer-term inflation expectations that require tighter monetary policy to control. This has driven interest rate expectations substantially higher.

The supply imbalances are apparent in the labour market. While wage growth is currently elevated due to compositional and base factors, stories abound of higher wages for certain sectors, driving inflation expectations. It is uncertain whether a broad-based increase in wages is possible given the pressures on businesses.

Government bond yields increased sharply following the September Federal Open Market Committee (FOMC) and MPC minutes, in which both central banks communicated a lower tolerance for higher inflation than previously thought. The MPC in particular has doubled-down on these signals in spite of softer economic data. Bond investors expect higher near term interest rates but are also clearly uncertain about central bank policy.

The MPC appears to be playing both sides, but has made clear its intentions to tighten policy, possibly driven by a desire to move away from emergency levels. While the economic outlook will be challenging, the signals from policymakers suggest Bank Rate will rise unless data indicates a more severe slowdown.

Arlingclose expects Bank Rate to rise in quarter 2 of 2022. We believe this is driven as much by the Bank's desire to move from emergency levels as by fears of inflationary pressure. Given the current outlook, we believe this could be a policy mistake.

Investors have priced in multiple rises in Bank Rate to 1% by 2024. While we believe Bank Rate will rise, it is by a lesser extent than expected by markets.

Gilt yields have risen sharply as investor's factor in higher interest rate and inflation expectations. From here, we believe that gilt yields will be broadly steady, before falling as inflation decreases and market expectations fall into line with our forecast.

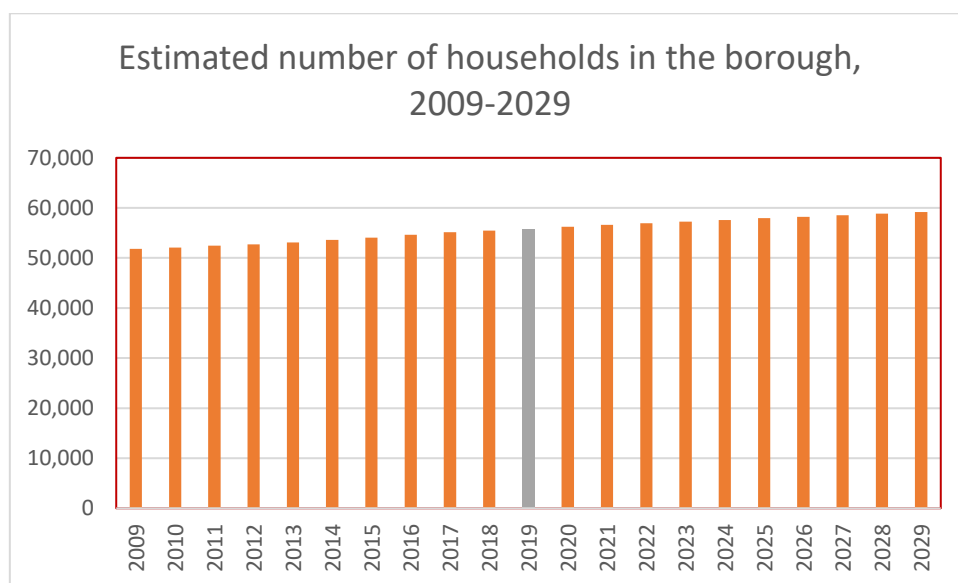
The risk around our forecasts for Bank Rate is to the upside over the next few months, shifting to the downside in the medium term. The risks around the gilt yield forecasts are initially broadly balanced, shifting to the downside later.

4. Borough Profile

- 4.1 Newcastle-under-Lyme has a population of 129,600 (2020 Mid-Year Estimate), an increase of 200 (rounded up) over the previous 12 months but an increase of 6,300 (5.1%) since 2010. This increase over the past ten years is below the West Midlands rate of 7.1% and the England rate of 7.4% but higher than Staffordshire's increase of 4.5%.
- 4.2 In the five years from 2015-2020, the percentage of the borough's population aged 70+ increased from 13.7% to 15.4%, keeping this rate higher than across the West Midlands region (13.8%) and England (13.6%).
- 4.3 The general population has increased by 5.1% over the past decade, with the number of residents over 65s increasing by 20.3%, lower than the Staffordshire increase of 25.9% over the same period but broadly similar to the West Midlands rate of 18.9%

and the England rate of 22.2%. The over 65 population is projected to increase by a further 14.6% over the next decade, with the under 65 population projected to increase by only 1.5%.

- 4.4 The 2020 median age for the borough is 41.8 years, higher than for the West Midlands (39.6) and England (40.2) but lower than Staffordshire (44.8). The borough's median has barely changed since 2010 when it was 41.7.
- 4.5 From 2009 to 2019 there has been an estimated 7.8% increase in the number of households in the borough, from 51,800 to 55,800. It is estimated that this will increase by a further 3,300 (6%) to 59,200 by 2029, and by 6,200 (11.2%) to 62,100 by 2039.



- 4.6 Based on the MYE (Mid-Year Estimate) for 2018, the Office for National Statistics project the population for the borough to increase to 135,700 by 2029. But the projected increase is not uniform across all age groups. The population aged 0-29 is projected to remain 47,200, but the population aged 65+ is projected to rise from 26,800 to 30,700, an increase of 3,900 or 14.6%.
- 4.7 Measured through the average rank for IMD 2019, Newcastle-under-Lyme is the 150th most deprived local authority in England, out of 317 overall. Newcastle's ranking compared with other local authorities in England has improved slightly from 156th in 2015. In terms of Health Deprivation and Disability the borough is the 80th most deprived local authority but 197th most deprived in terms of Barriers to Housing and Services.
- 4.8 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.
- 4.9 Across the borough in 2020, the annual median gross weekly pay was £535. This was lower than for the West Midlands (£552) and Great Britain (£587). Salaries for both males and females were relatively low as the following table shows:

(Gross weekly pay for full-time workers)

	Newcastle-under-Lyme	West Midlands	Great Britain
Females	£465	£504	£544
Males	£567	£578	£623
Overall	£535	£552	£587

4.10 Across the borough there are significant differences in income. In three areas, net annual household income in 2018 was less than £26,000, but in four it was more than £36,000

4.11 In the year up to March 2020, an estimated 74.1% of residents aged 16-64 were classed as 'in employment', broadly similar to the West Midlands region (73.7%) and for Great Britain (74.8%).

(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%
April 2020- March 2021	74.1% (61,600)	73.7%	74.8%

4.12 As of 2019, almost two-thirds (64.4%) of residents' jobs were full-time, with just over one-third (35.6%) part-time. This is very similar to the rate for the West Midlands (66.6% full time) and Great Britain (67.8%) were full-time.

4.13 According to official crime summary data, the number of recorded crimes for headline offences in Newcastle-under-Lyme between April 2020 and March 2021 was 6,362 – a decrease of around 27% on the previous 12 month period. This was the largest fall across Staffordshire in the same period.

4.14 The crime rate for this period was 49 per 1,000 residents, lower than the Staffordshire rate of 59 per 1,000 people but higher than all of the Staffordshire boroughs apart from Cannock Chase and Tamworth.

4.15 In Newcastle-under-Lyme, in the year up to March 2021, the three most common types of recorded crime were:

- Violence against the person (2,997)
- Theft offences (1,524)
- Stalking and harassment (1,289)

4.16 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, which is slightly below the Staffordshire (79.7 years) and the England average (79.8 years). Female life expectancy is 83.0 years, while the Staffordshire and England averages are 83.5 years and 83.4 years respectively.

- 4.17 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, and is larger than the gap in the West Midlands (9.7 years) and England (9.5 years) for the first time since comparable data became available.
- 4.18 For females, there is a gap of 9.3 years between Chesterton and Knutton's rate of 78.8 years and Loggerheads and Baldwins Gate's rate of 88.1 years, but this gap has fallen since its peak of 9.7 years in 2014/16. The gap here remains higher than in the West Midlands (7.2 years) and England (7.5 years) as it has since comparable data became available in 2010/11.
- 4.19 Across the borough, the age-standardised mortality rate of 1,136 was higher than the Staffordshire rate of 1,070 and England's 1,043.
- 4.20 There are circa 55,800 homes in the borough (2019). At the last Census, in 2011, housing tenure was as follows:
- Owned outright 35%
 - Owned with mortgage/loan 34%
 - Shared ownership 0.4%
 - Social rented 19%
 - Private rented from landlord 9%
 - Private rented from other 1%
 - Living rent free 1%
- 4.21 Overcrowding is mostly assessed by the 'bedroom standard' which assesses the number of bedrooms needed according to the size and composition of households. In the 2011 census, Newcastle-under-Lyme had an overcrowding rate of 4.2% – very similar to Staffordshire's 4.0%.
- 4.22 In April 2021 the local housing affordability ratio i.e. median house price compared to median gross income was 5.93, lower than all of the other Staffordshire districts. Across the West Midlands the ratio is 6.78, and across England it is 7.84. The borough's rate is lower than in 2010 when the ratio was 6.23.
- 4.23 81.5% of residents of working age have qualifications at level NVQ1 or above, lower than the 85.4% across the West Midlands and the 87.9% in Great Britain. As of December 2020, an estimated 38.6% of adults aged 16-64 were qualified to NVQ level 4 or above – higher than the West Midlands rate of 37.1% but lower than the Great Britain rate of 43.1%.
- 4.24 The unemployment claimant count for the borough of 3.7% as at August 2021 was very similar to Staffordshire's rate of 3.8% and lower than Great Britain's 5.3%. 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 higher than the national average but in eight wards it is lower than 3%.

5. Refresh of Financial Assumptions

- 5.1 Council agreed a five year Medium Term Financial Strategy in February 2021 covering the period 2021/22 to 2025/26. For 2021/22 there was Net Expenditure of £16.128m on services and a Council Tax Requirement of £7.645m. There is a Council Tax Base of 37,087 and a Band D Council Tax of £206.14. There was a balanced budget for 2021/22 but a forecast gap of £3.849m across the period 2022/23 to 2025/26.

- 5.2 The MTFS gaps have been rolled forward a year to cover 2026/27, this was reported to Cabinet on 13 October 2021 and the assumptions updated. There has since been further review of the gaps and this refinement will continue throughout the budget setting process.
- 5.3 Covid-19 is expected to continue to have an 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 pressures that have both a short and medium term impact on the tax base for Council Tax and Business Rates.
- 5.4 Overall, rolling forward a year the Council is forecast to have a funding gap of £4.265m over the next five years. £1.313m of this is in 2022/23 and whilst the overall strategy is to have a balanced five year plan the focus of attention will be on this first year.

	2022/23 (£000's)	2023/24 (£000's)	2024/25 (£000's)	2025/26 (£000's)	2026/27 (£000's)	Total (£000's)
Income	52	39	(126)	(139)	(217)	(391)
Expenditure	1,261	1,143	1,052	596	604	4,656
Gap	1,313	1,182	926	457	387	4,265

- 5.5 The year one gap has decreased from £1.596m (as reported to Cabinet on 13 October 2021) to £1.313m following a review of the costs of financing the capital programme (£0.141m reduction in costs) and a revision to estimates regarding CPI inflation (Consumer Price Index) and assumptions regarding the subsidy required for leisure facilities a further has reduced the funding gap by a further £0.085m. A staggered reduction in the use of the flexible use of capital receipts has reduced the funding gap by a further £0.100m and following the rejection of the 1.75% local government pay offer, a 2% offer has now been allowed for, this has increased the funding gap by £0.043m.

Income

- 5.6 A provision for Covid-19 income losses of £100,000 has been built in for each year of the MTFS in addition to an assumed decrease in recycling credits (green waste). An assumed annual increase in fees and charges has also been included of 3%.

Detail	2022/23 (£000's)	2023/24 (£000's)	2024/25 (£000's)	2025/26 (£000's)	2026/27 (£000's)	Total (£000's)
Government Grant	170	204	17	12	12	415
Business Rates	(116)	(118)	(121)	(123)	(125)	(603)
Fees and Charges	(158)	(187)	(192)	(198)	(204)	(939)
Council Tax Support	(30)	(30)	-	-	-	(60)
Income Pressures	186	170	170	170	100	796
Total	52	39	(126)	(139)	(217)	(391)

Government Grant

- 5.7 Local Government has been through an unprecedented period of austerity. The assumption is for New Homes Bonus grant funding to reduce to nil and for Housing Benefit and Council Tax Benefit administration grants to continue to decline over time.

Business Rates

- 5.8 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 Section 31 grant and have therefore not impacted the Council's bottom line.
- 5.9 There is considerable uncertainty on the level of Business Rates for future years. The MTFS currently assumes 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.

Council Tax

- 5.10 The Council has a market housing supply requirement of 2,153 properties over the 5 year period of the MTFS (excluding affordable housing). The MTFS assumes that the requirement will be met at an average of 431 properties per annum, thus increasing the tax base accordingly. The MTFS assumes a Council Tax increase of £5 per Band D property for all years with the exception of 2022/23, where a 1.99% increase is currently being assumed.
- 5.11 The Council operates a Council Tax Support scheme, introduced following the localisation of support by Government at the start of austerity. Increased levels of Council Tax Support were awarded during 2020/21 in the midst of the Covid-19 pandemic. The MTFS forecast assumes that this pressure on the tax base will be relieved over a 3 year period.

Savings/Income Generation

- 5.12 Work is continuing to identify additional savings proposals in order to address the increased forecast gaps in 2022/23 and beyond. To date savings of £1.313m have been identified for 2022/23 enabled a balanced position to be proposed. £1.781m has been identified for the remainder of the MTFS (shortfall of £1.171m).

Detail	2022/23 (£000's)	2023/24 (£000's)	2024/25 (£000's)	2025/26 (£000's)	2026/27 (£000's)	Total (£000's)
Income	63	10	-	-	-	73
One Council	601	126	-	-	-	727
Staffing Related	79	18	-	-	-	97
Good Housekeeping	120	-	-	-	-	120
Tax Base	148	210	212	215	218	1,003
Council Tax Increase	154	190	192	194	196	926
Health/Social Care Levy	153	-	-	-	-	153
Total	1,313	554	404	409	414	3,094

Expenditure

- 5.13 Employee pressures relate to pay awards of 2.5% per annum, 2022/23 also provides for a 2% pay award in relation to 2021/22 following the rejection of the latest employers offer (1.75%), this was not budgeted for in 2021/22 in line with previous Central Government announcements regarding a public sector pay freeze (an allowance was made for employees earning below £24,000), this amounts to a further pressure of £0.172m.
- 5.14 2022/23 includes provision for an increase in employers National Insurance contributions payable by the Council of 1.25% from April 2022, the planned increase amounts to a pressure of £0.153m and is to be used by Central Government to boost Health and Social Care funding levels.
- 5.15 A number of new pressures facing the Council in 2022/23 amounting to £0.350m have also been provided for, these include ICT maintenance and software licences (£0.110m), subsidy of the operation of Kidsgrove Sports Centre (£0.100m), card processing charges (£0.020m), occupational health contract (£0.021m) and other inflationary costs and pressures regarding service provision (£0.049m).

	2022/23 (£000's)	2023/24 (£000's)	2024/25 (£000's)	2025/26 (£000's)	2026/27 (£000's)	Total (£000's)
Employees	1007	549	533	523	530	3,142
Premises	38	27	26	27	28	146
Transport	13	9	9	9	9	49
Financing	(91)	538	464	17	17	945
Pressures	294	20	20	20	20	374
Total	1,318	1,043	1,052	595	601	4,656

Inflation

- 5.16 Provision for price increases is made in line with the Bank of England target 2% target for CPI (Consumer Price Index), with the exception of 2022/23 whereby CPI of 3.1% has been applied.

Investment

- 5.17 The base budget includes an annual contribution to the Borough Growth Fund of £0.250m 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.

Capital financing

- 5.18 The proposed Capital Programme for 2022/23 to 2024/25 is based on new schemes which are vital to ensure continued service delivery and in assisting the Council to achieve its corporate and service objectives as set out in the Council Plan 2018-22. These schemes total £66.652m including major investment into the Borough via external funding in terms of the Future High Streets Fund and the Town Deals Fund for both Newcastle and Kidsgrove.
- 5.19 The capital programme will require to be part funded by borrowings. The total amount of borrowing over 3 years of the proposed Capital Programme for 2022/23 to 2024/25

will amount to £13.944m. The associated borrowing costs have been factored into the MTFS.

Other financing adjustments

- 5.20 The Council budgeted to finance £0.200m of one-off costs from flexible use of capital receipts in 2021/22. The current assumption is for this to cease in 2022/23 eliminating the reliance on capital receipts to finance revenue expenditure.

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

- 6.1 There is uncertainty at present with regards to lost income resulting from the Covid-19 pandemic. The impact on the medium term is therefore far from clear, potential risks around the continued loss of income are included as part of the risk assessment informing the Council's level of reserves. A number of steps have been taken in year, or are planned for future periods to continue to address the financial impact and ensure that the Council remains financially resilient including:

- A review of Covid-19 expenditure and income forecasts as part of monthly budget monitoring processes.
- 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.

7. Approach

- 7.1 The following section sets out the central approach to developing the Medium Term Financial Strategy for 2022/23 to 2026/27.

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 Borough Profile and assessment of the 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 DLUHC 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.

One Council

- 7.3 The One Council Programme was launched in February 2021 following Full Council approval of the budget in order to meet the changing needs of our residents by increasing our ability to provide flexible, efficient and customer driven services. The programme is designed to respond to the key lessons from the Covid-19 pandemic, how this impacted on how customers accessed Council services, and how services flexed in order to remain resilient. The programme focusses on reviewing customer need alongside modernising internal processes whilst developing our internal cultural transformation and ensuring we address financial demands. The following key themes are integral to the programme:

- 7.4 The One Council programme facilitates a fundamental change in Newcastle-Under-Lyme Borough Council's operating model and how we address our challenges. Significantly, it sets out to enable the Council to make better use of the resources available to it, ensuring both efficient and effective service delivery.
- 7.5 Given the broad remit of the programme, overall aims have been considered by integrated work streams aligned to core principles of delivery and achievement and the initial work has been supported by the delivery partner Ignite Consulting who have enabled the team to develop skills in management change and service redesign. Whilst a significant aspect of the programme is to facilitate a move to customer self service via an enhanced website, traditional face to face and telephone access will remain available to those who need it.
- 7.6 One Council is a "spend to save" programme with an agreed investment of £1.2m. Recurrent benefits of circa £1m will be achieved moving forward. The savings are set to be staggered over the life of the 3 year programme (£0.196m has been achieved in 2021/22, £0.601m will be achieved in 2022/23 with a further £0.126m in 2023/24).
- 7.7 In order to build the programme and consider the areas for change and focus, the broad concepts of purpose were considered alongside a benchmarking exercise which placed the customer and delivery of services at centre stage. This analysis supported the development of certain big ideas which have formulated the overall Future Operating Model design and have given a structure to the design of service change through the development of the "Big operating Model Building Blocks" of:
- Leadership and Management
 - Information Advice and Guidance and Website
 - One Front Door
 - Internal Support
 - Mobile Multifunction Team
 - Strategy and Performance Team

Leadership and Management

- 7.8 The programme realises the importance of cultural development, attitudes, behaviours and overall quality and consistency of leadership as a driver for success. As such a dedicated Culture work stream was initiated which considered our purpose as a Council and provider of services as well as the important people driven elements which would support the achievement of our goals. Focus groups across the council considered our purpose, strengths and weaknesses and contributed to the development of an overall mission statement and related values.
- 7.9 From this a staff survey was launched in order to measure a baseline against adherence to these values as well as direction from staff to develop a set of behaviours that would bring these values to life. The survey outcome showed a positive baseline of our cultural aspirations and sets a mandate to focus on areas of empowering people and working together. The Behaviour Framework has been agreed and shared with staff and will be used to support teams and individuals to understand and live the values in their work and relationships with colleagues, members and residents.
- 7.10 A Leadership Development programme has been commissioned relating to and building on the behaviours and culture work in order to support leaders within the organisation to develop the strategic and performance led culture that we aim for.

Information, Advice and Guidance / website

- 7.11 A core aim of the overall programme is to enable residents and local business to self-serve wherever possible, thereby freeing up expertise and staff time to support delivery of complex tasks and innovative services in a more efficient model.
- 7.12 The Digital work stream have been engaging services to consider the changes needed to enable this transition for users of our site and have contracted with Jadu to develop the new website which launched on 27 October.
- 7.13 The site is cleaner and more modern than our previous site and has been developed with a focus on functionality and ease of use to support the customer. The website developments integrate directly with the new One Front Door (or Customer Hub) and will drive traffic away from resource heavy phone lines enabling a deeper and broader remit and function to develop within our customer facing team.
- 7.14 The new site will be compliant to the Web Content Accessibility Guidelines (WCAG) which defines how to make Web content more accessible to people with disabilities. The accessibility regulations came into force for public sector bodies on 23 September 2018. They say you must make your website or mobile app more accessible by making it 'perceivable, operable, understandable and robust'.
- 7.15 The new platform is built to support accessible design principles and is used by organisations that rank highly in independent accessibility indexes such as the Silktide Accessibility Rankings, where Jadu sites regularly account for the majority of the 'Top 20' accessible sites.
- 7.16 Another aim of One Council is to make our site more commercial. Using the new tools and techniques in Jadu we will be able to sell our services more effectively to increase revenue. Examples include J2, Bereavement Services and Garden Waste.

One Front Door

- 7.17 The One Front Door, now known as the Customer Hub, is the customer facing function designed to offer end to end service, advice and transactional support to customers to the Council. Overtime this will sit across all outward facing services and by contacting the team, our customers will be able to undertake a range of tasks from planning related queries, to questions around waste collection. A strong feature of this service is providing the team with training and development across a range of services, as well as giving them access to in service technology to allow them to have up to date information and ability to transact specific elements of queries easily and efficiently.
- 7.18 Work has initially focussed on the previous teams for Customer Services and Revenues and Benefits and the two areas have now been consolidated. Pulling the teams together, along with focussed work on processes alongside the website development has enabled the team to be resourced more efficiently. This has allowed the team to release members of staff who wish to seek opportunities elsewhere through our Mutually Agreed Resignation Scheme (MARS) which has driven a recurrent annual saving of £196k for the first phase of One Front Door.
- 7.19 The next steps will be, as we embed the learning and knowledge in the team, for the service to look across the rest of the organisation and start to consider how this concept and model can grow to incorporate further processes and support our customers across a wider range of matters.

Internal Support

- 7.20 Work is commencing on developing efficiencies within our internal services and will progress in the image of One Front Door. This will again provide services with

streamlined support and guidance whilst releasing those with technical expertise to focus on value added delivery.

- 7.21 Much like the One Front Door, there are anticipate efficiencies of scale to be identified here as well as process and technology developments which will enable a reduction in Whole Time Equivalents (WTE) assigned to the teams which is planned to be delivered through MARS as well as natural turnover.

Mobile Multi-Function Team

- 7.22 The Mobile Multi-Functional Team is an exciting proposition which enables an agile and diverse team of operatives to be dispatched where there is immediate need. Linked to a preventative delivery arm and the One Front Door, the impact on the Borough and residents will be significant and positive.

Strategy and Performance Team

- 7.23 The Strategy and Performance Team will support services in their strategic aims as well as becoming a critical friend and challenging function in terms of performance and delivery. This function will enable the Council to better use data and performance indicators to drive outcomes against the Council Plan and other strategic aims.
- 7.24 In addition this service will look outward to strengthen relationships with our partners, consider policy and strategy development and ensure effort and activity drive us closer to our overall aims and vision.

Commercial

- 7.25 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

- 7.26 Progress in implementing the commercial strategy in the current year has been limited due to the impact of Covid-19. However, going forward this remains a key supporting strand of the MTFS and will need to be properly resourced.

Property

- 7.27 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. Reserves

8.1 Forecast balances for the Council's reserves as at 31st March 2022 are as follows:

Reserve/Fund	Balance 31.3.21 (£'000's)	Forecast Balance 31.3.22 (£'000's)
General Fund	3,000	2,160
Walleys Quarry Reserve	-	1,000
Income Reserve	100	100
Equipment Replacement	48	32
Budget Support Fund	348	-
Budget Support Fund (Local Plan)	375	200
Budget Support Fund (Homelessness)	81	-
Borough Growth Fund	70	-
Conservation & Heritage Fund	26	26
Mayor's Charity Fund	4	-
Museum Purchases Fund	178	100
Business Rates Reserve	9,131	3,621
Keele Master Plan Reserve	8	-
Elections Reserve	50	150
Clayton Community Centre Fund	9	-
Totals	13,428	7,389

8.2 A full reserves risk assessment will be completed as part of the 2022/23 budget preparation. However, based on a preliminary assessment it is considered that the current balance of the general fund reserve will be sufficient to provide sufficient cover for foreseeable risks.

8.3 It should be noted that the balance of the Business Rates reserve is inflated for 2021/22 and 2022/23 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 and as a contingency for the Fair Funding Review.

9. Capital Strategy

9.1 The Council agreed its Capital Strategy and Ten Year Capital Programme 2021/22 to 2029/30 in February 2021, this will be refreshed as part of the 2022/23 budget setting process (proposed expenditure for 2022/23 to 2024/25 will be considered as part of the report to Cabinet on 1 December 2021). 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.

9.2 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 with 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 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.

9.3 As part of the Efficiency Board process every capital scheme and in-year capital commitment has been reviewed.

9.4 The draft 10 year Capital Programme for the period 2022/23 to 2031/32 provides for total investment of £101.4m. This programme will be funded by capital receipts, significant external contributions (Town Deals and Future High Streets Funding) and borrowing. The revenue impact of borrowings has been included within the MTFS.

10. Treasury Management Strategy

10.1 The Council agreed its Treasury Management Strategy for 2021/22 in February 2021, the strategy for 2022/23 will be updated alongside the proposed budget and capital programme as part of the 2022/23 budget setting process.

10.2 As referred to in the above section, the Council will be required to borrow to fund the draft Ten Year Capital Programme. The PWLB and Council to Council borrowing are the primary borrowing options that the Council is currently reviewing to fund borrowing in relation to the capital programme.

10.3 The Capital Financing Requirement is set to increase by a further £13.159m by 2031/32 based on the draft 10 year Capital Programme.

Funding Stream	Capital Receipts (£000's)	External Contributions (£000's)	Borrowing (£000's)	Total (£000's)
2022/23	3,128	23,378	7,082	33,588
2023/24	500	11,622	10,354	22,476
2024/25	8,000	6,080	(3,492)	10,588
2025/26	8,000	3,088	(3,710)	7,378
2026/27	8,000	1,035	(2,748)	6,287
2027/28	8,000	1,035	(5,313)	3,722
2028/29	500	1,035	1,108	2,643
2029/30	500	1,035	3,941	5,476
2030/31	500	1,035	3,073	4,608
2031/32	500	1,035	3,073	4,608
Total	37,628	50,378	13,369	101,375

11. Budget Preparation Timetable

11.1 Work on the development of budget proposals for 2022/23 is 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 2022.

11.2 An Efficiency Board chaired by the Leader of the Council plays a key role in shaping the MTFS and providing input and challenge to savings and investment proposals.

11.3 The decision making timetable is as follows:

Event	Committee	Date
Budget consultation	Proposed to run during December	
Scrutiny of draft MTFS & draft savings proposals	FAPSC	13 December 2021
Approval of final MTFS & consideration of draft budget proposals	Cabinet	12 January 2022
Scrutiny of draft budget proposals	FAPSC	20 January 2022
Final budget proposals recommended for approval by Full Council	Cabinet	2 February 2022
Full Council to approve budget	Full Council	23 February 2022

Appendix A – Summary of Refreshed MTFS Assumptions

	2022/23 (£000's)	2023/24 (£000's)	2024/25 (£000's)	2025/26 (£000's)	2026/27 (£000's)	Total (£000's)
Employees	1,007	549	533	523	530	3,142
Premises	38	27	26	27	28	146
Transport	13	9	9	9	9	49
Financing	(91)	538	464	17	17	945
Pressures	294	20	20	20	20	374
Income	52	39	(126)	(139)	(217)	(391)
Total	1,313	1,182	926	457	387	4,265
Savings						
Income	63	10	-	-	-	73
One Council	601	126	-	-	-	727
Staffing	79	18	-	-	-	97
Good Housekeeping	120	-	-	-	-	120
Tax Base	148	210	212	215	218	1,003
Council Tax Increase	154	190	192	194	196	926
Health/Social Care Levy	153	-	-	-	-	153
Total Savings	1313	554	404	409	414	3,094
Gap	-	628	522	48	(27)	1,171