APPENDIX A

NORTH HERTFORDSHIRE DISTRICT COUNCIL

MEDIUM TERM FINANCIAL STRATEGY

2021-2026

APPENDIX A

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1.0 Introduction

1.1 The Medium Term Financial Strategy (MTFS), the Council's key financial planning document, is an integral part of the Council's Corporate Business Planning process. The Council operates a system of priority led budgeting, with those district priorities set out in the "Council Plan" policy document. The MTFS then sets out how the financial management process will contribute to delivering those priorities and sets out a clear framework for our financial decision making. The strategy is updated annually. We fully expect that it will change over time to reflect new opportunities and policy decisions.

1.2 The Covid-19 pandemic is forecast to have a fundamental impact on the Council's finances in the short and medium term. A forecast of the short-term impacts is detailed in a separate report. This recommends that there is not a need to set an emergency budget in 2020/21. Part of this Strategy is determining what actions the Council needs to take, and the level of risk in that approach. The Strategy therefore considers a number of scenarios.

1.3 The backdrop is that there is still uncertainty over the funding that the Council will receive in future years. The various funding changes (i.e. 75% Business Rate retention, Business Rates reset, replacement for New Homes Bonus and the Fair Funding Formula) have generally been delayed until 2021/22 for implementation in 2022/23.

1.4 Over the last few years, the Council has taken the opportunity to increase the level of its general fund reserves. The intention of this was that they could be used to soften the impact of expected (although currently unknown) future funding reductions. These reserves are now expected to be used to avoid having to make drastic service changes in response to Covid-19. It is possible, depending on the level of financial support from Government for Covid-19, that some of the remaining reserves may be available for this intended purpose.

1.5 The MTFS is based on significant uncertainty and therefore it will be kept under review until the budget for 2020/21 is agreed at Council in February. Even once the MTFS is agreed by Council, it is still just a plan, and therefore it will be monitored throughout the year and amended to reflect updated information. The budget monitoring reports (revenue and capital) that are provided to Finance, Audit and Risk Committee and Cabinet are a key component of this.

1. The current picture

1.1 The budget agreed by Full Council in February 2020, set the 2020/21 budget and indicative budgets for the years up to 2023/24 as follows:

£000	**2020/21**	**2021/22**	**2022/23**	**2023/24**
Net revenue expenditure	15,136	14,985	14,968	14,701
Estimated Funding	15,465	14,092	14,282	14,567
Use of General Fund reserves	(329)	893	686	134
General Fund brought forward	8,387	8,387	7,892	7,206
Funding Equalisation Reserve	+329	-398	0	0
General Fund carried forward	8,387	7,892	7,206	7,072
Assumed savings and income efficiencies still to be identified and delivered (cumulative)	**0**	**400**	**800**	**1,350**

1.2 Whilst the MTFS is for a five year period, detailed forecasts were only provided for a four year period. This reflected the substantial uncertainty over future funding levels and that the Council planned to balance its funding within the four year period.

1.3 The final position at the end of 2019/20 (subject to audit) was a brought forward General Fund Balance of £9.378 million, which was higher than estimated above. This was due to underspends against budgets and the gain from the Business Rate Pilot. Some of the underspends have been carried forward, which increases the forecast spend in 2020/21 by £449k compared to budget. This means that the net position is an improved General Fund position by £542k. Budget monitoring since the budget was set (as at the end of Quarter 3 and end of year) has identified additional net ongoing spend of £182k. This is also reflected in the MTFS forecasts.

1.4 As at the end of 2019/20 the balance on the Special Reserve was £1,175k. This reserve could be released for general expenditure as it does not have any significant specific commitments against it. As at the end of 2019/20 the balance on the MHCLG (Ministry of Housing, Communities and Local Government) Grants Reserve was £3,741k. This reserve includes allowances for the timing differences between the receipt of Business Rate section 31 grants and when they need to be applied to the Collection Fund. It also includes the accumulation of Business Rate surpluses and pooling gains. Whilst it is useful to have a buffer against potential drops in Business Rate receipts, the amount in the reserve could now be considered to be too high. The budget for 2020/21 already assumes that the Pooling Gain from 2018/19 of £368k would be released. In addition, as a business rates surplus was recorded for 2019/20, the section 31 grant receivable for 2019/20 of £1,998k is not required to fund a deficit repayment. It is therefore considered that this amount can be released from the reserve in 2021/22.

1.5 To refresh the MTFS for the period 2020-25 it is necessary to consider any changes that need to be made to funding expectations, income forecasts and expenditure forecasts. Annex 1 provides some general details of these assumptions. The following paragraphs detail the more significant changes and areas of uncertainty.

Covid-19

2.6 As detailed in the separate report the financial impact of Covid-19 on income and expenditure in 2020/21 is forecast to be around £4,708k against estimated Government funding of £3,550k. That leaves a shortfall of £1,358k (£1,550k of known grant and estimated £2,000k of income guarantee support). It is considered unlikely that there would be any further commitment from Government to provide funding for 2020/21, although there could be some longer term support. Based on current reserve levels the proposal is that there is not a need to set an emergency budget and the shortfall will be met from General Fund reserves and the Special Reserve.

2.7 There is also expected to be a shortfall on the Council Tax Collection Fund from the increased entitlement for Council Tax Reduction Scheme (CTRS). The current forecast is that this would be about £200k, and this will be an additional cost to be funded in 2021/22.

2.8 The MTFS has previously assumed net growth of 1% per year in the Council Tax base. This is based on housing growth and a stable CTRS eligibility. The actual assumption is that growth will be a bit higher than 1% but that some of this is needed to fund the additional costs associated with a new house (e.g. waste collection). Experience over the last two years was that growth was just about 1%, but the expectation was that this could pick up with an adopted Local Plan. Further delays to the Local Plan hearings and a general economic downturn mean that housing growth is likely to be suppressed. On top of this, whilst CTRS eligibility may start to decrease over time it would probably still be higher than previous levels. Therefore the revised modelling assumption is that the Council Tax base will remain stable (i.e. not increase) over the next 5 years. This reduces the funding available from Council Tax by around £660k by 2025/26.

2.9 The areas of Council income and expenditure where there is most likely be an ongoing impact (beyond 2020/21) are:

- Car parking income- behaviour change might lead to an ongoing reduction in car/ town centre use. A 10% reduction in car parking income would equate to £310k per year.
- Leisure contract- behaviour change might mean a slow recovery or an ongoing reduction in use. A 50% reduction in the contract fee that the Council receives would equate to £360k per year.

- Income from recyclable materials- over the last two months the Council has seen a £37k per month reduction in the amount it receives for recyclable waste. It is assumed that this will return back to previous levels, but this may not be the case. If this was to continue through next year as well the impact would be £444k.

2.10 The above amounts are estimates that will be used in carrying out sensitivity analysis, but are not included in the core MTFS numbers.

Other areas of Expenditure

2.11 The current budget includes an allowance for pay inflation of 2% each year. The pay award offered to the Unions by the employers under national pay bargaining for 2020/21 was for 2.75%. This has been agreed, but is only for one year. An equivalent increase each year would be consistent with Government aspirations (pre Covid-19) in relation to the target level for the National Living Wage (£10.50 by 2024). The forecasts have therefore been updated to be based on 2.75% per year. The annual additional cost of this (above the 2% previous assumption) is over £500k by 2024/25.

2.12 A separate allowance is budgeted for the payment of increments, which is based on the grade profile of current staff. As the allowances above reflect national pay bargaining, they do not affect the differentials between what North Herts pays compared with other Councils. This means that where the Council has posts that are difficult to recruit to, this position is unlikely to improve in terms of pure pay rewards. However the Council does implement and promote the other advantages of working for us. A more fundamental review of our pay scales could be carried out, but is likely to be a very significant cost pressure and the impact on being able to recruit is very uncertain. This will need to be kept under review in the context of our ability to recruit to vacant posts.

2.13 Employees of the Council are eligible to join the Local Government Pension (LGPS), indeed new employees are now auto-enrolled in to the pension scheme. The LGPS provides a pension that is based on average career earnings. For service up to the year 2014, the pension is based on final salary. The Council pays employer contributions in to the fund. Due to various factors, including pensioners living longer, the contributions that the Council has made in the past have not been sufficient to cover future liabilities. As a result the Council now pays a lump sum towards past service costs and a percentage of payroll costs to cover the estimated cost of the pensions being accrued by current employees. Every 3 years, an actuary undertakes a valuation of the pension fund to determine future contribution rates. This valuation was out during last year. The contribution rates are broadly in line with what they were before, with the only change being an inflationary increase in the lump sum payment each year. The budget set by Council in February included this change but it was not incorporated in to the last. The increased cost (compared with no inflationary increase) is £84k by 2023/24, and could rise further beyond that depending on the results of the next valuation.

2.14 Hertfordshire County Council (HCC) as Waste Disposal Authority have the power to direct where the Council sends its residual and green waste. At the moment, the Council delivers this waste to transfer locations in Hitchin and Cumberlow Green. Whilst this is not expected to change over the medium term period, there could be significant impacts over the long term. It is hoped that the County Council will build a Northern Transfer Station. This is expected to be broadly cost neutral for NHDC and provide long-term certainty.

2.15 Since the budget was set, Council have agreed two redundancies relating to the Chief Executive and the Corporate HR Manager. These will provide ongoing full-year savings from 2021/22 of £174k per year.

2.16 There has been discussion with the Council's waste contractor about the treatment of property growth and whether an offer by Urbaser that the first 5,000 properties (across East Herts and North Herts) could be absorbed within existing collection rounds. It is now looking like this can not be absorbed and this could result in additional costs of around £200k per year. Given the likelihood and costs involved this has been build in to the MTFS estimates.

2.17 In February 2019, Central Government released a consultation on their emerging Waste Strategy Various elements of this could have cost implications for the Council if they were introduced. The most significant of these proposed changes are:

- Introduce consistent waste collection across all areas of the Country (e.g. same materials in the same types of bins) and being stopped from charging for garden waste collections. The Council would expect significant 'new burdens' funding if this was introduced, particularly in relation to garden waste charging.
- Introduction of a Deposit Return Scheme, which would have an impact on what the Council would collect at the kerbside. It is likely to mean that the higher value recycling materials would be taken to deposit return locations, leaving the Council to collect the remainder. This would affect the net costs of disposal for recycling materials.
- Extended Producer Responsibility- places the financial burden for waste on those that are producing it at source. This in turn would affect how waste collection and disposal are funded. It would need to be determined how this affects the funding that the Council receives. It is likely to have an impact on the future of the AFM.

2.18 The current budget includes a number of items of time-limited expenditure. These need to remain time-limited and the MTFS makes no provision for these being extended on an ongoing basis. The only exceptions to this are items of cyclical expenditure i.e. 4 yearly housing stock review, biannual housing analysis, biannual district-wide survey and elections.

2.19 It is assumed that any other revenue growth will be fully funded by additional off-setting savings.

Other areas of Income

2.20 The Council currently receives payments from HCC under an arrangement known as the Alternative Financial Model (AFM). These payments are intended to provide an incentive for the Council to introduce measures that reduce residual waste. The MTFS includes adjustments for known changes to the AFM. But as this is a discretionary payment, it is likely that HCC will review it again in the future. As the majority of this funding is used to support core service delivery, this would create a cost pressure for the Council.

2.21 The take-up of the chargeable garden waste service has exceeded the original forecasts of 26%. The budget for 2020/21 is based on an estimated take-up of 52% and an annual charge of £40. In 2021/22 (with a full year of income) the Council would be estimated to generate an overall net surplus (after accounting for capital charges and overheads) at this level of take-up. Given that the £40 was set based on benchmarking against other Authorities to assess its reasonableness and was also subject to feedback through a consultation process, it is proposed to retain it at this level. But to take reasonable measures to reduce the surplus, no inflationary increases will be added. Any surplus will initially provide protection against the risks associated with providing the service, if required, and where appropriate be used against wider waste and environmental service costs. The extension to the subscription period due to Covid-19 means that the renewal point is now in Autumn. This may create a risk that take-up will be lower, at least initially.

Funding

2.22 Due to Covid-19 the introduction of a new Fairer Funding Formula and 75% Business Rates Retention have been delayed. They details of these will now be confirmed in 2021/22 for implementation from 2022/23. The timing of any Central Government spending review is also uncertain. This means that there is no certainty over the amount of funding that Local Government will receive in total, how this will be distributed across Authorities, and how risks and rewards for changes in Business Rates will work. It is therefore assumed that this will result in the same outcome as last year, in that the Business Rates baseline will increase with inflation and there will not be a negative Revenue Support Grant applied in 2021/22. The assumption is still that the equivalent of a negative RSG (i.e. reducing our funding by around £1m) will be applied as part of the fair funding formula and applied from 2022/23. As the Council is prudent and budgets for Business Rate income at the baseline level, at this stage there is not considered to be any significant risk from moving to 75% retention or the planned Business Rate reset.

2.23 It is possible that negative RSG could be applied in 2021/22 and therefore this will be considered when carrying out a sensitivity analysis.

2.24 Central Government also determine the extent to which Local Authorities can raise Council Tax, without the need for a Local Referendum. Last year this has allowed increases of up to 2% (or £5 for a band D if that is greater). For the Council the £5 increase is slightly greater. It is expected that the amount of Business Rate funding that Local Authorities can retain when the new system comes in will be based on an assumption that Councils have increased Council Tax by as much as they are able. The MTFS therefore makes this assumption that the Council will increase Council Tax by the maximum amount allowed without a referendum. In the forecasts this is assumed to be a £5 (band D equivalent) increase each year. It is possible that Central Government will provide more funding to Councils (particularly in response to Covid-19 ongoing pressures) by increasing the limit. This would then generate more funding for the Council, although some of this might be off-set by a further increased eligibility for CTRS.

2.25 New Homes Bonus is now being phased out and this is reflected in the MTFS forecasts. It was intended that the current system will be replaced with something else that better incentivise the building of new homes. There has been no information on what this might be, and therefore there is no assumption of any funding in relation to it.

Reserves and Resilience

2.26 The Council is required to retain a certain level of reserves. This is to provide protection against both known and unknown risks. This includes being able to react to changes in demand and any emergencies that may arise. The allowance of known risks is based on estimating the monetary impact of an event happening and applying a percentage to this based on the likelihood of it happening (high, medium or low). The allowance for unknown risks is based on 5% of net expenditure and 3% of budgeted income (excluding Housing Benefit). For 2020/21 this gave a minimum balance of £2.45m. In the light of Covid-19 and that support to date from Government has been limited, when a full review takes place, it will probably be necessary to increase the minimum balance. For the purpose of the MTFS an increase of £1m is assumed.

2.27 In response to the issues faced by Northamptonshire County Council, and concerns over the financial health of other Local Authorities, the Chartered Institute of Public Finance and Accountancy (CIPFA) have developed a financial resilience tool. This uses historic publicly available data to compare indicators of financial stress across similar Local Authorities. A full commentary on this was provided as part of the 2020/21 budget (agreed by Council in February). The overall message is that having reserves at the minimum level would mean that the Council was not resilient. Therefore in setting a medium term budget, the Council should plan to have breathing space above the minimum level.

2.28 As detailed in the Covid-19 report (presented to Cabinet in July), the revised forecast combined balance on the General Fund and Special Reserve at the end of 2020/21 is £8,867k. As detailed in 2.4, this can be added to by releasing £1,998k from the MHCLG Reserve. This takes the opening generally available balances up to £10,865k in total.

2.29 The forecasts over a five year period are shown in the table below.

£000	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**Cumulative**
Net expenditure brought forward	14,902	15,662	15,649	15,435	15,227	14,902
Ongoing base budget adjustments, including previously identified savings	467	57	-29	10	(167)	337
Net additional savings, service changes or income generation to be identified	(200)	(500)	(600)	(650)	(700)	(2,650)
Pay inflation and increments	483	400	400	400	400	2,083
Contractual inflation	169	300	300	325	325	1,419
Income inflation	(157)	(270)	(285)	(293)	(301)	(1,306)
Net Expenditure- to be funded from taxation and general grants	**15,662**	**15,649**	**15,435**	**15,227**	**14,784**	**14,784**
Council Tax	(12,002)	(12,252)	(12,501)	(12,751)	(13,001)	
Collection Fund deficit	200	0	0	0	0	
Revenue Support Grant	0	0	0	0	0	
Business Rates- including tariff adjustment	(2,780)	(1,677)	(1,711)	(1,745)	(1,780)	
New Homes Bonus	(350)	(131)	0	0	0	
Other	39	24	24	24	24	
Net funding position (use of reserves)	**769**	**1,613**	**1,247**	**755**	**27**	
Reserve balance b/f (General Fund and Special Rserve, including released MHCLG reserve)	10,865	10,096	8,482	7,235	6,480	
Reserve balance c/f	10,096	8,482	7,235	6,480	6,453	

2.30 The table above shows that balancing the budget by the end of 2025/26 would require the delivery of £2.65m of savings. Whilst the phasing of the savings shown would use up a lot of the available reserves (using £4.41m), they would still leave the Council above the recommended minimum. This phasing allows the Council to focus on recovery from Covid-19 during 2020/21(with a low value of additional savings) and then focus on longer-term budget planning in 2021/22. It is hoped and expected that during 2021/22 there will be more certainty over future funding, both in terms of Central Government funding and the actual impact on the Council Tax base.

2.31 Factoring in the sensitivities described in paragraph 2.23 and 2.9 in 2021/22, the position would be around £2.2m worse, and take the reserve balance at the end of the 2021/22 down to around £7.9m. If the expenditure pressures (described in 2.9) continued on a longer-term basis then the year end reserve balances would become; £5.2m at the end of 2022/23 and £2.9m at the end of 2023/24. This would then be below the recommended minimum. If it was evident that this was likely to happen then there might be a need for further cost reductions or income generation to be achieved to avoid the reserve balances falling below the recommended minimum.

2.32 Whilst not certain enough to be incorporated in the MTFS at this stage, the following positive outcomes are considered possible:

- Economic recovery and the adoption of a Local Plan could result in housing growth in later years, which could include some degree of catch-up.
- Government could provide additional short-term (which would improve reserve balances) and medium-term support for Covid-19
- Due to the support provided by Local Government to the pandemic, Government might allocate more ongoing funding so that the support could still be in place in future
- The new Business Rates system may provide the Council with sufficient certainty to factor growth in to its budget.
- The replacement for New Homes Bonus may provide some funding.

2.33 In taking the approach described above (and not focusing on achieving savings immediately), the following are necessary actions:

- Officers and Councillors will initially focus on identifying the relatively low value of savings required to be achieved in 2021/22.
- There is no provision for ongoing discretionary budget growth. Any new budget growth must be a reprioritisation of existing discretionary spend.
- A commitment to some form of full budget review during 2021/22. For example, this could take the form of a discretionary services review or be based more around the customer experience and journey. It is very likely that this will involve difficult decisions about the services that the Council continues to provide, and how it delivers them.
- A continued focus on income generation, but with the appreciation that in the current economic climate that this might provide limited returns. Also with the appreciation that the Council is forecasting to have a significantly lower level of reserves so may not be able to absorb short-term losses from more speculative opportunities.
- Officers will undertake regular monitoring and will notify if a change of approach is required. This could include the need for an emergency budget.
- That Council Tax will be increased by the maximum amount allowed without the need for a local referendum.

2.34 The Council currently has some capital reserves that it can use to fund its capital programme. This means that the revenue impact of capital investment is minimal as it is just the lost interest from treasury investments. Over the life of the MTFS the available capital resources will be diminished, particularly with spend on property investments. After this the cost of capital investment will be substantially higher as it will incorporate borrowing charges and Minimum Revenue Provision. Therefore all discretionary spend will be assessed on the assumption that capital funding costs will be incurred.

APPENDIX A

ANNEX 1 Budget Assumptions and Policies

Key Budget Assumptions

Inflation indices are reviewed on an annual basis and the forward budget projections amended accordingly. At this stage in the budget planning process, it is prudent to take a cautious approach and, in identifying the likely Council Tax requirement, the strategy focuses on the pressures on expenditure and assumes that income will rise in accordance with the determined policy. The figures presented in the MTFS financial projections appendices include the following assumptions in line with the current financial strategy

- Investment income is based on cashflow projections and a 1% return. This is significantly affected by the timing of expenditure in the capital programme.
- New Homes Bonus (NHB) funding is based on the remaining draft allocations that we have been notified of.
- Contract inflation in accordance with the individual contract terms.
- Pay inflation at an average of 2.75% per year.
- No allowance is made for general inflation on remaining expenditure. Although after allowing for salary and contractual inflation, the remaining amount is insignificant.
- Discretionary fees and charges income will be increased by CPI (Consumer Price Index) at November, plus 2%. This will be where it is legally possible and subject to a market impact assessment. This excludes parking (which is assumed to increase at 2%) and garden waste (no increase).
- The overall Council tax base figure will not increase.
- Council tax precept will be increased by the maximum amount allowed without the need for a local referendum.
- An assumed 99% collection rate for the purposes of calculating the Council tax base.
- An assumed 97% collection rate for Business Rates
- Any future changes to the local Council Tax Reduction Scheme will aim to have a cost neutral impact.
- A vacancy factor set at approximately 2.5% of salary budget to yield in the region of £300k is included in the base budget in each year.
- The Council will not subsidise areas which are the responsibility of another precepting body other than through a one-off match-funding arrangement where this is in the interests of the local Council tax payers.
- The potential impacts of Brexit are not reflected. The impacts of Covid-19 are only reflected to the extent mentioned.
- All assumptions are subject to further refinement during the budget process as more certain information becomes available.

Reviewing service provision

As part of further developing the Medium Term Financial Strategy, we continue to investigate the appropriateness of service subsidies and also the funding of functions which are the responsibility of other bodies. We recognise that we should give careful consideration to each individual case before reaching a decision and should apply the test: "should the Council Tax payer pay for all or part of a service or should it be the service user?" Many of the services we provide are subsidised and during the budget setting process, service managers are now asked to review the extent of the subsidies and are asked the following questions:

- Does the service support the Council's high level objectives and priorities?
- Is the service statutory or discretionary and, in either case, do we have discretion over the level at which it is provided?
- What proportion or sections of the population use the service?
- What is the level of subsidy?
- What is the reason for the service subsidy?
- Is there a strategy in place which determines the level of subsidy going forward?
- Is there the opportunity to make greater use of or secure external grants to reduce the subsidy?
- What impact would a reduction in the level of subsidy have on the service?
- How much income could be generated by a removal of the subsidy?
- Should any removal be subject to a phasing in process and if so over how many years?

Changes made to service delivery are required to include an equality analysis.

The Council will seek to manage all its assets cost-effectively, including opportunities to optimise income from the use of these assets, offering concessions (as appropriate and affordable) to encourage use by all members of our community in pursuit of our priorities. We will also continue to explore opportunities in regard to our assets, including long term leases which effectively constitute a transfer, whereby community groups take on responsibility for the operation and overall facility management.

The Local Government Act 2003 permits local authorities to trade with both public and private sector bodies. In broad terms authorities may not trade for profit unless that activity is performed through a company. The Localism Act 2012, while vesting a general power of competence, retains this requirement. Section 4 of the Localism Act restricts the ability of a local authority to carry out activities for a commercial purpose using the general power. Section 4 (2) provides that if a local authority undertakes a commercial activity in exercise of its general power it must only do so through a company (for this purpose this covers limited or "registered society" i.e. formerly co-operative, community benefit society or industrial provident society). Consequently, these provisions will be considered when exploring alternative service delivery models.

Risks and General Fund Level

Best Practice guidance issued by CIPFA states that the general fund balance may be between 5% and 100% of net expenditure. With an original estimate of net revenue expenditure of around £15 million, the minimum 5% balance is in the region of £750k.

The Bellwin scheme may be activated where an emergency or disaster involving destruction of or danger to life or property occurs and, as a result, a local authority incurs expenditure on, or in connection with, the taking of immediate action to safeguard life or property, or to prevent suffering or severe inconvenience, in their area or among its inhabitants. The scheme makes provision to reimburse the cost of local authority actions taken in the immediate phase of an emergency, not those taken as part of the recovery phase. Any claim is subject to a threshold (i.e. costs have to exceed this amount before a claim can be made) and for North Hertfordshire this is around £27k. So the need to potentially fund £27k should be borne in mind when setting a General Fund balance.

As the Council becomes more dependent on income, its net budget does not fully reflect the financial risks that it faces. So an additional 3% of budgeted income (excluding Housing Benefit) is also included as a component in determining the minimum General Fund level. This would provide an additional allocation of around 400k (based on income of around £13m).

In addition to the allowances above for non-specific unknown risks, an additional allowance is made for specific known risks. Specific risks are identified and classified as high, medium or low risk and allowance is made for a proportion of the risk value. For high risk items, 50% of the risk value, for medium risk, 25% of the risk value and for low risk items, 0%. This is regarded as an appropriate risk management approach to risk likelihood and value. When assessing these risks for 2021/22 there will be a need to reflect on the situation that is being faced during this year.

ANNEX 2 Roles and Responsibilities

The role of Councillors in this process is to:

- set vision and strategic direction
- agree the Council's high level objectives and priorities
- agree the specific projects to achieve the priorities
- agree the rolling MTFS including decisions on the time-frame to be covered, external influences to be considered and included, strategy for use of balances, assumptions regarding government support and the implications of doing so, income policy, capital strategy and setting indicative council tax levels for future years
- scrutinise proposals for funding prioritisation and de-prioritisation as set out by managers
- decide between options presented
- decide on options for increasing fees & charges where a proposed approach varies from that outlined in the income policy
- give due consideration to both the risks and opportunities of options as the council necessarily explores new avenues
- discuss savings suggestions and income generation proposals with relevant Officers.
- take a corporate overview of the budget position once decisions on individual prioritisation have been taken.
- set the level of Council Tax each year
- scrutinise and monitor the budget throughout the year

The role of all Officers is to:

- put forward suggestions for actions to deliver the objectives and new opportunities
- ensure that existing spend and new projects link to and deliver one (or more) of the Council's objectives
- manage services to deliver the actions in the plan within budget allocations
- explore alternative ways of delivering services, including assessment of risks and opportunities
- propose income generation and service transformation opportunities
- report on value for money and continuous improvement
- monitor the budget throughout the year and ensure spending is in line with policy requirements

The Senior Management Team and Leadership Team have the following roles:

- facilitates a critical review of existing expenditure. This involves reviewing the base position, challenging existing budget allocations and creating the ability to reallocate money to strategic priorities.
- reviews service areas in comparison to other authorities to determine opportunities for improvements and cost reductions, or to explain reasons for any differences.

- reviews bids for additional resources/ investments. All bids will be subject to detailed scrutiny before inclusion in the draft budget. The strategic priorities fund can be allocated by Leadership Team for short-term investments.