

**5d REFERRAL FROM FINANCE, AUDIT AND RISK COMMITTEE: 7 SEPTEMBER 2020
– MEDIUM TERM FINANCIAL STRATEGY**

RECOMMENDED TO CABINET:

That Cabinet recommend to Council:

- (1) The adoption of the Medium Term Financial Strategy 2021-26 as attached at Appendix A.

REASON FOR DECISION: Adoption of a MTFs and communication of its contents will assist in the process of forward planning the use of Council resources and in budget setting for 2021/2022 to 2025/2026, culminating in the setting of the Council Tax precept for 2020/21 in February 2021.

The Service Director – Resources presented the report entitled Medium Term Financial Strategy, including Appendix A.

- As detailed in the separate report the financial impact of Covid-19 on income and expenditure in 2020/21 was forecast to be around £4,708k against estimated Government funding of £3,550k, leaving a shortfall of £1,358k;
- There was also expected to be a shortfall on the Council Tax Collection Fund from the increased entitlement for Council Tax Reduction Scheme (CTRS);
- The MTFs had previously assumed net growth of 1% per year in the Council Tax base. This was based on housing growth and a stable CTRS eligibility. The actual assumption was that growth would be a bit higher than 1% but that some of this was needed to fund the additional costs associated with a new house (e.g. waste collection);
- Further delays to the Local Plan hearings and a general economic downturn meant that housing growth was likely to be suppressed;
- Whilst CTRS eligibility may start to decrease over time it would probably still be higher than previous levels;
- The current budget included 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 was only for one year; and
- 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 the future.

The following Members asked questions:

- Councillor Sam Collins;
- Councillor Michael Weeks; and
- Councillor Kate Aspinwall.

The Executive Member for Finance and IT responded to question as follows:

- As there was a larger base of people claiming Council Tax Reduction owing to Covid, it meant there was smaller amount of people to collect the same amount from, leaving the Council with an additional shortfall as outlined at Paragraph 2.7;
- Collection Rates were due for a discussion at Overview and Scrutiny. There was an issue with Business Rates. However, Council Tax was holding up well;
- The Service Director – Customers would provide a further update on collection rates;
- Brexit was not built into the assumptions as the risk was not yet known and there was a lot of uncertainty; and

- Long term planning was difficult owing to the pandemic and a new funding system.

In response to questions, the Service Director – Resources advised as follows:

- Council Tax Reductions would increase or remain the same;
- The Local Plan was not wrong in terms of housing growth. There was not certainly when the growth would take place;
- There was forecasted to be £6.4million in the dual fund reserves by the end of the period based on the assumptions; and
- The strategy would be amended if required should the situation deteriorate.

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NB: The report considered by Finance, Audit and Risk Committee at the meeting held on 7 September 2020 can be viewed here:

<https://democracy.north-herts.gov.uk/ieListDocuments.aspx?CId=146&MId=2454&Ver=4>