

Appendix 2

Updated Financial Assumptions within the MTFS

The key financial assumptions included within the MTFS are set out below:

a) Pay assumptions:

General pay inflation - assumed now increase in 2021/22, in line with the Spending Review proposal for public sector pay to be paused, but a 2.5% increase for each year thereafter.

Pension contributions - in line with other employers in the Local Government Pensions Scheme (LGPS) the Council makes an annual contribution payment to the Pension Fund to contribute towards the recovery of the deficit on the Fund. This contribution payment is set every three years as part of the triennial valuation of the Fund.

b) Other pay considerations

The estimated cost of pay increments has been built into the MTFS.

c) Inflation Assumptions

Inflation has been calculated for premises and transport related costs including utilities, business rates and fuel based on latest market intelligence and CPI forecasts from Central Government.

d) Flexible Use of Capital Receipts

The Council previously agreed a formal efficiency plan (Joint Transformation Programme). This enabled the authority to consider flexible use of capital receipts to finance qualifying expenditure. The use of these resources is 'one-off' and therefore does not form part of the Council's ongoing base budget.

The MTFS assumes the flexible use of capital receipts will continue in 2021/22, in order to fund or part fund delivery of the Recovery and Reset Programme. This will be on the basis that qualifying expenditure on a project will deliver ongoing revenue savings. Any new transformation projects that require the use of flexible capital receipts require full Council approval, and as such, an update will be provided as part of the final 2021/22 budget papers.

e) Fees and charges

The Council provides a wide range of discretionary services. It is expected that where possible a market driven pricing is to be applied to support cost recovery. The fees and charges report, also on this agenda, provides a detailed breakdown of the fees and charges increases for 2021/22.

Fees and charges assumptions will be fully reviewed in line with anticipated operational delivery and updated for the draft budget, which will include a full refresh of the Council's fees and charges schedule.

f) Funding

At the time of writing this report, it is anticipated that the final local government finance settlement for 2021/22 will be announced in January but currently no date has been provided. The provisional settlement was announced on 17 December 2020.

The Governments three year Comprehensive Spending Review was planned to conclude in July 2020, however, on 24 March 2020 the Chancellor announced that the CSR would be delayed 'to enable the Government to remain focussed on responding to the public health and economic emergency'.

On 21 October 2020, the Chancellor announced the decision to provide a one-year Spending Review in order to prioritise the response to Covid-19 and focus on supporting jobs. Details of this SR20 were published on 25 November 2020.

g) Grant funding

The Council no longer receives any Revenue Support Grant.

Grant funding for all services has been updated based on the latest announcements.

Additional Emergency Covid-19 grant income of £494k has been built in for 2021/22, as well as a new Lower Tier Services grant of £96k to help mitigate the reduction in core spending power.

h) New Homes Bonus

New Homes Bonus is paid on a 4 year rolling basis. Income from New Homes Bonus has been budgeted in line with the confirmed grant announcement, with a reducing balance over the medium term due to funding for earlier years dropping out. The MTFs has been updated to reflect current forecasts of house building activity.

i) Council Tax

Council Tax for 2021/22 is based on an increase of £5 (subject to Council approval). Future years are assumed to increase by 2%. The Council Tax Referendum level for 2021/22 remains unchanged from the previous year at 2% or £5.

The Council Tax Base (the number of Band D equivalent dwellings subject to Council Tax) for 2021/22 has reduced slightly, but for subsequent years no increases have been assumed at this point.

j) Business Rates

The Business Rates multiplier has been frozen at the 2020/21 rate, and there is no increase to the Business Rates baseline funding. The Business Rates collection fund is forecast to be in surplus at the end of 2020/21, and £420k has been built into the 2021/22 budget. The

final 2021/22 Business Rates income forecast (NNDR1) is still to be finalised therefore, income has been based on the latest information available.

It is anticipated that the Council's income from Business Rates will increase at an inflationary amount for future years after 2021/22. If there are significant developments undertaken within the District this is likely to increase future revenue in the form of growth. However, the timing and value of any benefit will be impacted by the baseline resets applied as part of the Business Rates Retention scheme

k) Business Rates Retention Pilot

The Council has for a number of years participated in a Business Rates pool with the local district and borough councils in East Sussex. The pool was successful in its application for a 75% Business Rates Pilot for 2019/20 and the Pool will continue for 2021/22.