Financial Plan (2021 -2031)

1. About this Plan

Our Financial Plan considers the General Fund [1] position and the Capital Programme [2], the third area of the Council's finances the Housing Revenue Account [3] is reviewed and monitored within its own 30 year Business Plan.

The purpose of this Plan is to define how the Council will structure and manage its finances over the next ten years in order to deliver services to residents and support the objectives detailed within the Council Plan.

The Financial Plan also links with other key plans and documents of the Council including Service Plans, Treasury Management Strategy and input from the Budget Setting and Capital Allocations Panel (Member Group) and the Council's Senior Management Team.

The Financial Plan requires the preparation of an annual Medium Term Financial Plan Model (MTFP) and is an essential part of the budget setting process. The MTFP provides a financial model and forecast of the cost of providing services over a rolling ten-year period, together with an estimate of the financial resources that are likely to be available to the Council. The process is designed to provide an early warning of any potential deficit in the required level of resources.

As well as considering the General Fund, the MTFP also reviews the affordability of the Council's capital investment programme, matching its forecast potential available funding against planned capital spending over a five year horizon.

The development of a ten-year financial model is based upon a number of assumptions and perceived risks which clearly become more difficult to predict as the period covered lengthens. However, as a broad principle the model has been developed on the basis of 'reasonable and prudent' forecasts and assumptions in accordance with sound accounting practice.

2. Fundamental principles

Underpinning this plan, the following fundamental principles have been adopted by the Council:

- To secure the financial stability of the Council as we continue to respond and recover from the Pandemic.

- Annually, a balanced revenue budget will be set with expenditure to be limited by the amount of available resources.

- The General Fund balance will be maintained at the adopted level.

1. The General Fund records day to day spending on the delivery of Council services 2. Capital Programme spending relates to the purchase or enhancement of assets, expenditure that has a benefit greater than a year. 3. Housing Revenue Account records spending on Council Housing and its landlord function.

- If required to balance the budget resources will be redirected from low to high priority services to meet objectives set out in the Council Plan.

- Council Tax increases will be kept within annually announced government guidelines to ensure a local referendum is not triggered.

In considering the capital budget, the Council will continue to follow the methodology of scheme scoring and prioritisation. The Council will also seek to maximise the use of its assets.

3. Financial background

Of recent years the most significant impacts on the Council's finances came from the Comprehensive Spending Review in 2010 and following Spending Reviews where the Government cut local authorities funding to tackle the financial crisis at the time.

The Council has seen a reduction in Government funding of 60p in the pound.

The MTFP has the added pressure of inflationary increases, continued low investment income, an increasing call on services, members' ambitions to enhance and improve services, a new commitment to a carbon reduction programme and the wish to keep to moderate increases in fees and charges.

These factors have shaped the finances of the Council over recent years and placed it in a continuing difficult position of setting balanced budgets.

The Council has a good track record of delivering balanced budgets, meeting its spending plans and Council Plan outcomes through careful financial management and planning ahead. Careful decisions have been taken where service savings have been made, initiatives taken in the areas of; asset management, shared service provision, systems thinking principles, the persuasion of customers to use more convenient and cost effective means of transacting with the Council, procurement efficiencies and income generation. These initiatives have been implemented with the overall arching principle to protect front line services to the public.

The Council has facilitated and encouraged business and housing growth in the district to deliver its ambitions and benefited in additional government funding through New Homes Bonus and extra Business Rate income.

A balanced budget was agreed by Council for 2020/21 despite a projected gap of £0.7m for the year alone, this was achieved as in prior years by following the themes originally contained in the Council's Transformation Strategy and then further refined to 3 key areas:

- Fit for purpose
- Commercialisation
- Careful Choices

There is now a new and significant risk to the financial stability of all Councils through the impact of Covid-19; for this Council this has seen in year unbudgeted costs and a significant decline in income obtained from customer receipts along with a reduction in the collection of business rates and council tax. The continuation of these financial risks are reflected in this Financial Strategy as we look forward.

It is time to reflect going forward on the right approach to balance the Council's budget determined by a new Council Leadership and dealing with and recovery from Covid-19.

4. Medium Term Financial Plan

The base for the MTFP is the 2020/21 approved budget and the current cost of ongoing services, adjusted to take account of a range of unavoidable costs such as pay increases, inflationary pressures, the implementation of any approved changes to the budget and any costs arising from new legislation and associated regulations or changes in resident demand. The MTFP takes account of any forecast variations in the level of both investment and fee income.

The Plan also considers and makes reasonable assumptions about the likely incomes from council tax and central government funding.

The MTFP is designed to model scenarios and to aggregate the sum of all potential financial inputs, to determine whether the Council will have sufficient resources to achieve its objectives, or indeed whether action is required to bridge a funding gap.
In formulating these calculations a number of assumptions have been made and a range of external influences considered. The various risks and pressures are detailed at the end of the Plan with commentary on their potential impact. Brexit was a substantial risk in considering the economic situation and implications on the MTFP but the consequence of the Pandemic is now the central concern.

Appendix A to the Financial Plan contains the summary page of the MTFP including an analysis of costs and inflation applied.

A similar exercise has been undertaken in respect of future capital expenditure, detailing the anticipated level of resources required, together with potential funding sources available to the Council to support its planned programme of works and where there are revenue implications these have been acknowledged within the Plan.

MTFP – Revenue Position

The position on General Fund services is detailed in the table below and shows the current year 2020/21 for comparison and forms the basis from which future assessments have been made. The 2020/21 position is the set budget, the implications effecting this budget are considered going forward.

Some key areas to note in this calculation:

- **Service Budgets** - This position is calculated based on current service provision adjusted where there are known resident demand changes, contract agreements or legislative requirements. This position does not include any growth in service or staffing to the Council's current service level with the exception of:

- Inclusion of a £50k annual budget for an ecologist position/ or the purchase of expertise when required. This is as a consequence of bio-diversity net gain requirement introduced in planning legislation.

- £195k has been allowed for the development of a Local Plan.

- A significant uplift of £615k per annum has been included as part of the next stage in the Recycling and Refuse Contract. There is also a £730k capital investment requirement.

- Work is still ongoing on determining the implications of the Council's commitment to a carbon reduction programme. The MTFP assumes a commitment ongoing of £323k per annum which although significant and beyond most Councils financial commitment it is short of the full requirement. Without government or other external support the Council does not have the financial ability to meet the full programme but the programme will be progressed and the Council will work to consider how the full agenda can be actioned.

- Service budgets and income budgets from fees and charges are assumed to return to pre covid-19 levels within the MTFP. This follows the 2020/21 budget monitoring position seen after "lock-down" ended. Additional financial assistance to residents dealing with recession it is assumed will come from existing schemes which are Government funded, implications of additional council tax support scheme costs has been accounted for. In terms of additional business support it is assumed this will be within the limits of specific reserves held for this purpose by the Council.

The Council's [2020/21 budget book] is a useful reference as it details significant information about the service provision currently provided; costs and income received, staffing resources involved in each area, the assets utilised and number of service users.

- **Government Funding General -** The 2020/21 Local Government Finance Settlement was a one-year spending round only. This put on hold reforms planned for 2020/21; changes to both the local government funding formula and the re-basing and implementation of a new business rate retention scheme. The settlement basically carried forward spending allocations from 2019/20 into 2020/21.

  The Government has announced it intends to undertake a full review of local authority funding for 2021/22. Although it has stated that changes to Business Rate Retention Scheme will not be introduced in 2021/22 it has indicated that additional growth being retained by Council's maybe considered.

  Understanding this funding position and the implication on other core funding mechanisms (Business Rate Growth and New Homes Bonus) is critical to determining the MTFP position but there is real uncertainty at the moment.

  The MTFP assumes a fall to baseline funding for the Council from 2022/23; taking away any growth in business rates (2020/21 budget £1.5m and assumed £2m in 2021/22) and the demise of NHB (2020/21 budget £1.5m). Should funding fall even lower it assumes there would be some transitional arrangements to phase significant decreases.

  The Government has in recent months acted to support local authorities through the financial implications of Covid-19 and has stated it will look to support and stabilise local government finances going forward. What this means in reality is unknown and until the Local Government Finance Settlement is announced (normal timescales of late November/early December) it will remain unknown which makes planning extremely difficult.

  To add to the complexity of planning ahead the Government is shortly to publish a recovery and devolution white paper which is likely to have an impact on the shape of local government going forward. No assumption of the outcome of this has been addressed in the MTFP.

- **Business Rate income -** this has been assumed under the existing arrangements; the 50% rate retention scheme. The Government had intended to introduce a 75% retention scheme from 2020/21, but this is still under review. The implication is likely to be the same level of funding but with greater incentive to retain additional growth above the Governments funding baseline. This has not been factored in and will be considered in further updates of the Plan. If introduced in this form then the impact is unlikely to be material in the early years of the Plan.

The MTFP assumes in 2021/22 the Council will be £2m above the baseline funding level (retained growth). This is still considered prudent and does factor in the recent decline in business rate collection through Covid-19. The Council does have reserves to mitigate losses if this level of income does not materialise.

- **Council Tax -** The Government has for a number of years determined rural district councils can increase their council tax by £5 a year or up to 2% whichever is the greatest before triggering a local referendum. This is the level of income the Government assess is available to the Council and the MTFP applies this increase annually. As a result of Covid-19 and reduced collection rates no surplus on the collection fund has been assumed and the base increase as been prudentially set taking account of lower growth and an increase in Council Tax Support costs.

- **New Homes Bonus (NHB) -** Income retained in the General Fund to support revenue costs has been included in budgets for a number of years at £1.5m. The scheme is ending in its current form with the annual amount reducing; this gives £1.5m available in 2021/22 then falls to £0.9m in 2022/23 and then ends. A replacement for NHB has been consulted on with the Government wishing to sharpen the incentivising of housing growth in the most effective way, no announcement of a replacement scheme has been made so no additional income has been included in the Plan at this time.

The MTFP shows a projected deficit for 2021/22 of £0.694m which then increases reaching £5.653m in 2030/31 as a deficit shortfall in the annual budget. Clearly this is an unsustainable pattern and not one that the Council will allow, this updated MTFP is in line with previous assessments and reports to Council. A summary position of the MTFP is given below.

Summary of MTFP-Revenue	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000	2030/31 £000
Net Service Costs	15,592	15,592	16,501	17,623	18,551	19,225	19,801	20,390	21,801	21,605	22,233
Amendments to base budget	-	376	537	378	115	0	0	90	(90)	0	0
Pay & Inflation and other inescapables	-	533	585	550	559	576	589	601	614	628	640
Net Budget Requirement	**15,592**	**16,501**	**17,623**	**18,551**	**19,225**	**19,801**	**20,390**	**21,081**	**21,605**	**22,233**	**22,873**
NNDR Gov't baseline	(2,667)	(2,721)	(2,775)	(2,831)	(2,887)	(2,944)	(3,004)	(3,064)	(3,125)	(3,188)	(3,251)
NNDR income above baseline	(1,500)	(2,000)	(300)	(400)	(500)	(600)	(300)	(400)	(500)	(600)	(700)
Rural Grant	(226)	(226)	(226)	(226)	(226)	(226)	(226)	(226)	(226)	(226)	(226)
Council Tax	(8,828)	(9,204)	(9,586)	(9,972)	(10,364)	(10,760)	(11,161)	(11,568)	(11,980)	(12,396)	(12,818)
External Interest	(857)	(656)	(650)	(675)	(800)	(825)	(825)	(825)	(825)	(825)	(825)
Interest/Loan Repayments	483	500	540	580	600	600	600	600	600	600	600
Collection Fund Surplus	(122)	0	0	0	0	0	0	0	0	0	0
Savings Target - Procurement	(70)	0	0	0	0	0	0	0	0	0	0
Reserves for one off expenditure	(305)	0	0	0	0	0	0	0	0	0	0
New Homes Bonus to support general funding	(1,500)	(1,500)	(922)	0	0	0	0	0	0	0	0
Agreed use of General Fund	0	0	0	(80)	0	0	0	(90)	0	0	0
Total Resources Available	**(15,592)**	**(15,807)**	**(13,919)**	**(13,604)**	**(14,177)**	**(14,756)**	**(14,916)**	**(15,573)**	**(16,056)**	**(16,635)**	**(17,220)**
Annual Budget Shortfall if no action taken	**-**	**694**	**3,704**	**4,947**	**5,048**	**5,045**	**5,474**	**5,508**	**5,549**	**5,598**	**5,653**
Cumulative financial position for information only as Council is not allowed to take forward a deficit position – expenditure needs funding in year.	**-**	**694**	**4,398**	**9,345**	**14,393**	**19,438**	**24,912**	**30,420**	**35,969**	**41,567**	**47,220**

This row shows the shortfall in the <u>annual</u> budget assuming no action is taken.

As stated if no action is taken to reduce budgeted expenditure and/or increase budgeted income then there will be a projected budget shortfall in 2021/22 of £0.694m. This gap in the annual budget grows to £5.653m by 2030/31 at the end of the MTFP period.

However, the Council is unable to set an unbalanced budget, therefore the table below is more useful in looking at the budget gap on the basis that each year's shortfall will be found in turn by reducing expenditure or increasing income in the Council's budget (with a permanent effect). Thereby the shortfall below represents what is required to be found each year.

Table: MTFP Model – Annual budget shortfall assuming previous year's shortfall was found.

General Fund	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000	2030/31 £000
Budget Shortfall	694	3,010	1,243	101	(3)	428	35	41	48	56

The model identifies the pressures and influences on the Council's revenue budgets and highlights a shortfall between the Council's spending requirements and the amount of finance available. Actions will need to be taken to meet these shortfalls and the need to keep finding savings year on year is not to be underestimated.

A clear message from the Plan is there is a need to address the funding gap and there are no resources available for growth unless capacity is found through a combination of; reprioritising spending, the achievement of savings or increased income.

There will be additional service expenditure raised during the annual budget process but within this Plan only unavoidable costs have been included. Debate on these additional items will be held during the budget process and prioritisation of spend considered against existing service spend.

MTFP Revenue - The Way Forward

Previously presented to Members' alongside the Financial Plan was the Council's Transformation Strategy which played an integral part in meeting our deficits in the past.

The Transformation Strategy was then developed further into three main themes:

- Fit for purpose – continuous review of the staffing structure to ensure the right posts are in place to support the objectives of the Council and ensuring the Council was being operated efficiently and effectively.

- Commercialisation – This was ensuring the Council looked to maximise income generation from new or existing areas where it was seen customers would value and pay for a service which in turn would generate a profit to help support the overall costs of running the Council. Also linked to this theme was the Council's investment framework.

- Careful Choices – This was a process of explanation to residents of the financial position of the Council, the cost of services provided and determining prioritise of the public and non-prioritise where costs could be saved.

A combination of the Pandemic, Government intention on tightening property investment and a new Leadership of the Council requires these areas to be reconsidered to determine if this is still the appropriate approach to balancing the Council's budgets. There are elements/actions within these headings that members are likely to be content on progressing but they do need debating.

This Strategy proposes a two stage approach which is linked to understanding the cause of the MTFP funding gap and reflects the current uncertainty of Government funding for local authorities and possibly even the shape of local government going forward.

There is a funding gap of £4.9m up to the next District election (2023/24), the assumed change in funding of Business Rates and NHB accounts for £3.1m of this shortfall.

General Fund	**2021/22** £000	**2022/23** £000	**2023/24** £000	**Total**
MTFP Budget Shortfall	694	3,010	1,243	4,947
Change in Business Rates & NHB	*0*	*2,278*	*822*	*3,100*
Underlying MTFP shortfall – service costs increasing above income generation	*694*	*732*	*421*	*1,847*

The changes in funding are uncertain in terms of extent and timing and although likely to be implemented to a degree or to its full extent it puts the Council in a precarious position of having to make significant savings and likely service reductions without being certain on the level and timing of savings required.

It is proposed that the funding gap is addressed in terms of the underlying MTFP shortfall at this stage and although plans should be considered for the larger deficit sum actions are held until there is clarity on timing and extent.

To mitigate and de-risk this approach It is recommended that Council create a new reserve from additional business rates received in 2019/20 (details contained in 2019/20 Outturn Report to Cabinet on 30/9/20) of £2m. This reserve to be used to mitigate and de-risk the implications of the Government funding changes until the outcome is known and can be planned for appropriately. Having such a reserve can then buy time, if required, to fund a sudden fall in funding whilst the Council reshapes its budget, but at a time and to a degree that's required instead of progressing at this point when there are so many uncertainties.

The immediate shortfall in 2021/22 is estimated at £0.7m this is part of the underlying funding gap and needs to be addressed in preparation for the 2021/22 budget. There are actions previously raised that need to be debated and with member agreement could meet this gap; Fit for Purpose proposals, commercialisation and better use of assets (public conveniences, car parks – reviews in progress) or other areas members may wish to bring forward. Progress on these proposals will be considered through the Budget Setting and Capital Allocations Panel before formalising in reports to Council.

Capital

The Council maintains a programme of capital expenditure designed to improve a wide range of community facilities and local infrastructure. The forward funding projections below only include rolling items and projects identified early by managers; **there will be proposals missing from this list** that will need to be considered for funding out of available resources.

There will be a disparity between the Council's capital spending aspirations being greater than the amount of finance available. In producing these figures agreed principles have/will be applied:

- Capital works associated with the Housing Revenue Account are self funded; these costs have been included in the HRA business model. Any capital receipts generated from the HRA are used to finance HRA expenditure.

- A capital bid process is in place whereby appraisal forms are completed for each scheme and a scoring methodology applied to prioritise expenditure within resources available. This prioritisation is overseen by the Member Budget Strategy & Capital Allocation Panel.

MTFP Model – Capital Expenditure and Funding Position

	2020/21 £000	**2021/22** £000	**2022/23** £000	**2023/24** £000	**2024/25** £000
Net Capital Expenditure	15,510	6,721	4,717	4,717	5,148
HRA Financing	(4,906)	(4,906)	(4,906)	(4,906)	(4,906)
GF Capital Receipts	(100)	(100)	(100)	(100)	(100)
External Interest	-	-	-	-	-
New Homes Bonus – allocated	(2,054)	(70)	-	-	-
Sec 106 & Grants	-	-	-	-	-
Project Reserves	-	-	-	-	-
Capital Reserve	-	-	-	-	-
Net Internal/ External Borrowing	(8,450)	(1,645)	(289)	(289)	(142)

The Programme expenditure includes only those schemes already approved by Council and rolling items such as; the provision of statutory disabled facility grants, the public toilet renovation programme, equipment replacement for street scene services and housing improvement schemes (fully funded by HRA contribution). **Bids will come through the annual budget process giving a different picture to that given above and there will be choices to make in order to keep expenditure within resources available.**

The position on internal/external borrowing over the period requires net funding of £10.815m, however the Council's internal borrowing position improved significantly in 2019/20 through a large capital receipt whereby the Capital Financing Requirement compared with external borrowing moved from under borrowed position of £7.275m to a £1.054m over borrowed position. The implication being significant borrowing has not been required to be factored in to the MTFP revenue position based on the above position.

Key issues to consider for this Plan in terms of capital are:

- Only rolling items, or early request for items, have been included in the MTFP with headroom for essential year on year requests. No amount is included for future coast protection or flood prevention schemes. If any schemes do come forward, it is assumed they will attract Government funding if of high enough priority.

- Any scheme inclusion in the Programme over and above this core annual expenditure needs to be considered carefully for inclusion in future programmes on a case by case basis to determine if they meet corporate objectives and, if they can be self funded, evidenced in a business case or delivered in conjunction with other agencies/partners. Some schemes will come with no funding but may still be required to be funded due to their nature.

- New Homes Bonus monies allocated to the Capital Programme represents the Balance available after deducting £1.5m to fund the General Fund and it is assumed the grant scheme is ending.

The Way Forward – Capital programme

- There is a clear necessity for the continuation of the member Panel to consider the allocating of capital resources against competing capital scheme bids.

- The programme needs to be populated with realistic expenditure estimates into the future; further work has been undertaken on Council assets costs and these can shortly be populated into the Model but further work is required with other services managers across the Council

- The Project Management Guidelines will continue to be used to inform the capital bid process through detailed capital appraisal forms and Initial Project Proposal Document (IPPD). With the continued monitoring of progress on key projects through the Council's Strategic Management Team and member Panel.

EXTERNAL INFLUENCES AND KEY ASSUMPTIONS WITHIN THE REVENUE MTFP MODEL

- **Inflation**

  Inflation rates used are indentified in Appendix A of the MTFP attached. Although the financial model is based upon what are believed to be a series of prudent assumptions, there is inevitably a risk that some or all factors applied could be inaccurate. The table below summarises the impact of any such inaccuracies that would have a detrimental effect upon the financial plan:

Financial impact of changes in inflation assumptions 2021/22.

Factor	**MTFP Predicted Inflation Costs** £000	**Worse by 0.5%** £'000	**Worse by 1.0%** £'000
Pay, N.I & Pension & other employee costs + other costs	678	156	312

- **Investment Returns**

  The approach adopted, of budgeting for investment income remains prudent. Investment return predictions have been factored in to continue at less than 1% with a modest increase starting to be reflected from 2023/24 this is materially effecting the position should this not occur. Investment income in 2021/22 has been lowered as base year includes an increase for property investment that was not undertaken.

- **Council Tax Income**

  The MTFP follows recent Government practice of allowing a £5 a year increase.

Financial impact of changes in council tax levels (2021/22).

Level of council Tax increase	Predicted council tax income	Loss of income in MTFP

	£000	**2021/22** £'000
Council tax yield at £5 (3.4%) increase	(9,204)	Nil
Yield at 2.0%	(9,079)	125
Yield at 1.0%	(8,990)	214
Yield at 0.0%	(8,901)	303

This calculation shows a one year effect, this reduction would be lost each year going forward plus the opportunity to increase the level in future on a higher base.

- **Cranbrook & other development**

  The expected build rate for Cranbrook has been considered along with service cost implications. Areas such as recycling and refuse collection and street cleansing have been included in the Plan when expected demand requires a stepped increase in cost. Other planned development in the area has been considered alongside these figures. No new large scale development has been factored into the Plan.

- **New Homes Bonus**

  Details are covered in the main Strategy the risk in income being below the projections are unlikely as they are based in the main on current known taxbase numbers. The Plan assumes the demise of the current scheme with no income being reflected on a possible substitute scheme. Any such scheme will have positive implication on the MTFP both revenue and capital but no projections can be made on this until Government outline any replacement scheme.

- **Business Rate Income**

  The risks associated with Business Rate income has been covered in the Strategy, including the Government's intention of business rates rebasing. A £2m additional benefit has been budgeted in 2021/22 for additional rates above the Council's baseline, this is the sum that will be budgeted and if the actual amount is less through a reduction in assessments or collection of income drops than the difference will be met from the Business Rates Volatility Fund which has a current balance of £0.639m.

  Should the Government suddenly rebase for 2021/22 (unlikely but a risk that needs to be considered) then the proposal of setting up a MTFP Risk Reserve of £2m will be used to mitigate this for the year.

- **Brexit**

  The risks considered for local authorities centre around:

  Direct EU funding – the most obvious financial impact of Brexit for local areas is the loss of future EU funding, predominantly the European Structural and Investment Funds. EDDC currently have no bids planned.

Inward investment – It is unknown how multinational companies will view the UK's attractiveness as a base for investment post-Brexit. At best, there is likely to be a delay in the creation of the associated new jobs as plans are reviewed, and at worst those jobs may go elsewhere and existing employers may relocate. There is risk in particular around the growth point area particularly around attracting oversees companies onto the science park. The immediate effect on the MTFP would be around business rate income projections as highlighted below.

Business rate income – with the local retention of business rates, councils' own financial sustainability will increasingly depend on their ability to retain and grow rate-paying businesses. In addition to the inward investment risk already mentioned, councils are more financially vulnerable than before to the ebb and flow of the macroeconomic tide. A pragmatic and prudent approach has been taken in projecting rate income based on previous experience and the knowledge of site availability in the District. This area will be monitored carefully for future refreshes of the Plan.

Demand pressures – the unpredictable impact of Brexit on demand for council services may complicate the management of spending reductions in the coming years. The longer term impact on demand will depend on how well each local economy fares, but there have already been reports of worrying increases in hate crime, requiring a response from local authorities and their partners. To date this has not impacted this Council and no allowance has been made in the Plan for these factors.

Investments and borrowing – The Treasury Management Strategy ensures we monitor the credit ratings of the limited number of deposit takers meeting our stringent investment criteria. In addition, the downgrades to the UK's rating haven't yet led to higher borrowing costs, but this is a risk that will be monitored.

Impact on pension fund deficits – pension fund deficits are already a volatile material liabilities on local authority balance sheets. In the short term the impact of very low bond yields is likely to drive up the deficits but to date there has been resilient asset valuations.

Supply of Labour – certain sectors have seen worrying trends in the reduction of labour from abroad however this is not seen as factor effecting this Council. The risk could be around the building industry should the Council enter into future large construction projects.

- **Covid-19**

The direct effect of Covid-19 on the Council's finances has been presented to members relating to the current financial year 2020/21 and the continuation of the implications in income areas and additional costs has been reflected in the MTFP. The key direct risk is a return to lockdown restrictions in the period the Plan covers from April 2021/22 onwards and although in the main modest income flows have been included in the MTFP this would have a detrimental effect. The assumption is made that Government would give direct financial support as is currently the position.

There are wider implications on the District, its residents and businesses in terms of a recession as a result of Covid. The implications will have to be determined in time with the Plan updated as necessary – Additional welfare support and vulnerability assistance being given by the Council is currently in the main being funded through additional Government monies and it is assumed this will continue rather than a direct significant cost to the Council. The Council has available monies it has set aside to assist with economic sustainability in the District that it will have to determine how best to deploy but the Plan assumes additional costs will not be over and above what is available.