

MEDIUM TERM FINANCIAL STRATEGY

2022/23 TO 2025/26

(Version produced in October 2021)



MEDIUM TERM FINANCIAL STRATEGY

Introduction

The Medium Term Financial Strategy (MTFS) is one of the key strategies of Folkestone & Hythe District Council and is a four year strategy that sets out in financial terms the Council's commitment to provide services which meet the needs of the people locally and that represent good value for money.

This document sets out the key challenges and approach of the Council in relation to the Council's MTFS and it provides an integrated view of the whole of the council's finances and it also maps out the objectives to be secured, policies to be applied and risks to be managed over the period. It links the Council's vision and priorities with its financial budgets and details how the Council's finances will be structured and managed to ensure that this fits with, and supports, the priorities of the council and its partners.

Since the introduction of austerity in 2010, local government has taken a disproportionately large share of the reductions in public expenditure as part of efforts to balance the nation's finances and the previously integral part of Local Government funding that was Revenue Support Grant is now a thing of the past for the District. The local and national picture in 2020/21 and 2021/22 has been heavily influenced by the pandemic. Whilst the Council received a substantial amount of government funding in 2020/21 and some funding in 2021/22 this strategy assumes there will not be a requirement for further lockdown and no specific additional expenditure relating to COVID-19 has been incorporated in the plan. A prudent view has been taken in the assumption that income realisable from sales, fees and charges will return to pre COVID levels. There are no commitments regarding any further longer term COVID funding for local authorities.

Medium Term financial planning is critical in ensuring that the Council has a clear understanding of the level of available resources, the costs of delivering services and plans for new projects and services. This financial planning facilitates strategic choices around service delivery, efficiency and service reductions. The MTFS informs the annual budget process and the Council has a legal requirement to set a balanced budget each year.

The Government's Spending Review 2021 (SR21) was announced on 27 October 2021 alongside an Autumn Budget and it sets out the Government's spending priorities, resource and capital budgets and devolved administrations' block grants for 2022/23 to 2024/25. Key measures announced in the Spending Review for local government included:

- Council tax thresholds will remain at similar levels to recent years, with the threshold for "core" council tax increases remaining at 1.99% (and the adult social care precept by a further 1%). Confirmation of the thresholds will be in the provisional settlement.
- Local government in England will receive an additional £4.8bn increase in grant funding over the next 3 years (£1.6bn in each year).

- There were various smaller allocations within the core funding announcement, including £200m for the “cross-government Supporting Families programme”, £37.8m for cyber security, and £34.5m to “strengthen local delivery and transparency”.

There were no announcements about local government funding reforms (Fair Funding Review or business rates changes) and so it is anticipated that they have been pushed back to at least 2023-24 if not later. Therefore the longer term funding picture continues to remain unknown.

In response to the financial challenges experienced in the last ten years, local government has innovated, streamlined services and increased productivity over recent years. The Government’s plans to devolve more responsibilities to local government through the localisation of business rates have been delayed. The devolution of business rates is intended to be fiscally neutral but the details of how this will work are currently being developed alongside the Fair Funding Review, which has, again, been delayed this time due to COVID-19 and previously due to Brexit. This will bring both risks and opportunities for the council and we will report upon it once the details have been announced.

The MTFS is a critical document in setting out the council’s approach to establishing a strong financial base to enable the council’s policies and priorities to be delivered whilst ensuring the council’s finances are sustainable. Within the document are some key issues which will need to be tackled. The annual budget setting process will set out the detailed actions required to meet these but will in all cases be consistent with the direction and objectives of the MTFS.

Folkestone and Hythe Council - the Current Position

Folkestone and Hythe Council is a coastal district in south eastern England and home to a diverse collection of towns, villages and environments. It covers an area of 140 square miles and has a population of just over 100,000 people with approximately 48,200 dwellings in the district. The majority of the residents live in urban areas (67%) with the remaining 37% to be found living in rural areas. The council has responsibility for a wide range of services including waste collection, planning, environmental enforcement, housing and homelessness, parking and grounds maintenance. In 2021/22 the council planned to spend approximately £18.0 million per annum net revenue expenditure on services.

Challenges for the council to consider when establishing its priorities and financial strategy include, but are not limited to: considerable deprivation relative to the national average but with significant inequality within the District; rural areas have poorer access to services and facilities; the district suffers from high levels of disability/long term illness, reflecting, in part, the relatively high proportion of older people living in the District and bringing associated demands on local services; an increasing demand for housing is outstripping supply and there are rising house costs particularly in the private rental market as well as high demand for affordable housing and increasing levels of homelessness.

The Council’s Aspirations

Following a period of public consultation, the Council has outlined its vision and strategic objectives in the new Corporate Plan 2021/2030 – Creating Tomorrow Together:

-

The plan is focused on four service ambitions, positive community leadership, a thriving environment, a vibrant economy and quality homes and infrastructure and by 2030 will have achieved the following:

Creating Tomorrow Together

-
- **Positive community leadership** – local leadership in community services will be recognised for the vital contribution in creating a sense of place, health and wellbeing. This will be a shared ambition with partners across our communities. Local leadership will address many of the inequalities that exist between our communities and we will have improved access to services in our most deprived neighbourhoods. A strong and distinctive sense of place will prevail.
- **A thriving environment** - we will be recognised as an outstanding place and known as a green exemplar council. Across the district, we will ensure excellent accessible open spaces for all. We will have invested in green infrastructure to enhance our superb natural environment and the council itself will generate net zero carbon emissions.
- **A vibrant economy** - Folkestone & Hythe will have a thriving, distinctive and dynamic economy. It will have capitalised on major investment, will have responded positively to the structural challenges facing high streets, and will enjoy a diverse range of economic opportunities in its towns and rural areas. Building on its excellent connectivity it will attract more, higher-value employment, driving aspiration and demand for skills.
- **Quality homes and infrastructure** - Residents in Folkestone & Hythe will have better access to a wider choice of homes. New development will embrace high standards of sustainability and the district will be delivering planned, high quality housing with the necessary infrastructure to meet identified need, anchored by an ambitious new Garden Town at Otterpool Park.

At the heart of everything the Council does, it wants to build sustainable, resilient and prosperous communities and has set out six guiding principles to run through all activities, they are:

- **Locally Distinctive**
- **Sustainable Recovery**
- **Greener Folkestone & Hythe**
- **Transparent, Stable, Accountable & Accessible Working effectively with partners**
- **Continuous Improvement**

The Council has also developed a detailed action plan which provides focused for the coming three years and outlines the outcomes anticipated to be delivered over that period relating to the Corporate Plan service ambitions.

The Council will continue to deliver a range of major projects as outlined in the plans and initiatives focusing on putting the community and our customers first, whilst ensuring our financial stability, and continuing on our journey of service improvement alongside realising development projects at sites including Mountfield Industrial Estate, Biggins Wood and ultimately, Otterpool Park – a garden town for the future.

Strategic Financial Objectives

The MTFs covers all areas of the council spending and is underpinned by the strategic financial objectives as set out below:

- To maintain a balanced Budget such that expenditure matches income from Council Tax, fees and charges, and government and other grants and to maintain that position.
- To maximise the council's income by setting fees and charges, where it has the discretion and need to do so, at a level to ensure at least full cost recovery, promptly raising all monies due and minimising the levels of arrears and debt write offs.
- To ensure a long term sustainable view is taken of any investments and the appropriate risk analysis is provided in considering those.
- To set a rate for Council Tax which maximises income necessary for the council to deliver its strategic objectives but ensures that government referendum limits are not exceeded. The percentage increase will be reviewed annually.
- To ensure resources are aligned with the council's strategic vision and corporate priorities.
- To safeguard public money and ensure financial resilience..
- To maintain an adequate and prudent level of reserves.

The council faces a number of difficult decisions if it is to achieve its corporate priorities. Effective prioritisation and management of resources therefore continues to remain significant for the coming years.

Supporting the production of the delivery of sound financial planning for the Council are several Council wide documents and programmes including:

- The Corporate Plan 2021 – 2030 ‘Creating Tomorrow Together’
- Council Constitution, Part 10 – Financial Procedure Rules, Contract Standing Orders and Auditing the Council
- Economic Development Strategy
- The Medium Term Financial Strategy
- The HRA Business Plan
- Housing Delivery Action Plan
- The Council’s Capital Strategy and Investment Strategy (Treasury Management)
- CIPFA Financial Management Code self-assessment and action plan
- The investment in longer term strategic developments to secure the financial future of the council
- The development of the garden town at Otterpool Park with a long term financial benefit for the council and establishing sustainable communities for the future
- Otterpool Park LLP Business Plan
- The Folkestone Place Plan
- A sustainable and prudent reserves policy to underpin the financial resilience of the council

An MTFS stress testing exercise is being undertaken alongside a self-assessment against the CIPFA Financial Management standards and review of CIPFA’s financial resilience index.

The range of documents and approaches provides the overall strategy of the council in delivering its future agenda and as a combination they are owned by the council as a whole. This MTFS brings together the financial strands of that approach in the context of the current financial climate.

Budget Process

The MTFS represents an overarching view of the finances of the organisation. It is the document that takes a medium term look at the financial environment the Council is operating in and looks to anticipate future demands and pressures so the Council can take longer term decisions over its financial sustainability. In addition to this, there are a number of key documents which contribute to the overall financial health of the organisation. These are:

- The Budget Strategy. This is produced on an annual basis and sets out the strategy for setting and managing the budget for the following financial year. It is here the detailed decisions on expenditure are taken including determining key growth and savings and fees and charges for the year ahead.

MTFS assumptions are also refined for further details where these are available.

- The detailed revenue estimates. These are the operational detail for the following year's budget and form the basis of the following years budget monitoring and management.
- The Medium Term Capital Programme. This sets out the Council's capital expenditure plans over the medium term. This also informs the revenue budget of the costs and implications of any proposed developments.
- The Housing Revenue Account. This sets out the annual capital and revenue budget for the Council's housing stock and links to the 30 year business plan.
- The Treasury Management, Capital and Investment strategies. These documents set out the approach to managing the cash available to the Council and how to maximise its value to the Council. They also consider all of the Council's investments and plans to achieve future returns over the longer term.
- Fees and Charges. This sets out a corporate view of the fees and charges which are levied by the Council for consideration each year.

Together these reports lead to the final council tax setting report and the agreement of the budget for the following year.

Financial Pressures and Projections

Recent years have seen significant shifts in funding for the local government sector. The spending review in 2015 confirmed a transition away from direct central government grant and for Folkestone and Hythe the grant was consistently reduced from £4.901 million in 2013/14 to nil. This is in line with the government's intention to see more money raised locally to provide local services.

Further delays were announced in April 2020 to the government's major review of the funding of local authorities known as the Fair Funding Review. The review was anticipated to make major changes in the structure of local government finance including local business rates retention at 75%, a revised allocation of resources and new arrangements to replace the New Homes Bonus to reward those Councils which support home building. A one year spending review (CSR) (SR21) was announced on 27 October 2021 alongside an Autumn Budget and it set out the government's spending priorities. Whilst this position provides a steer the impact for the Council is not known fully until the Provisional Local Government Finance Settlement is announced in December. .

The degree of uncertainty to the projections made within the MTFS identified last year remains. Funding will need to be carefully monitored as announcements are made and factored in to plans, once available.

The pandemic and its fundamental impact upon the council's financial position and wider economic environment have added further to the complexity to the assumptions within this version of the MTFS. 2020/21 was significantly influenced by the pandemic with significant reductions in fees and charges income, collection fund income and

additional cost pressures within a number of service areas. The Councils financial recovery from the pandemic in 2021/22 has been strong with income and collection rates recovering at a steady rate. The MTFS continues to consider the trends both of the initial impact of COVID-19 and also the recovery to map out the potential impact during the term of the MTFS. The 'most-likely' scenario mapping in 2021/22 assumed a two year economic recovery period for factors affecting the Councils own financial position. Additional economic factors have also been considered in this MTFS, inflation is currently rising, supply and demand has led to cost price increases and utilities costs are increasing significantly at this time.

Acknowledging the future uncertainty, the forecasts set out below have recognised the current service levels plus any known and agreed variations. They are based on a continuation of those service levels and reasonable assumptions in relation to pay and price inflation and other known pressures. The forecast is based on a mid-range scenario and will need to be updated in line with government announcements and as new information becomes available. The current forecast, set out at Table 1 below, identifies the ongoing pressure the Council is facing:

Table 1 – Medium Term Financial Forecast

Financial Forecast	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Deficit / (Surplus)	1,596	2,559	933	664
Cumulative Deficit	1,596	4,155	5,088	5,752

A more detailed presentation is attached at Appendix 1. Some of the underlying assumptions and drivers are set out in the paragraphs below:

Council Tax

Council Tax is one of the key funding streams for the council and accounts for approximately two thirds of the Council's income. Although this is a significant funding source, it is subject to restrictions by central government. The Localism Act included a requirement to hold a local referendum if any Council Tax increase is deemed 'excessive' and this level is currently set at 2% by central government, or £5 for a district council. Final details will be confirmed when the Local Government Finance Settlement is announced later this year of the referendum limit for 2022/23, but it is anticipated to remain at this level of increase.

The MTFS has assumed an ongoing Council Tax increase of 2% per annum however this will be subject to a Political decision on an annual basis dependent on circumstances in that time. A 2% increase in council tax, based on the revised council tax base and other adjustments, will raise approximately £200k for the Council in 2022/23, which is approximately 1% of net revenue spend (excluding Town and Parish precept costs).

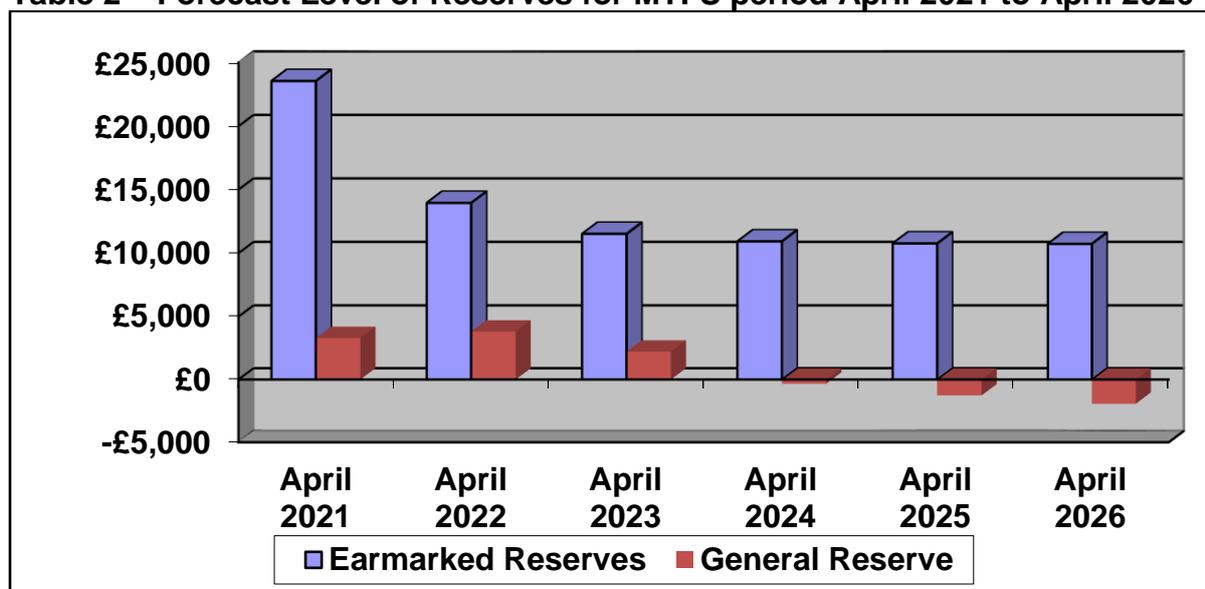
Use of Reserves

The council has a level of reserves which provides it with some protection against the difficult economic times and short term gaps in funding. The level of reserves currently held by Folkestone and Hythe gives it a secure financial base however it is important to have an appropriate balance between supporting the financial position of the Council and planning the delivery of services. The Council has identified specific uses for much of the reserves including setting aside sums to support the regeneration of High Streets and sums to support the Council's carbon net zero ambitions amongst other key priorities. Whilst the Council will seek to continue to add to earmarked reserves and seek to deploy them for their intended purpose, in the current financial climate it may be necessary to deploy reserves for other important needs.

Appendix 2 to this report sets out the council's overall reserves policy and the context in which decisions are made as to the appropriate level of reserves.

The council's prudent approach to reserves means that a number of investments have been made using reserves to support initiatives such as Oportunitas (a company wholly owned by Folkestone & Hythe District Council to provide more homes for local people and to promote new employment and housing opportunities across Folkestone and Hythe) contributions towards Mountfield Road Industrial Estate and the acquisition of Folca. Table 2 below shows the forecast level of reserves for the period of this strategy.

Table 2 – Forecast Level of Reserves for MTF period April 2021 to April 2026



New Homes Bonus (NHB)

The New Homes Bonus was introduced in 2011/12 and has become an important funding source for councils. It is designed by Central Government to incentivise new house building. Local authorities are rewarded with a financial bonus, equal to the national average Council Tax on each additional property built and paid for the following six years after the occupation as a non-ring fenced grant. This bonus is currently split in two tier areas 80% to the District Council and 20% to the County Council and includes where properties which have been empty for more than six months are brought back into use. There is also an enhancement for affordable homes.

The government set out its intention to end New Homes Bonus, however with the delays to the Fair Funding Review its future for 2022/23 and beyond remains unclear. The intention is to replace this mechanism with a different means of incentivising and rewarding housing growth. The detail of this is unknown at this time so the MTFs does not assume any further awards in this respect apart from the residual amount of £493k which is due to be received in 2022/23. At present, Folkestone and Hythe has a reserve of previous New Homes Bonus awards of £2m (plus the £493k to be received in 2022/23) to fund the additional cost of services over future years, with a proposal to utilise £1.2m in 2022/23. This reserve will deplete if the current arrangements come to an end with no compensating alternative.

Business Rates (Non Domestic Rates)

From 2013, the government introduced a scheme through which local authorities would be able to retain a proportion of any business rates growth above a set baseline. The purpose was to give local authorities a financial incentive to encourage and foster economic growth within their area and to work collaboratively with other authorities and business organisations to achieve that growth. Whilst this scheme has been broadly welcomed by local authorities, there are concerns over the potential volatility of this income stream with the level of appeals and that even a small variation in the overall revenue generated can carry a significant financial impact. The government is currently undertaking a review of how business rates operate and has stated its intentions to achieve 75% localisation of business rates, the commencement of this proposal has been delayed due to the pandemic.

With regard to the MTFs, the Council has welcomed the emphasis on economic growth but has been cautious about building this into the base budget. Part of this is due to the impact of appeals and the volatility of the income which makes it more complex to forecast. Where possible, any surpluses have been placed within a reserve until there is a degree of certainty that they can be used which may well not be until the following financial year. This is prudent management to manage the natural fluctuations of the business cycle.

The role of business rates in the funding of the Council will be affected by the Fair Funding Review. The full impact of this will only become clear as proposals are developed, possibly in 2022. This adds a further element of uncertainty to the projected position and suggests caution is needed in any future projections.

Climate Emergency

The Council formally recognised, in 2019, that there is a climate & ecological emergency and has agreed to commit to a number of activities which will reduce its carbon footprint and which will move towards a carbon neutral district. A Working Group has been established to consider the options and implications and an Action Plan for our own estate has been adopted and a district wide strategy is anticipated to be created during 2022. The Council has allocated funds to an earmarked reserve to manage the financial implications of the actions required and facilitate progress on the agenda. The Council has a Climate Change reserve and this reserve currently holds £4.54 million.

Future Strategies

The current forecast means that there will need to be significant work undertaken to address the forecast deficit over the term of the MTFS. Set out below are some of the key areas to be developed through the 2022/23 budget strategy and beyond to address those financial challenges.

Continuous Improvement: The Council has established a new working model that aims to improve service delivery, improve resilience and improve efficiency. It has undertaken a major review of its operations and has worked to radically change how the Council operates and its relationship with its customers. The Customer Access Strategy, supported by the Digital Strategy, seeks to set out the council's approach to that relationship, embracing new technology and the benefits of the digital age whilst also ensuring those most in need are well served.

Strategic Investments: The Council is looking to take advantage of its position with a number of developments to produce financial returns whilst at the same time supporting the delivery of housing and regenerating parts of the district.

Bigginwood was acquired with the objectives of boosting the local economy, increase job opportunities and providing more homes (including affordable homes) and is anticipated to deliver 77 residential units, 660m² of commercial office units and 5,142m² of light industrial units.

The Council has recently delivered a very successful beach huts project in Folkestone and Sandgate, and now has approval to move forward in 2022/23 with a further scheme in Coast Drive, Greatstone.

The largest development is that of the proposed new town at Otterpool Park and options are being explored to generate future revenue and capital streams. A full financial model was completed in 2019 to consider the long term potential returns from the development. During 2020 the Council acquired its partner's stake in the site and now has full control of the project. Also during 2020 the Council established a Limited Liability Partnership (LLP) to manage the delivery of the project. The LLP's first Strategic Business Plan was approved by the Council in January 2021. The Business Plan is being reviewed and will be reported to Council in January 2022.

The draw-down of funds from the Council will be linked to key milestones contained in separate detailed funding agreements which will be the subject of expert advice to be commissioned by the Director of Corporate Services (the S151 Officer of the Council) to regulate the milestones for draw down, the terms for repayment, security, and all other provisions which it would be prudent to include.

For the first time, this MTFFS incorporates income from Otterpool Park, which is represented as interest on the loans the Council will make to the LLP to facilitate infrastructure and land acquisition. As outlined within the risks, this is a volatile area with many dependencies affecting the financial position, as the sums are significant they do have a significant impact upon the MTFFS itself so will be monitored closely.

A **financial review** of previous years' outturn and our base budget to ensure maximum value is obtained from those resources already allocated – effectively to ensure financial discipline and good housekeeping are maintained. This is a fundamental annual review of our current operations in order to maximise the use of our current resources.

Using **reserves** in a sustainable and prudent manner to support the council's strategies and priorities. These are informed by the reserves strategies at Appendix 2 and it is recognised that these can only be used on a "one off" basis. However, they can play an important part in supporting initiatives or investments which can produce benefits in the future. The current financial climate means the Council may need to utilise reserves in the short term to protect front line services whilst its longer term plans are brought to a conclusion.

Using opportunities as they arise including government initiatives or incentives. In particular, the Council will seek to participate in the Business Rates Pooling scheme to maximise the financial benefit from this area. It has utilised Flexible Capital Receipts where possible to fund the transformation programme and to take pressure off the revenue account. All these are managed on an ongoing basis.

To maintain the council's financial standing it is important that it continues its proactive approach to financial planning and ensures that the savings plans are deliverable and that any investments are focussed on the financial health of the authority.

Housing Revenue Account

The council has a separate account, the Housing Revenue Account (HRA) which supports local authority housing throughout the district. The HRA is required to produce a 30 year business plan which demonstrates the affordability and sustainability of the management and investment in the council's housing stock. This financial plan was reviewed and updated by Council at its meeting of 19 February 2020. This report marked a significant shift in the Council's new build and acquisitions programme for the HRA over the coming 10 years.

The Council returned the Housing service in-house following service failures and a review of options in 2019. The service returned in house on 1 October 2020. Work on a Stock Condition Survey is almost complete which will shape the future investment

in the stock and determine the Asset Management Strategy for the service. A revision to the HRA Business Plan is anticipated in early 2022 once this work is complete.

Medium Term Capital Programme

The Medium Term Capital Programme (MTCP) sets out how capital resources are used to achieve the council's vision and corporate priorities. Funding for capital projects is limited and where possible external funding is used to supplement the programme. The council has an affordable Capital Programme and this is assessed against business cases taking into account future resources to support projects. A strategy has been adopted which will look to utilise capital receipts to support investments for the council. Demand for financing potential new projects continues to outweigh the funding available and developments such as Otterpool Park will need to be prioritised as part of the programme.

The main strategic objectives of the Capital Programme, which provide the underlying principles for financial planning, can be summarised as follows:

- To maintain a five year rolling Capital Programme which remains within the approved affordable, sustainable and prudential limits.
- To ensure capital resources are aligned with the council's strategic vision and corporate priorities by ensuring all schemes are prioritised according to the council's prioritisation methodology.
- Prudential Borrowing to be undertaken to support the councils priorities where there is a business case for it to do so and there are sufficient monies to meet in full the implications of capital expenditure, both borrowing and running costs.
- To maximise available resources by actively seeking external funding to support council priorities and disposing of surplus assets.
- To use internal resources alongside external resources where appropriate to support the capital programme and minimise any borrowing costs.

The council forecasts its capital programme over a 5 year period and the latest position will be set out in the report to Cabinet on 24 November 2021. This paper will also be considered at Full Council on 24 November 2021. This report is an update to the MTCP with the full MTCP being considered in the New Year by Full Council ahead of the annual budget setting cycle.

Risks and Sensitivities

In considering the future projections, it is recognised that there are unknowns which could impact upon the existing forecasts. The MTFS should be seen not as a static document but rather one that is constantly evolving as the environment around it changes.

It is a requirement of the CIPFA Financial Management Code that the Council considers different scenario's when developing its MTFS, and while it is accepted that the MTFS cannot be based on full knowledge of the future, there will be "events" which cannot be predicted or the impact of which cannot be quantified. It is important to consider the Council's ability to withstand significant external 'shocks' and how it

could potentially manage these. This testing is about the ability to cope should the “what if?” happen and not the likelihood of it happening which is dealt with through the risk management strategy and the review of the robustness of estimates and reserves.

Some of the key risks and sensitivities which are included in the Council’s corporate risk register and need to be monitored are mentioned below.

Economic conditions. The impact of the economic cycle will need to be considered particularly in relation to business growth, inflationary pressures and interest rate movements. The impact of changes and any impact on public finances will need to be fully evaluated on the financial model. The economy is recovering rapidly following the relaxation of lockdown restrictions and the UK’s labour market has proved more resilient than expected, although there are still national issues impacting on the picture. In the Spending Review and Budget announcements the Chancellor outlined the continued inflationary pressures within the economy (the OBR is forecasting that inflation will continue at 4% over the next year, before falling back to 2.6% in 2023). The Chancellor re-affirmed his commitment to managing inflation, with a letter sent to the Bank of England earlier today confirming the 2% inflation target.

- **Levelling up.** The government is seeking to level up across the whole of the United Kingdom to ensure that no community is left behind, particularly as we recover from COVID-19. Three new investment programmes have been launched, UK Community Renewal fund, Levelling Up fund and Community Ownership fund. The Council intends to pursue applications for such funding to support its key priorities and particularly the achievement of the objectives in the Folkestone Place Plan.
- **Otterpool Park.** Given the scale of the Garden Town project it has a significant bearing on the Councils MTFS. There are several factors which present risk and sensitivity to the plan. The Otterpool Park LLP is fully funded by the Council. It is anticipated that the Council will be the lender of the LLP, and will need to fund the initial infrastructure (through debt and equity in the LLP). Factors which have a financial impact on this plan in this regard include interest rates available to the Council, the interest rate charged to the LLP, split of debt to equity, the timescale for the delivery of the infrastructure, the sequencing of that work, and indeed when the LLP will be in a position to sell serviced plots to housebuilders, and market rates of both constructions and plot prices. The LLP will submit an updated business plan to the council in the new year, but the current MTFS assumptions have been drafted with input from the LLP.
- **NHS integration.** Whilst it doesn’t significantly impact upon this council, it is something to be mindful of. The Health & Care Bill was introduced into Parliament on the 6th July 2021. The Bill will ensure each part of England has an Integrated Care Board and an Integrated Care Partnership responsible for bringing together local NHS and local government, such as social care, mental health services and public health advice, to deliver joined up care for its local population. Details around future funding will become clearer later in the financial year and updates will be provided accordingly.
- **Impact of COVID-19.** The pandemic has had a significant impact on both the Councils finances and the wider economy of the district. Whilst recovery in the

district is positive, it is unknown how the pandemic will continue to affect communities, residents, business and the wider economy.

Local Government Finance Settlement. Whilst the Comprehensive Spending Review (CSR) has provided some clarity we await the detail that the finance settlement will provide. Understanding which grants the Council may receive, particularly the future of NHB will have a bearing on this financial plan.

- **Government Finance Legislation.** There are key pieces of government legislation which will impact upon the future financial position of the council. In particular the impact of the localisation of business rates and any additional responsibilities will need to be fully evaluated as well as the government's Fair Funding Review of local government finance which is now anticipated to take place in 2022/23.
- **Other Government Legislation.** There are a significant number of political initiatives particularly in relation to localisation and the role of local government. These will need to be assessed for their relevance to Folkestone and Hythe and the impact on future finances.
- **Buoyancy of income streams.** These will be sensitive to changes in consumer confidence and the economy so will need to be closely monitored. The 2021/22 budget prudently allowed for reductions in income on car parking and leisure facilities, whilst car parking income is returning to normality that is not yet the position with leisure facilities income.

Conclusion

The MTFs represents the collation of the key financial documents which looks to forecast the likely financial position the council will be facing over the next 4 years. It is the critical financial planning tool for the council and will provide the overall steer for the ongoing discussions throughout the annual budget cycles in dealing with the current economic climate.