

Contents

Executive Summary & Forward	2
Introduction	4
Current financial position	9
Looking forward	16
Financial risks facing the Council	19
Business Model	20
Actions	22

Executive Summary & Foreword

Welcome to our updated business plan which is Malvern Hills District Council's response to the significant financial challenges that the local government sector faces and how our Council intends to address these challenges.

We will continue to plan ahead in innovative ways for a future with fewer resources. The plan establishes how the Council will deliver the changes required whilst maintaining focus on its agreed priorities.

Our ambition as a Council is that we deliver on our priorities and protect services wherever possible. Our five year plan outlines our Corporate Strategy, and our three strategic priorities

- Our Economy
- Our Communities,
- Our Environment.

We will see major changes to local government finance from April 2022, a new fairer funding formula coupled with 75% business rate retention, potential new burdens and the phasing out of New Homes Bonus. This coupled with the unprecedented financial impact of the Covid pandemic and the potential impact of the UK's exit from the European Union means that the next few years will continue to place real importance on the Councils continued financial sustainability.

Government grant funding will be some £5.7m per year less in real terms by the end of this plan than it was in 2010/11. This equates to losing funding for over half of the Councils net budget.

The Council has a proven track record in delivering cost and efficiency savings. Since 2010/11 the Council has made savings and generated income of £6.6m in a variety of ways without making reductions to front line services. However, this means that the 'low hanging fruit' have gone and we now need to find more innovative ways to meet the on-going reductions in Government funding.

The plan is a positive and proactive response to those financial and service challenges and we know that we will have some difficult decisions to make. The actions that we need to take within the business plan are in three key areas:

- Organisational Efficiency
- Partnerships and services
- Investments, income and taxation

This coupled with sensible increases in Council Tax will help to preserve the financial sustainability of the Council.

We know that if we plan up to 2026 rather than on an annual cycle we will be able to tackle any changes well ahead of time with rigour and with transparency. We aim to ensure that the impacts of budget reductions on our communities and staff is minimised. We will continue to review this plan annually to ensure it is kept up to date and consistent with any national or local policy decisions that affect the ability of the plan to provide financial sustainability.

1. Introduction

Purpose of the plan

This document is our response to the significant financial challenges the Council continues to face and the need to plan ahead in innovative ways for a future with fewer resources. It brings together everything we need to do to maintain financial stability and to continue delivering high quality services to our residents.

This plan describes our underlying strategies that shape the way we work and what we want to achieve. The plan also provides context to our current financial position, outlining where savings of £6.6m have been made to date and how our financial management is perceived by external partners.

The plan also focuses on the challenges we face over the next five years, our business model and our objectives. The plan concludes with our response to how we will meet these challenges and achieve our objectives.

This is a rolling plan, which is annually updated to reflect the changing conditions and operating context of local government. Issues such as the post covid recession with spiralling levels of government debt and the ongoing financial risks detailed later demonstrate the need to keep this plan up to date. Updates to the plan will be presented as part of the budgetary cycle in January each year. We will continue to report progress in our annual report which is published in June.

Objectives

We have three key objectives in developing this plan.

Financial sustainability

We have a proven track record of financial resilience and building a strong base on which to move forward. However the cessation of Revenue Support Grant and phasing out of New Homes Bonus, reset of business rates baselines and other emerging risks will start to impact upon the council's ability to deliver services if we do nothing. We need to take steps to minimise these impacts and reduce our reliance on traditional sources of funding.

Deliver the business plan

This plan identifies a number of actions, to address the issues identified. The actions take account of the risks we face and the priorities identified by the council and will feed through into individual service plans as appropriate.

Protect services where possible

We believe it is key that we protect the services we deliver as much as possible. We have been very successful in achieving this to date but it will become increasingly difficult going forward unless we make the changes identified in this plan.

How our plans fit together

The Council's three strategic priorities. are underpinned by specific actions in the five year plan and progress is reported quarterly to members.

Our Medium Term Financial Plan (MTFP) is reviewed annually prior to setting the council budget. The MTFP projects our income and expenditure for the next five years based on assumptions around funding and cost pressures, together with an agreed set of principles to maintain financial stability. This then forms the financial envelope from within which the Business Plan is constructed.

The plan supports the delivery of a number of council plans and strategies including

- South Worcestershire Development Plan;
- Destination Zero Plan
- Economic Development Strategy
- Sports and Leisure Strategy;
- Joint Municipal Waste Management Strategy;
- Health and Wellbeing Plan;
- Worcestershire Housing Strategy;
- Worcestershire Homelessness Strategy.

The diagram below demonstrates how this plan supports the council priorities and strategies, the delivery of service plans and the MTFP.

To include diagram from last year's web version with dates updated.

About Malvern Hills District Council

The Place

Malvern Hills is a great place to live, work and visit. In the latest residents' survey, our residents told us that the quality of life in the district was good, with 86.5% of them believing their local area was a good place to live. As a council we work hard to ensure that the district retains its appeal to all residents, businesses and visitors. Our annual report demonstrates how we have achieved this each year.

Some key highlights from the last year are:

- 92% of residents were satisfied with parks and open spaces;
- 89% of residents were satisfied with waste and recycling services;
- 82% of residents were satisfied with sports and leisure facilities;
- 79% of residents feel safe or very safe outside after dark with 95% feeling safe during daylight hours;
- We supported the communities in and around Tenbury Wells, Powick, Callow End and Upton upon Severn following the devastating floods in February 2020, paying over 200 recovery grants to businesses and residents;
- We exceeded the target of providing 500 affordable homes by March 2020, with a total of 538 delivered;
- We completed the £1m refurbishment of Malvern Town Football Club, including a 3G pitch, new floodlighting and extended changing rooms;

Since March large parts of the Council have been focussed on supporting the nationwide Covid response, including working with local communities and the voluntary sector to support local communities, distributing business support funding and making self-isolation payments to residents.

The Council

Malvern Hills is a relatively small rural district council in Worcestershire, with four main town settlements (Malvern, Kempsey, Upton upon Severn and Tenbury Wells) and a number of smaller parishes. Residents of the district are represented by 38 councillors. *(For electronic document need to insert website link to members)*

The Council employs a workforce of approximately 160 staff to manage and deliver services across the following service areas

- Economy and Environment - waste and recycling, grounds and parks maintenance, street cleansing, dealing with littering and fly-tipping, regulatory services, economic development and tourism.
- Resources – finance, performance management, procurement, audit services, legal, ICT, revenues and benefits, human resources, health and safety, property and facilities management, car parking, Malvern Theatres, customer services, communications, elections, policy research and consultation and democratic services.
- Housing & Communities - housing services, community safety, sport and leisure, health and wellbeing, volunteer support, emergency planning, community transport and community engagement.

- Planning – development control, building control, planning policy, conservation, land drainage and land charges.

Our staff work to the Council's values:

- Great customer service
- Improvement and innovation
- Openness and accountability
- Fairness and respect

We aim to provide high quality services to residents, businesses and visitors whilst ensuring value for money. Council Tax is set at one of the lowest levels in the country and the 2nd lowest in Worcestershire.

Performance

We are a high performing council. We monitor and report financial and non financial performance to Overview and Scrutiny and Executive Committees on a quarterly basis. Financial performance is monitored against annual budgets and non financial performance is monitored against pre determined targets and milestones.

How The Council Works

Our vision is:

To make life better for everyone who lives, works in and experiences the Malvern Hills district.

We have made significant savings over the last 5 years. However the on-going challenges we face, mean that we need to become more enterprising and innovative than ever before. Further collaborative working will be critical to our continued success and sustainability.

We have undergone significant change in recent years, most notably the appointment of a joint Chief Executive with Wychavon District Council, the creation of a single joint management team together with many shared services. Our staff are pivotal to the delivery of our plans and continuing to be a successful council. In order to keep staff fully informed and motivated regular briefing sessions are held. We conduct bi-annual staff surveys and use the results to make changes and improvements where appropriate.

Five Year Plan

Our new five year plan established the following priorities and objectives for the council with specific actions to deliver. The plan is updated annually.

1. **Our communities:**
 - a. Deliver quality and affordable housing;
 - b. Improve people's health and well being;
 - c. Supporting and engaging with communities.
2. **Our economy:**
 - a. Bring forward land and premises for business to grow;

- b. Develop the skills of our young people;
- c. Promote and develop the visitor experience of the Malverns;
- d. Improve our infrastructure to support economic growth.

3. Our environment:

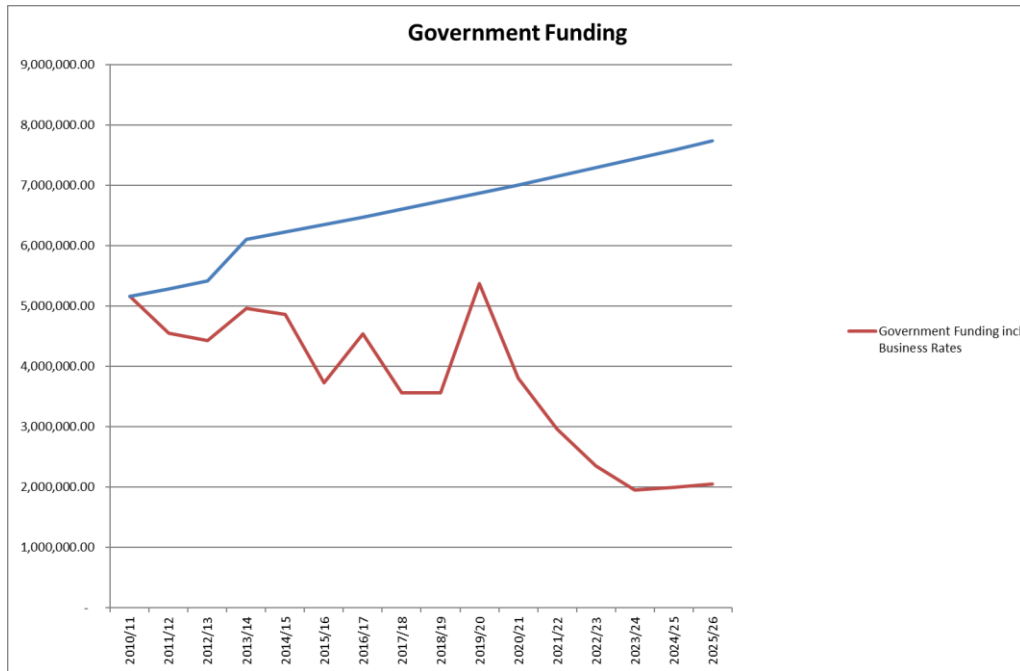
- a. Leading the District to become carbon neutral;
- b. Reduce household waste and increase recycling;
- c. Improve the natural environment
- d. Improve the built environment.

As a council we aim to deliver these priorities whilst maintaining financial sustainability and protecting services where possible.

2. Current Financial Position

The Journey So Far

The Council has seen a dramatic reduction in its level of government funding since 2010/11. The graph below shows a comparison between what funding the Council would have received if government grant had increased with inflationary and other changes since 2010/11 and the actual levels of grant received. Including localised business rates, government grant will be £5.7m per year less in 2025/26 in real terms than if government funding had not been reduced.

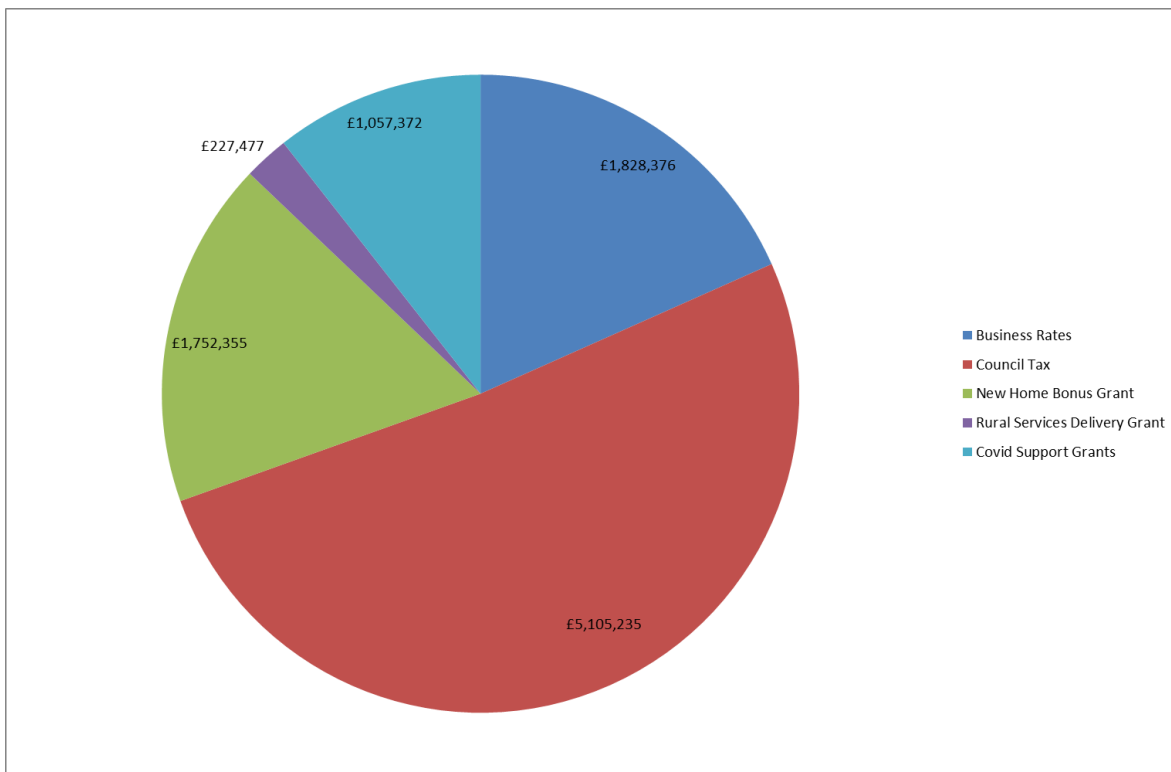


To cope with the reduction in funding the Council has made savings of £6.6m over that period, which has increased our revenue balances by £7.9m. Savings have mainly been generated through efficiencies, joint working and income generation, with less than 1.0% achieved through reductions in service. We have a proven history of delivering savings and are currently in a strong financial position for a council of our size. The table below shows our target savings since 2010

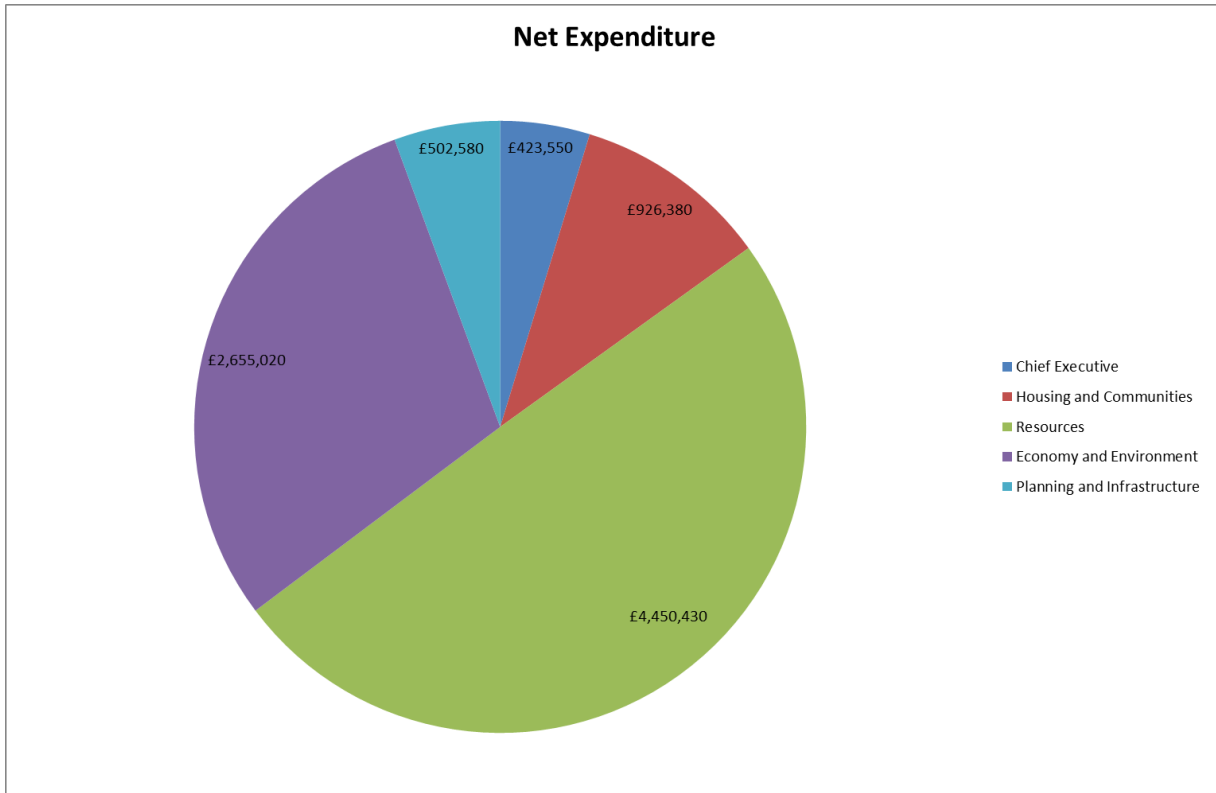
Description	Target Savings
Service Reductions	£49,600
Efficiencies	£2,675,410
Joint Working	£1,765,610
Income Generation	£1,376,960
Total	£5,867,680

How we raise Our Funding And What Do We Spend It On

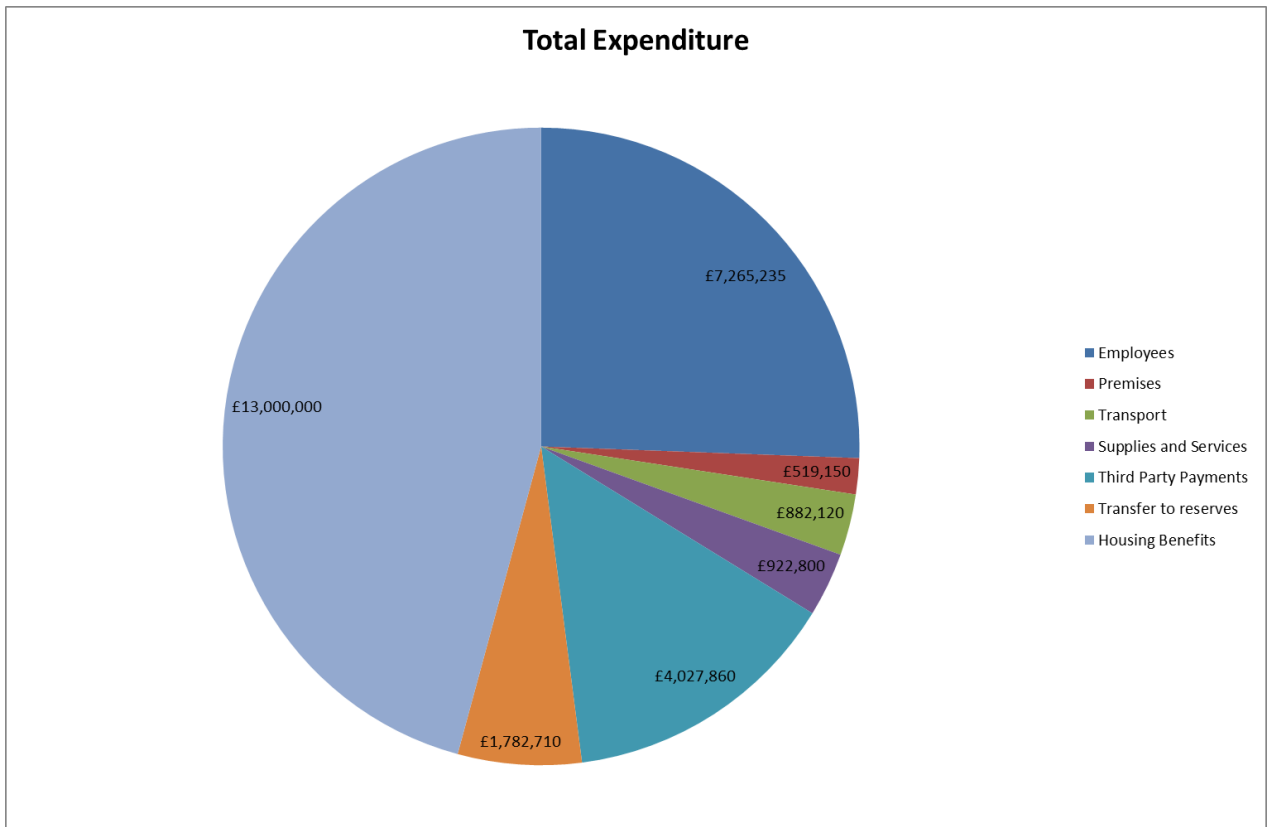
Our total funding in 2020/21 is £8.993m. With reductions in government funding we are becoming increasingly reliant upon Council Tax receipts as our main source of funding. The chart below shows the breakdown of our funding sources.

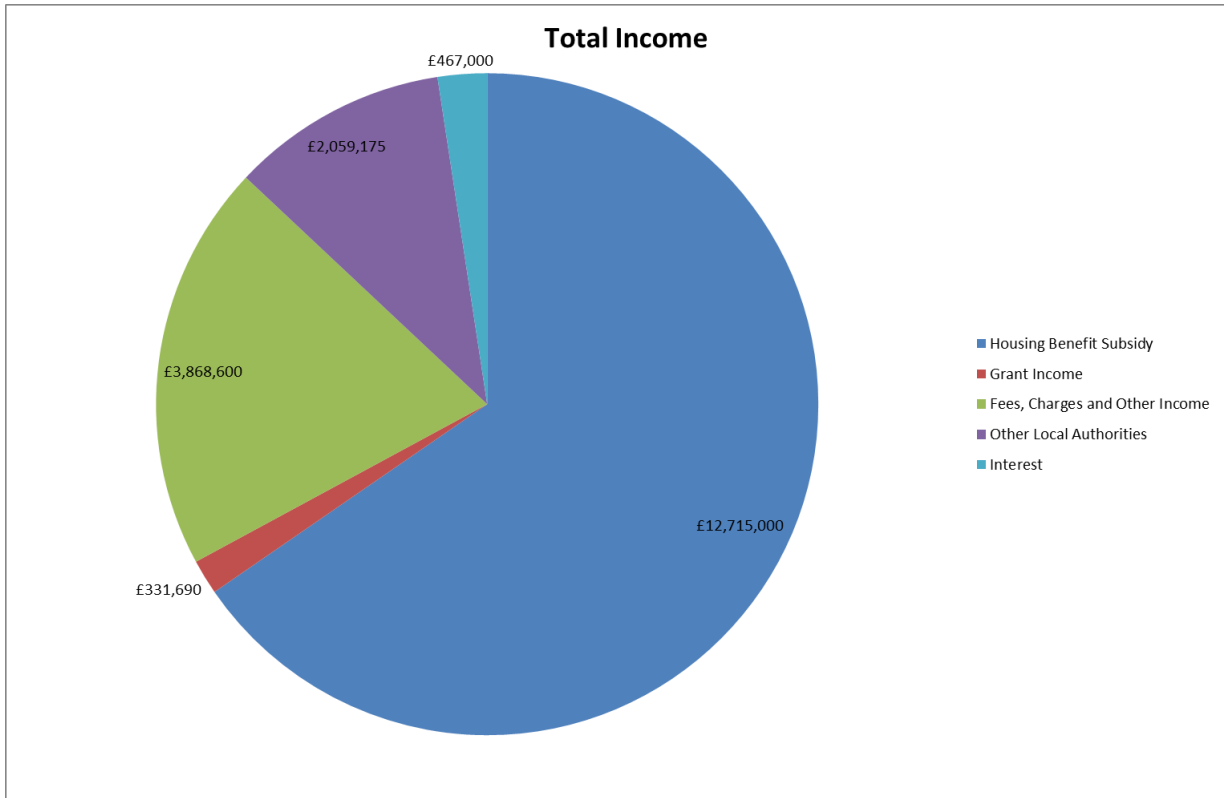


In 2020/21 our budgeted net expenditure incurred on delivering services to our residents is £8.96m. Transfer to reserves makes up any difference between funding and expenditure.



Our budgeted total income and expenditure excluding Government funding is shown in the charts below.





Current Year Overview

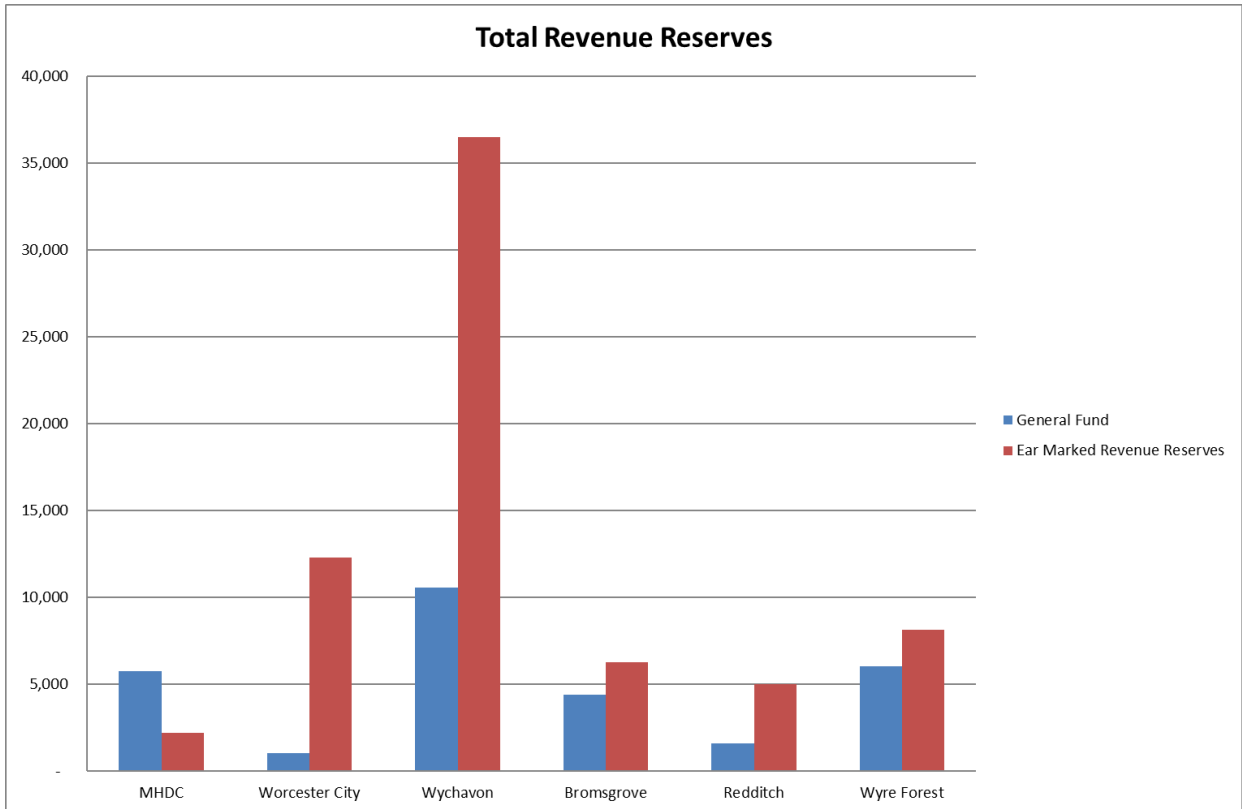
Our achievement of significant savings in previous years gave us a strong financial position for 2020/21. However on-going reductions to Government funding and volatile business rates performance meant that the Council implemented an average £5 per property Council Tax increase for the year.

Our net service budget was agreed at £8,957,960. The budget includes a savings target of £265,000, which we are on track to fully deliver. This year’s finances have however been hit hard by the financial effects of the pandemic and lockdown. This has caused both a reduction in our fee earning income streams and increased costs for some of our services.

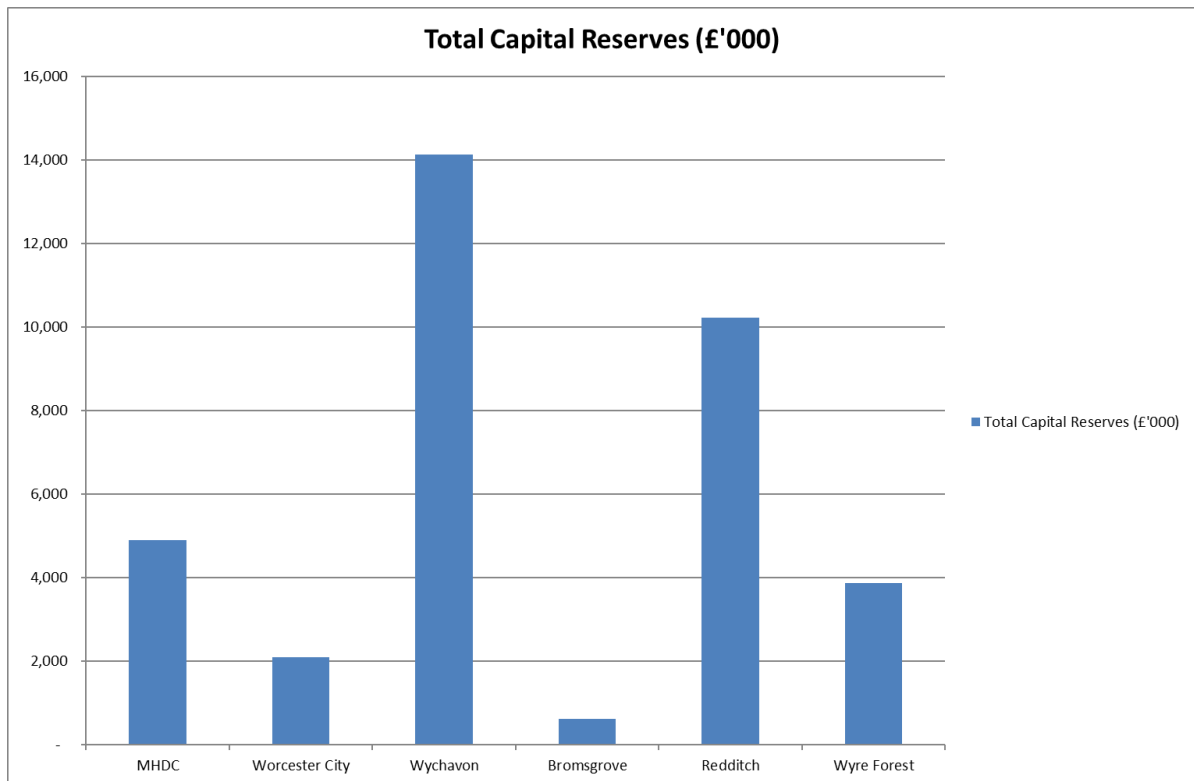
Revenue and Capital Reserves

We maintain revenue reserves to minimise the impact of unexpected costs to the council and to fund specific projects. At 31 March 2020, our general fund balance and earmarked revenue reserves total £12.8m. The graph below compares our revenue reserves levels to those of neighbouring councils.

The current Covid pandemic and resulting recession shows the risks posed to the Councils’ financial sustainability. The government response to the national debt, coupled with changes to local government finance in 2022 further supports the need to maintain adequate reserve levels.



Capital reserves are maintained to fund our future capital expenditure. Historically we have used capital receipts from the sale of assets to fund capital expenditure. However, our asset base is small with few opportunities to generate capital receipts, meaning that we need to add funds into an earmarked capital reserve each year. At 31 March 2020, our capital reserves totalled £4.90m. The graph below compares our capital reserves levels to those of neighbouring councils.



What do our external auditors think?

Ernst and Young are the Council's external auditors, who report to the Audit Committee three times per year on their audit plan and audit findings. Their feedback from the 2019/20 audit included:

- “We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements and which is unknown to you.”
- “We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties.”
- “We have no matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources
- “Overall our audit work did not identify any material issues or unusual transactions to indicate any misreporting of the Council's financial position.”
- “We are satisfied that the Council has the necessary means to continue as a going concern.”
- “We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. “a report in the public interest”). We did not identify any issues which required us to issue a report in the public interest. We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.

3. Looking Forward

Funding over the next five years

We continue to face significant financial challenges. Funding from Central Government continues to decline and there is the Fairer Funding Review of Local Government funding which is likely to see further reductions from 2022.

Council Tax

With the reductions in government grant like all councils we are becoming increasingly reliant on Council Tax as our main funding source. In 2010/11 Council Tax accounted for 43% of the Councils funding in 2021/22 this is expected to have risen to 63%.

Without increasing the levels of locally raised taxation, savings would have to be set at far higher levels into the future. Any increases in Council Tax agreed by Council are limited by the referendum cap to an average £5 per property or 2% whichever is the higher which limits the additional income we can raise.

The council taxbase (number of properties liable to Council Tax) increases through new house building, but will reduce as a result of the recession as the number of residents eligible for support will also increase. This will have a dampening effect on the levels of taxbase in the current year and early years of the plan.

We have forecast the number of new homes in each year of this plan, together with levels of Council Tax Support. The table below shows the estimated number of new homes to be built over the next four years, together with the projected taxbase increase in each year.

	2021/22	2022/23	2023/24	2024/25	2025/26
Number of New Homes	0	320	613	606	640
Taxbase Increase	0.00%	1.02%	1.93%	1.87%	1.94%

To keep the savings required down to £0.5M the MTFP assumes raising Council Tax by the £5 in all five years of the plan. Lower increases would require additional savings to be found. The levels of additional Council Tax generated in each year with increases in taxbase and increasing Council Tax by either 2% or £5 per annum can be seen below:

Council Tax Growth	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Taxbase Growth Only	0	52	100	99	104
Taxbase Growth + 2%	102	157	209	212	222
Taxbase Growth + £5	157	212	267	272	285

Business Rates

The Council is likely to be in excess of Government's assessed baseline for business rates income in 2021/22. All small businesses and retail have been taken put of paying business rates for the current year. With the effects of the pandemic speeding

up the shift to online retail, there must be serious doubts on the long-term future for business rates as a taxation method.

However, the government are still planning for a complete reset of the business rates system in 2022/23 where the Council will be given a new baseline based on the Governments assessment of the Councils need. This will remove from the Council any growth in business rates above the baseline, we are likely to achieve no better than the new baseline from 2022/23.

Medium Term Financial Plan (MTFP)

Our MTFP outlines our projections for the next five years and is summarised in the table below. The December settlement figures were broadly in line with what was anticipated, any changes will be incorporated into the 2021/22 budget.

The MTFP is based on a defined set of principles and assumptions agreed by Council. Full details of the savings plan are attached at Appendix 1.

	2021/22	2022/23	2023/24	2024/25	2025/26
	£000	£000	£000	£000	£000
Inflated Base Budget	8,408	8,058	8,272	8,473	8,823
Identified Cost Pressures	50	15	0	150	0
Savings	(150)	(250)	(450)	(500)	(500)
Net Budget Requirement	8,308	7,823	7,823	8,123	8,323
Financing					
Business Rates	1,945	1,902	1,990	2,079	2,149
Rural Services Delivery Grant	227	0	0	0	0
New Homes Bonus (NHB)	868	444	0	0	0
Council Tax	5,262	5,474	5,742	6,014	6,299
Council Tax Surplus	0	0	75	0	0
Total Financing	8,302	7,821	7,807	8,093	8,447
General Fund Balance					
Opening Balances	5,772	5,766	5,764	5,749	5,719
Contribution to/ (from)	(6)	(2)	(16)	(30)	125
Closing Balance	5,766	5,764	5,749	5,719	5,844

4. Financial Risks Facing The Council

We currently face an unprecedented number of financial risks which will need to be addressed in future reviews of the MTFP and our business plan.

COVID & Recession – The recession has caused a massive surge in public sector debt which the government will have to repay or finance. This is likely to have meant funding available for local government is reduced as will be some of the Councils income streams such as leisure services, car parking and commercial waste until the economy recovers. The recession and resultant surge in unemployment has also meant a large increase in the number of households qualifying for **Council Tax Support**, this will have a negative impact upon the taxbase and therefore Council tax income for several years.

Fairer Funding Review – the review planned for 2022 will probably redistribute funding away from lower to upper tier authorities. It will also mean that any business rates growth above the baseline will be lost. It will also mean the end of **New Homes Bonus** which has been significant income stream for the Council.

Business Rates The Government plans to localise business rates is evolving, with councils retaining 75% of business rates in 2022/23 (current retention is 50%). This will increase the risk to Councils if they see their business rates base shrink for any reason as they will be liable for a greater share of the loss or refund.

Brexit – we have seen reduced economic growth forecasts as a result of the UK's decision to leave the European Union. This coupled with Covid put additional pressure on our income streams and financial sustainability. With negotiations ongoing, this uncertainty will continue for sometime.

Universal Credit – Universal Credit has replaced housing benefit on a phased basis from September 2018; this will make recovering housing benefit overpayments from on-going benefit payments more difficult. The transfer to Universal Credit together with the recession is likely to have a wider impact in other areas such as housing and homelessness. It is also likely that Housing Benefit Admin Grant will reduce more quickly than the cost of providing the service.

Inflation – recent low levels of inflation have been helpful in maintaining cost levels. However some inflationary pressure is returning to the UK economy. Increases in the rate of inflation will increase budget pressure on our expenditure and drive the need for further savings.

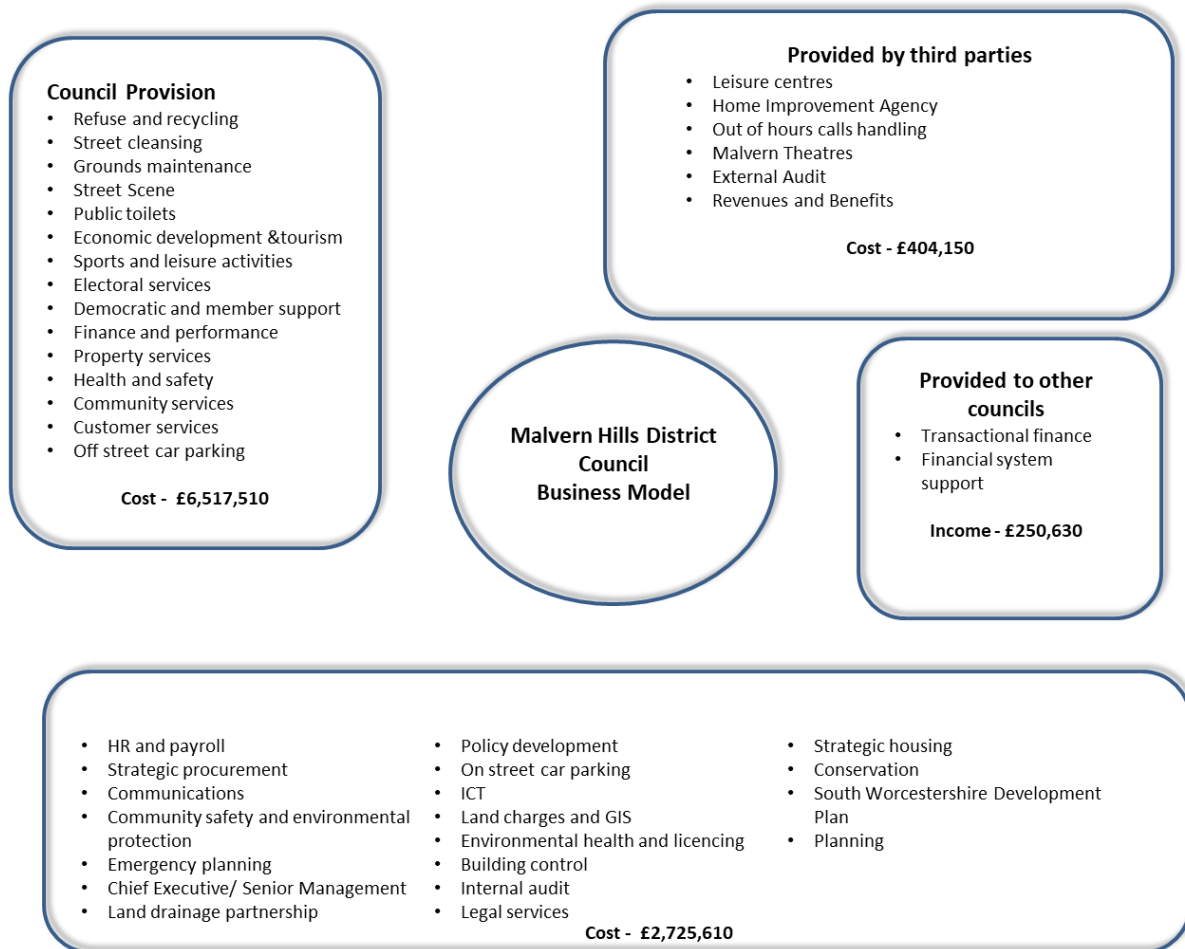
National Minimum Wage Increases – planned increases in the national minimum wage will see salary costs increase significantly, to the Council and its suppliers, particularly those providing leisure services to us and waste and recycling.

New Burdens – legislative changes such as the Homelessness Reduction Act and proposals on changes to waste collection together with further anticipated transfer of responsibilities to district councils from other areas of the public sector will directly impact upon our finances.

5. Business Model

Current Model

Our current business model is that services should be provided by whoever can provide the best mix of quality and price. This has resulted in a mixed economy with services provided directly by us, services provided in partnership with other local authorities or private sector partners. This model has been very successful in reducing our costs whilst maintaining service levels.



Sustainability of current model

The operating context and risks the Council face means that there will be a need to build on the existing business model to take advantage of opportunities to reduce costs and reliance on traditional sources of funding, whilst maintaining service delivery. In order to do this we need we need to remain flexible on the method of delivering our services.

We need to look at all services we currently provide to determine whether the current delivery method is sustainable. In doing this we need to identify opportunities for the following:

- **Service transformation** – maintain in house delivery but review service processes to make more efficient or change service delivered to generate income or savings.
- **Joint working** – full shared service, joint procurement of goods and services, or shared use of resources.
- **Private sector** – direct outsourcing, strategic partnerships or shared expertise.
- **Selling services** – identify services we provide which can be scaled up and delivered to other local authorities or other bodies, either expanding those we currently offer or bringing forward new opportunities.

Council performance and targets

To ensure delivery of our corporate strategy and strategic priorities, we closely monitor performance across all services and set targets to ensure we maintain our current high quality of services. Performance measures are set to incorporate council priorities, assess customer satisfaction and ensure compliance with government requirements. A summary of our current performance and targets is [available here](#).

In reviewing our business model we need to ensure that we identify appropriate relevant performance measures and ensure our priorities are met.

Community self sufficiency

We work closely with our parishes and local community groups to enable them to deliver services and improve facilities locally. We do this in a number of ways from providing support in developing plans and strategies, supporting funding applications and working to ensure the best use of resources (e.g. s106 funding).

Encouraging these groups to be self-sufficient and devolving services where beneficial will be helpful in making the most of the resources available and improving services to residents.

6. Actions

In response to the reductions in government funding we have reduced the size and capacity of the Council significantly. Many of the 'low hanging fruit' have been taken reducing our ability to continue to make savings without impacting on front line services and performance. We will continue to look at innovative ways to protect services as far as possible whilst maintaining the resilience and sustainability of the council. In doing this we are looking at ways not only to reduce costs further but also ways to generate income for the council. This does mean however, that there are potentially difficult decisions ahead for the council.

Over the period of the plan we need to find additional savings of £0.5m per annum. We will do this by looking at four key areas:

Organisational efficiency

- **Service transformation** – review service delivery to streamline processes for both customers and staff to improve service and reduce cost.
- **ICT** – improved agile working for employees and self service for customers.
- **Service changes** – review service provision to identify the impact of increasing or decreasing level of service offered.

Partnerships and Services

- **Partnership working** – identify further opportunities for joint working with other councils including Wychavon to improve resilience and efficiency.

Investments, Income and Taxation

- **Investments** – maximise opportunities for investment to generate a return for the Council. This includes investment in our own assets (Malvern Theatres, MHSP and Park Farm), cash investment (e.g. CCLA property fund), as well as looking for new assets to acquire or invest in for commercial returns.
- **Assets** - maximise income from council assets – e.g. property letting and car parking
- **Fee income** – generate commercial fee incomes, particularly from non statutory services such as weddings, garden waste and commercial waste.
- **Council Tax** – increase income from council tax through sustainable increases and maximising tax base growth. Through bringing new homes into the tax base, bringing empty homes back into use and tackling fraud.

The table at below shows how these actions will generate the savings the Council requires over the period of the plan.