

HIGH PEAK BOROUGH COUNCIL

Report to The Executive

6 December 2018

TITLE:	Updated Medium Term Financial Plan 2019/20 to 2022/23
EXECUTIVE COUNCILLOR:	Cllr Emily Thrane – Executive Councillor for Finance & Operational Services
CONTACT OFFICER:	Claire Hazeldene – Finance & Procurement Manager
WARDS INVOLVED:	Non-Specific

Appendices Attached

- **Appendix A - Medium Term Financial Plan 2019/20 to 2022/23**

1. Reason for the Report

- 1.1 This report presents the Council's updated Medium Term Financial Plan (MTFP). The MTFP presents the Council's priorities in the context of the likely resources available, providing a financial context to future decision-making.

2. Recommendations

- 2.1 That the Executive approve the updated Medium Term Financial Plan (Appendix A).

3. Executive Summary

- 3.1 The medium term financial planning process provides the Council with the opportunity to plan its delivery of public services in accordance with local priorities and against the backdrop of unprecedented public sector financial constraint.

- 3.2 The plan is updated in accordance with the budget cycle. This version of the MTFP presents the Council's finances over a four-year period, namely 2019/20 to 2022/23. It sets the context for the preparation of the 2019/20 budget which will need to be approved by the Council in February 2019.

- 3.3 The Plan provides:

- Details of local spending influences in the context of the Corporate Plan

- A focus on the transformation programme and the consequential financial implications, including the capital programme, housing revenue account (HRA) review and efficiency & rationalisation plan
 - Updated inflation and interest assumptions using the latest forecasts and the impact of any budgetary demand and a review of funding streams
 - An update on any national issues that will impact on the Council's financial position
- 3.4 The previous version of the MTFP was agreed by the Council in February 2018 when setting the budget for the current financial year. The Plan identified a remaining £1.8 million budget shortfall over a three year period on the general fund (2018/19 – 2020/21) – with £0.31 million savings achieved in 2017/18. This was primarily as a result of the reduction in Government funding including the phasing out of Revenue Support Grant by 2019/20 and changes to the New Homes Bonus funding system.
- 3.5 There was also an assumed overall use of £1.96 million in reserves in order to balance the MTFP.
- 3.6 A new financial year (2022/23) has now been added to the plan, which forecasts a very small deficit of £7,220. In addition, the overall financial assumptions have been updated for the four years, and taking account of the projected 2018/19 surplus position as forecast in the Quarter Two report – this results in a reduction to the overall required use of reserves by the end of 2022/23 of £258,620. However, this is subject to progression of the current efficiency programme and changes to financial assumptions going forward.
- 3.7 Achieving a balanced budget over the medium-term relies upon delivery of the Council's approved efficiency & rationalisation strategy. A new efficiency programme was presented and approved as part of the MTFP update in February 2017 which focused on both reducing expenditure and increasing income. The main areas of focus being:
- **Major Procurements** - There is the opportunity to focus attention on a number of large service functions which are currently provided by an external contractor / supplier. A number of significant contracts are coming to an end. This will also allow a fundamental review of these services with proper consideration of the current financial constraints. The contract commitments have sometimes restricted the opportunity to align services across the alliance with High Peak. The individual projects will focus on Waste Collection & Environment Services, Leisure Management and Facilities Management
 - **Asset Management Plan** – continuation of the existing priority of rationalising the Council's asset base with a focus around priorities in order to allow for the necessary capital investment
 - **Growth** – development of a clear focus upon housing and economic growth based upon the established Local Plan.
 - **Income Generation** – focus on increasing the yield from existing sources of income and a drive towards identifying new sources of income

- **Rationalisation** – a commitment to reducing expenditure on non-priority areas of spend e.g. management arrangements, channel shift, non-statutory services
- 3.8 Current progression against the efficiency programme is positive, with the 2017/18 target achieved and £345,650 against the £581,000 target achieved so far in 2018/19. However, the ability to limit the impact of the reduction in central government support and continue to achieve the overall 4 year efficiency programme target is underpinned by the following:-
- The realisation of savings from the continued implementation of the alternative delivery model for Waste, Streets and Parks via the transfer of services to trading company Alliance Environment Services
 - A review of current leisure centre provision in order to reduce the Council's subsidy
 - The delivery of the Local Plan in order to achieve income generation from sustained housing and economic growth
 - Reviewing fees and charges and identifying new sources of income generation
 - Retained business rates through economic growth and the saving of the levy payable to central government as a consequence of the Council's membership of the Derbyshire Business Rates Pool (as per the current business rates system) and potential benefits of a 75% business rates retention scheme going forward;
- 3.9 The MTFP also assumes a Council Tax increase of 2.9% in 2019/20 and an annual 1.9% increase in Council Tax 2020/21 – 2022/23.
- 3.10 The General Fund capital programme has been updated to reflect the 2017/18 outturn position, projections for 2018/19 and any reprofiling required over the life of the MTFP. The Council is in the process of producing an Asset Management Strategy to ensure the future delivery of efficient asset management. Progress on this will be reported within the Budget and MTFP presented in February 2019.
- 3.11 The Housing Revenue Account (HRA) was showing a surplus position of £497,790 by 2021/22 in February 2018 as a result of the £1.2 million HRA Improvement Plan savings target in response to the 1% annual rent reduction (over a four year period) announced by Government. It also assumed a reduced capital programme of £3.9million per annum, pending the stock condition results.
- 3.12 The HRA capital programme has also been updated to reflect the results of the recent stock condition surveys – assuming a straight-line provision requirement of approx. £4.2 million per annum over the 30-year Business Plan at this stage.
- 3.13 Consequently, and with the additional of a new financial year (2022/23), the HRA is now showing a surplus position of £365,580 by the end of the plan period.

- 3.14 An updated 30-year HRA business plan will be presented alongside the Budget and MTFP in February 2019.
- 3.15 As previously stated, this version of the MTFP sets the context for the development of the 2019/20 Budget. Members will receive a further update of the MTFP when considering the final budget proposals in February 2019. The following actions will need to be completed to ensure that these proposals are robust:
- Complete review of the Council's transformation programme and revised forecasts as required
 - Development of the Council's Capital Strategy, review of progress on the development of the Council's Asset Management Strategy and the incorporation of the latest Land Disposal Strategy capital receipts projections
 - Further development of the HRA Business Plan incorporating HRA review recommendations and stock condition information resulting in an updated 30-year Business Plan presented for approval
 - Development of detailed budget plans for 2019/20
 - Development of detailed proposals for fees and charges increases
 - Review progress of the efficiency programme
 - Complete review of reserves and balances
 - Continue to monitor the ongoing issues arising from the Autumn budget, retention of business rates and the associated financial implications for the Council
- 3.16 Alongside the Budget and MTFP presented in February 2019, an updated 30 year HRA Business Plan and Capital Strategy will be also be presented for approval.

4. How this Report Links to Corporate Priorities

- 4.1 The successful delivery of all corporate priorities is dependent upon the effective management of financial resources, which is the subject of this report.

5. Options and Analysis

- 5.1 There are no options to consider at this stage. Options will be need to be developed in order to close the financial deficits highlighted in this updated plan.

6. Implications

- 6.1 Community Safety - (Crime and Disorder Act 1998)
None.

6.2 Workforce

None.

6.3 Equality and Diversity/Equality Impact Assessment

This report has been prepared in accordance with the Council's Equality and Diversity policies.

An Equalities Impact Assessment (EIA) has been undertaken on the Corporate Plan, which feeds into budget plans.

6.4 Financial Considerations

There are substantial financial considerations contained throughout the report.

6.5 Legal

None.

6.6 Sustainability

None.

6.7 External Consultation

The Council's budget plans are the subject of an annual public consultation exercise. Full details are contained within the plan

6.8 Risk Assessment

A full risk analysis has been undertaken which is contained within the plan

ANDREW P STOKES

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Background Papers

Location

Contact details

Various background working papers

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