

HIGH PEAK BOROUGH COUNCIL

Report to The Executive

14 February 2019

TITLE:	2019/20 Budget & Updated Medium Term Financial Plan 2019/20 to 2022/23
EXECUTIVE COUNCILLOR:	Cllr Emily Thrane – Executive Councillor for Finance and Operational Services
CONTACT OFFICERS:	Claire Hazeldene – Finance & Procurement Manager Keith Pointon – Principal Finance Officer (Financial Planning)
WARDS INVOLVED:	Non-Specific

Appendices Attached

- **Appendix A (Medium Term Financial Plan 2019/20 to 2022/23)**
- **Appendix B (Capital Strategy)**
- **Appendix C (Housing Revenue Account (HRA) 30-year Business Plan)**
- **Appendix D (Fees & Charges 2019/20)**
- **Appendix E (Procurement Forward Plan 2019/20)**

1. Reason for the Report

- 1.1 The purpose of the report is to consider the proposed 2019/20 Budget, the updated Medium-Term Financial Plan (2019/20 – 2022/23), the 2019/20 Capital Strategy, the updated 30-year HRA Business Plan, proposed Fees and Charges for 2019/20 and the 2019/20 Procurement Forward Plan.

2. Recommendations

- 2.1 That members support the following **recommendations** to Council:

- General Fund and Housing Revenue Account (HRA) Budget for 2019/20 as detailed in **Appendix A (section 8)**
- Revised Medium-Term Financial Plan (2019/20 to 2022/23) as detailed in **Appendix A**, including the revised Capital Programme (attached at Annex A) for the General Fund and HRA
- Capital Strategy detailed in **Appendix B**

- Updated HRA 30 Year Business Plan detailed in **Appendix C**
- Fees and Charges for 2019/20 as detailed in **Appendix D**
- Procurement Forward Plan for 2019/20, providing the authority to procure based on procurement activity detailed in **Appendix E**
- A Band D Council Tax of £191.76 for 2019/20 (an increase of 2.9% from 2018/19)
- HRA charges as follows:
 - Dwellings rents to reduce by an average of 1% (over 52 weeks) from £70.00 to £69.40 average per week (over 53 weeks)
 - Garage rents to be increased by 5% (over 53 weeks) from £6.47 to £6.79 average per week
 - Other Charges including service charges to increase by a maximum of 5% for current tenants
 - Fuel charges at individual blocks have been reviewed and the 2019/20 charge is based on 2017/18 actual fuel usage/prices, charged on an individual scheme basis.
- Note that the Chief Finance Officer's view is that the level of reserves are adequate for the Council based on this budget and the circumstances in place at the time of preparing it (**Appendix A section 7**)

3. Executive Summary

- 3.1 This report makes recommendations to Council for the budget and the level of Council Tax and Council Dwelling Rents for 2019/20. The report also provides an update on the Council's medium-term financial position through to 2022/23. Additionally, it establishes a Capital Strategy, provides an updated 30-year HRA Business Plan, sets out the Fees and Charges proposed for 2019/20 and details the Procurement Forward Plan for 2019/20.
- 3.2 The budget setting and 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.
- 3.3 The Medium Term Financial Plan (MTFP) has been updated in accordance with the budget cycle. The MTFP presents the Council's finances over a four-year period, namely 2019/20 to 2022/23 and 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 and efficiency & rationalisation plan;
 - Updated inflation and interest assumptions using the latest forecasts and the impact of any budgetary demand; and

- An update on any national issues that will impact on the Council's financial position.
- 3.4 The General Fund 2018/19 – 2021/22 MTFP was approved by the Council in February 2018, and showed a balanced position. However the balanced position was dependent on the continued delivery of a £2.13 million four-year Efficiency & Rationalisation Programme. The balanced position also relied upon the use of some £1.96 million reserves (£1.8m use in 2018/19).
- 3.5 The HRA was balanced, with a surplus position of £497,790 by the end of 2021/22 after applying an interim reduction to the capital programme pending stock condition information and continued delivery of HRA Improvement Plan savings.
- 3.6 The 2018/19 quarter three outturn position is forecasting:
- **General Fund:** a £0.69 million underspend and an anticipated small shortfall against the £581,000 efficiency target for 2018/19 (to be offset by in year savings). This is primarily as a result of increased income from business rates as result of the Derbyshire Business Rates pool being part of the 100% pilot.
 - **HRA:** a £1.0million underspend – the majority relates to a reduction in the contribution to capital as a result of re-profiled schemes
- 3.7 Having completed the 2019/20 budget exercise the following position has been achieved:
- **General Fund:** a balanced budget for 2019/20, with the inclusion of an efficiency and rationalisation target of £789,000 (£657,000 new target and a forecast carry forward of £132,000 from 2018/19) and a small contribution of £1,540 into contingency reserves.
 - **HRA:** a balanced budget for 2019/20 has been achieved with a contribution to balances of £261,660.
- 3.8 The final General Fund budget proposal for 2019/20 provides for a net budget of £10,253,050 and a Council Tax increase of 2.9%. Consequently, the Band D Council Tax increases to £191.76.
- 3.9 The final HRA budget proposal for 2019/20 provides for a net budget of £14,685,770 and a Council Dwelling Rent decrease of 1%.
- 3.10 A new financial year (2022/23) has now been added to the MTFP and the overall financial assumptions have been updated for the four years. This has resulted in a surplus position of £253,550 by the end of 2022/23 for the General Fund. An overall contribution of £0.48million in reserves is made over the life of the plan.
- 3.11 The changed position is primarily due to:
- **Additional forecast Business Rates income** – additional Business Rate retention income (£100,000 realised against the Efficiency Programme)

There is uncertainty surrounding the future Business Rates system and volatility in forecasting retention amounts due to the amount of variables involved and risk surrounding appeals

- **Additional Council Tax income** – assumed annual 2.9% increase
- **Additional New Homes Bonus** – based on forecast housing growth over the four year period
- **Reduced borrowing costs** – as a result of assumed increase capital receipts from the Land Disposal Strategy outcomes

3.12 There is a surplus position of £105,140 by the end of 2022/23 for the HRA with the inclusion of financial improvement plan savings targets. This incorporates the results of the recent stock condition surveys.

3.13 The 30-year HRA Business Plan has been fundamentally been reviewed by the HRA Business Plan Working Group which focussed on the following:

- Stock condition – priorities and focus for the capital programme;
- Level of debt – voluntary repayment;
- Rent policy – ensuring income levels;
- Void management;
- Sheltered housing and Carelink.

3.14 The financial forecasts over the 30-year period reveal the following position:

- The level of HRA debt is reduced by £30 million to £25.9 million by March 2048 - This reflects the £1 million annual debt repayment committed in the plan. No new borrowing is required to finance capital spending.
- The HRA balance is increased to £53 million by the end of 2047/48.
- There is a surplus of approximately £50 million over the life of the plan - this is available for investment in additional areas of priority.

3.15 The Capital Programme has been updated and allows for additional investment in priority areas, i.e. asset management plan, fleet, recreation sites, and window replacement programme/ roofing works for the housing stock. The Medium Term Financial Plan includes an updated capital programme of:

- **General Fund:** £19,612,110 over the period 2018/19 – 2022/23
- **HRA:** £19,419,530 over the period 2018/19 – 2022/23

3.16 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** – with a 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

3.17 Current progression against the efficiency programme is positive, with the 2017/18 target achieved, there is a forecast shortfall against the 2018/19 target which will be recovered during 2019/20 resulting in the targets in the 4-year strategy being met. The ability to limit the impact of the reduction in central government support and 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; and
- 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)

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
Executive Director (Transformation) & Chief Finance Officer

<u>Background Papers</u>	<u>Location</u>	<u>Contact details</u>
Various background working papers	Buxton Town Hall	Claire Hazeldene Finance & Procurement Manager 01538 395400 Ext. 4191 Keith Pointon Principal Finance Officer (Financial Planning) 01538 395400 Ext. 4193