

## **HIGH PEAK BOROUGH COUNCIL**

### **The Executive**

**3 December 2020**

<b>TITLE:</b>	<b>Medium Term Financial Plan Update 2021/22 – 2024/25</b>
<b>EXECUTIVE COUNCILLOR:</b>	<b>Councillor Alan Barrow - Executive Councillor for Corporate Services and Finance</b>
<b>CONTACT OFFICER:</b>	<b>Keith Pointon – Interim Head of Finance</b>
<b>WARDS INVOLVED:</b>	<b>All</b>

#### **1. Reason for the Report**

- 1.1 This report presents the Council's updated Medium Term Financial Plan (MTFP) for the period 2021/22 – 2024/25. The MTFP presents the Council's priorities in the context of the likely resources available, providing a financial context to future decision-making.

#### **2. Recommendation**

- 2.1 That the Executive approves the updated Medium Term Financial Plan.

#### **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.
- 3.2 The Medium Term Financial Plan (MTFP) is updated in accordance with the budget cycle. This version of the MTFP presents the Council's finances over a four-year period, namely 2021/22 to 2024/25. It sets the context for the preparation of the 2021/22 budget which will be presented for approval by the Council in February 2021.
- 3.3 The current Medium Term Financial Plan (MTFP) which set out the Council's finances over a four-year period, namely 2020/21 to 2023/24 was formally approved in February 2020.
- 3.4 This resulted in a small surplus position of £127,080 on the General Fund by the end of 2023/24, with an overall contribution of £17,910 into reserves over the 4 year life of the plan. There was also a forecast surplus position of

£2,061,950 by the end of 2023/24 for the Housing Revenue Account (HRA) with an overall contribution into reserves of £0.93million.

- 3.5 However, since the MTFP was approved, the Coronavirus pandemic has had, and is likely to continue having an adverse impact on the Council's financial position. The financial impact is arising from additional expenditure in dealing with the crisis both externally and organisationally, lost income and savings targets that may not be met within the same timeframe due to resources being diverted elsewhere.
- 3.6 The 2020/21 projected General Fund outturn (as per the Quarter 2 financial report) is currently forecasting a £0.450 million deficit. At the end of 2019/20, the Council established a Covid-19 earmarked reserve specifically to support with the financial impact of Covid-19 totalling £200,000 - utilising part of the 2019/20 underspend generated. Therefore, this earmarked reserve can be drawn to partially cover the projected 2020/21 deficit
- 3.7 The HRA is forecasting a £0.77million underspend against the 2020/21 budget as a result of delays in the delivery of the capital programme.
- 3.8 The current four year MTFP was updated in September to reflect Covid-19 related pressures and updated economic forecasts in order to begin to understand the medium term financial impact. This update moves the MTFP on, adding an additional year, now focusing on the 4 year period 2021/22 – 2024/25.
- 3.9 It is extremely difficult to forecast how long the recovery period will be and also what impact the economic recession will have. The report details the assumptions that have been made at this point (as well as the risks), which will be continually under review as new information becomes available and the 2020/21 position develops.
- 3.10 At this stage, the updated MTFP highlights a General Fund deficit over the 4 year period of £1.74million. Utilising the Covid-19 recovery earmarked reserve and re-designating the pensions earmarked reserve, would result in a required drawdown from contingency reserves of £1,321,630, as shown below:

	£
MTFP Four Year Use of Reserves requirement	1,741,630
Covid-19 Recovery earmarked Reserve	(200,000)
Pensions Re-designated Reserve	(220,000)
<b>Balance to be funded</b>	<b>1,321,630</b>
General Fund Contingency	(1,321,630)
<b>Balance to be funded</b>	<b>0</b>
Estimated General Fund Contingency Balance 31 <sup>st</sup> March 2021*	2,504,220
Drawdown over 2021/22 – 2024/25	(1,321,630)
<b>Forecast General Fund Contingency Balance by 31<sup>st</sup> March 2025</b>	<b>1,182,590</b>
<i>Forecast General Fund Contingency Balance by 31<sup>st</sup> March 2024 as at Feb 2020</i>	<i>2,855,900</i>

\*includes estimated £336,780 use of reserves in 2020/21

- 3.11 Consequently, at the end of year 4 of the plan (2024/25) there would be an estimated balance of £1.183million in General Fund Contingency reserves –

£0.117 million under the required £1.3 million minimum required balance as set out by the Chief Finance Officer in the MTFP approved in February 2020.

- 3.12 The updated MTFP illustrates a requirement to draw from reserves in years 1-3 of the plan. In year 4 there is an anticipated contribution into reserves of £84.660. Over the next few months the Plan's position will be refined to incorporate amongst other things, the spending review announcement, which is expected to give details of any further Government support which will hopefully improve the position.
- 3.13 If reserves are utilised as forecast to fund the deficit position, a plan would need to be put into place in to rebuild reserves over the longer term.
- 3.14 In terms of the HRA, the financial impact of COVID-19 is expected to be less severe – with an overall contribution into reserves of £1.185million over the 4 years. The anticipated change in the reserves position as at the end of year 4 of the Plan is illustrated below:

HRA	£
HRA Reserves Balance at 31 <sup>st</sup> March 2021	(16,329,706)
Net Movement Over 2021/22 – 2024/25	(1,184,600)
Forecast HRA Reserves Balance by 31 <sup>st</sup> March 2025	(17,514,306)
<i>Forecast HRA Reserves Balance by 31<sup>st</sup> March 2024 as at Feb 2020</i>	<i>(17,310,904)</i>

- 3.15 The updated HRA MTFP illustrates a surplus position of £0.822million by year 4 (2024/25).
- 3.16 The final version of the Budget 2021/22 and updated MTFP will be presented for formal approval in February 2021. Between now and mid-January, Heads of Service will be working with Finance to:
- Undertake a review of the Asset Management Plan capital programme forecast profile of spend
  - Undertake review of 'other' capital programme projects forecast profile of spend
  - Refine capital programme forecasts for the new 'year 4' – 2024/25
  - Review current fees and charges in year performance and update forecast level of recovery for 2021/22. Commence the 2021/22 fees and charges exercise.
  - Update forecasted impact on major contracts (AES / Leisure / Facilities management) in 2021/22
  - Identify any further increased / reduced budget demands for 2021/22
  - Review of the Efficiency programme
  - Identify any other significant financial impact on the MTFP

#### 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. **Alternative Options**

5.1 There are no options to consider at this stage.

## 6. **Implications**

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

6.2 Workforce

The COVID-19 pandemic has impacted significantly on the working arrangements for the Council's employees.  
The response to the pandemic has seen the following changes in working practices:

- Where possible staff are working from home;
- Frontline staff are working safely with the appropriate PPE;
- Staff have been redeployed from time to time in order to support the additional demand created by several new service functions, e.g. small business and discretionary grant processing; providing support for vulnerable people etc.

The Council has established a recovery plan that ensures the safety of staff as we look to reinstate services – although currently now back in 'response' phase as part of the second lockdown.

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

There have been and continue to be a significant number of regulatory changes during the response and recovery from the pandemic.

6.6 Climate Change

The COVID-19 response has resulted in some positive benefits in respect of carbon reduction, including:

- Reduced employee travel during lockdown;
- Reduced energy consumption in public buildings due to building closures and reduced use; and
- Improved air quality due to general reductions in travel.

It is important that these areas are reviewed to identify potential new ways of working as part of the recovery process that will have a positive legacy on

the climate change challenge.

6.7 Consultation

The Council's annual budget plans are the subject of an annual public consultation exercise.

6.8 Risk Assessment

Financial risks have been identified within the report. The pandemic has resulted in a number of risks that need to be assessed and managed and may have a financial impact, these include:

- Inability to deliver critical services due to loss of staff,
- Inability to maintain the financial stability of the Council,
- Failure to deliver health and safety responsibilities,
- Safeguarding issues arise through the enhanced level of community support,
- Staff are at increased risk of the disease in certain services,
- Increased risk of fraud and cyber security,
- Lack of PPE for key workers,
- Increase in community safety issues which are difficult to respond to due to capacity,
- The economy is deflated post-recovery leading to ongoing economic problems in town centres and the broader economy,
- Increased demand on certain services e.g. Benefits and economic support.

Risk assessments have been completed for all services and mitigation measures have been built into the Council's recovery plans.

**CLAIRE HAZELDENE**  
**Acting Executive Director (Finance & Customer Services)**

**Web Links and**  
**Background Papers**

Various background working papers

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**7. Introduction**

- 7.1 The medium term financial planning process establishes how available resources will be allocated to services in line with Council priorities which have been determined following consultation with residents, councillors and other stakeholders. The process facilitates the Council in planning the prudent management of its finances, in building resilience and in providing for the needs of residents over the long term.
- 7.2 The medium term financial planning process establishes how available resources will be allocated to services in line with Council priorities which have been determined following consultation with residents, councillors and other stakeholders. The process facilitates the Council in planning the prudent management of its finances, in building resilience and in providing for the needs of residents over the long term.
- 7.3 The Medium Term Financial Plan is driven by local priorities. The Council's spending strategy is set out in the Corporate Plan formally adopted by members of the Council.
- 7.4 Following the elections in May 2019, there was a fundamental review of the Corporate Plan focussing on the period 2019-2023 (up to the end of the current political administration). The Corporate Plan was agreed by Council on 15<sup>th</sup> October 2019 with 2020/21 representing the first full year of the new Corporate Plan.
- 7.5 The Corporate Plan establishes the Council's vision, corporate objectives and key priorities for the medium term. It in effect establishes the Council's commitment in the delivery of service and community leadership to the residents of the High Peak.
- 7.6 The Coronavirus pandemic has had and is likely to continue having an adverse impact on the Council's financial position. The financial impact is arising from additional expenditure in dealing with the crisis both externally and organisationally, lost income and savings targets that may not be met within the same timeframe due to resources being diverted elsewhere.
- 7.7 There is concern about the longer-term financial impact this will have on the delivery of corporate plan objectives. Therefore, to attempt to understand and forecast this and to allow more time to effectively plan the longer term response, an early review of the MTFP was undertaken and this was presented to Members in September 2020.
- 7.8 The September update focused on updating the MTFP as approved in February 2020 - therefore no additional financial years were added and no additional budget demand items were included. The review simply updated the current MTFP in light of the estimated financial impact of Covid-19.
- 7.9 This update moves the MTFP on, adding an additional year, now focusing on the 4 year period 2021/22 – 2024/25.

## **8. Current Approved Medium Term Financial Plan**

- 8.1 The Medium Term Financial Plan (MTFP) which set out the Council's finances over a four-year period, namely 2020/21 to 2023/24 was formally approved in February 2020. A balanced budget for 2020/21 was presented, providing for a net general fund budget of £10,902,470 and a net HRA budget of £15,000,350
- 8.2 A new financial year (2023/24) was added to the MTFP and the overall financial assumptions were updated for the four years. This resulted in a small surplus position of £127,080 on the General Fund by the end of 2023/24. An overall contribution of £17,910 into reserves was forecast during the 4 year life of the plan.
- 8.3 There was also a forecast surplus position of £2,061,950 by the end of 2023/24 for the Housing Revenue Account (HRA) and a £0.93million contribution into reserves over the 4 years. The financial forecasts for the 30-year business plan continued to show a significant surplus.
- 8.4 The MTFP also included an updated General Fund Capital Programme of £19,401,020 and HRA Capital Programme of £20,295,620 over the period 2019/20 – 2023/24.
- 8.5 The report did flag the risks around the outcomes of national funding reviews (i.e. fair funding; business rates retention; and new homes bonus) which may have a detrimental impact on the future financial position.
- 8.6 The forecast general fund reserves position over the life of the approved MTFP is shown below:-

<b>Contingency Reserves</b>	<b>2019/20 (£)</b>	<b>2020/21 (£)</b>	<b>2021/22 (£)</b>	<b>2022/23 (£)</b>	<b>2023/24 (£)</b>
Balance at Year End	2,837,990	2,976,280	2,798,700	2,728,820	2,855,900
Minimum Requirement	1,203,000	1,332,000	1,332,000	1,332,000	1,332,000
Headroom	1,634,990	1,644,280	1,466,700	1,396,820	1,523,900

- 8.7 HRA balances were forecast to total 16.3million at the end of 2019/20.
- 8.8 A summary of the approved four year revenue position for the General Fund and HRA is shown in **ANNEX A**.

## **9. Coronavirus Pandemic – 2020/21 (Current Year) Impact**

- 9.1 As a priority, the financial impact that Covid-19 would potentially have on the current financial year (2020/21) was reviewed in June 2020. This was updated as part of the Quarter 1 Financial Report in September and has now been updated again within the Quarter 2 Financial Report, which also takes account of the confirmed and estimated future Government funding.

### ***Quarter 2 Financial Update***

- 9.2 The 2020/21 forecast has been updated as part of the Quarter 2 financial update (see separate report on this agenda).
- 9.3 In summary, the Quarter 2 financial update forecasts a £451,070 General Fund deficit for 2020/21 after taking into account Covid-19 related funding. The deficit is mainly due to the impact from losses in fees and charges income, additional costs in supporting the operation of the leisure centres, waste collection, additional cleaning and a potential shortfall in realising efficiency savings.
- 9.4 When establishing the 2020/21 budget, it included a contribution into general fund contingency reserves of £0.114million. Therefore, the forecast deficit position results in a variance to this assumption of £0.451million – with an overall £0.337million use of reserves.
- 9.5 However, at the end of 2019/20, the Council established a Covid-19 earmarked reserve specifically to support with the financial impact of Covid-19 totalling £200,000 - utilising part of the 2019/20 underspend generated.
- 9.6 Therefore, this reserve will be used first to fund any 2020/21 in year deficit. Based on the quarter 2 projection, the full £200,000 would be drawn.
- 9.7 The Quarter 2 financial update projects a £0.772million underspend against the 2020/21 HRA budget (largely as a result of a delay in the delivery of the capital programme), and is showing no significant adverse financial impact of Covid-19 in terms of loss of income/additional costs as yet.
- 9.8 The 2020/21 financial position will be monitored and updated throughout the year taking into account the actual recovery of income levels and services and any further updates on Government funding.

### ***Government Covid-19 Funding***

- 9.9 Following on from two allocations of non-ring fenced grant to Local Authorities, on 2nd July 2020, the Secretary of State for the Ministry of Housing, Communities and Local Government (MHCLG) announced a package of financial support for local government, providing three central pillars of support:

#### **COVID-19 related expenditure**

- An overall £4.3 billion non ring-fenced allocation. The Council had received three allocations of non-ringfenced funding from Government totalling £1,096,350. The allocations reflect the factors from which the MHCLG monthly data returns (as completed by each Local Authority) correlate most closely with expenditure. The allocations also take account of population, deprivation and the way that service costs vary across the country.
- At the time of writing a fourth tranche of funding has been announced by Government of which £160,642 is allocated to HPBC.

#### **Irrecoverable income loss**

- Recognises that Councils have lost a great deal of income from sales, fees and charges (SFC) since the start of the pandemic.

- Reimbursements of lost income where these losses are more than 5% of planned income - Government will fund 75p in every pound. The income scheme will cover transactional income from the delivery of services which is unavoidably irrecoverable – this will be the net loss. The 5% deductible will be based on total SFC's budgets - it is not a line by line analysis. No forms of commercial income will be covered by this scheme.

### Losses in tax revenue

- Tax deficits can be repaid over three years rather than the usual one
- There is uncertainty at this point how much tax loss will materialise, so the government will agree a fair apportionment of irrecoverable council tax and business rates losses, between central and local government, for 2020 to 2021.

9.10 In addition, Government has provided financial support to Councils to:

- administer the business grants and self isolation payment process
- support homelessness activity
- support the reopening of high streets
- support with the cost of compliance and enforcement of Covid restrictions

9.11 The Council has also received funding from Derbyshire County Council to support track and trace compliance and enforcement duties and a contribution towards temporary accommodation costs.

9.12 The table below provides a summary of Government and County funding (confirmed and estimated)

<b>Covid Grant Support</b>	<b>HPBC £</b>
Covid 19 General Support- Phases 1 to 4	1,256,991
Covid 19 Grants Admin Support	194,762
Covid 19 Income Loss Support (est)	345,640
<b>General Support</b>	<b>1,797,393</b>
Covid 19 Track & Trace (via County)	50,000
Covid 19 Temporary Accommodation (via County)	18,132
Covid 19 Compliance Enforcement	38,818
Covid 19 Rough Sleepers Initiative	1,650
<b>Service Specific Support</b>	<b>108,600</b>
<b>Total</b>	<b>1,905,993</b>

### ***Tier Classifications / Second National Lockdown***

9.13 In an attempt to contain localised increases in Covid-19 cases, the Government introduced a 3-tiered system at the end of September 2020. The three tiers – medium, high and very high – represented various restrictions dependent on the classification.

9.14 The northern part of High Peak (Glossopdale area) was placed in 'tier 2' from 14<sup>th</sup> October, with the rest of High Peak placed in the 'tier 2 – high' category from 31<sup>st</sup> October 2020 – which introduced restrictions on household mixing indoors.

- 9.15 However, on 31<sup>st</sup> October, the Prime Minister announced a second national lockdown in England from 5<sup>th</sup> November to 2<sup>nd</sup> December. Similar to the first national lockdown, all non essential shops, leisure and hospitality businesses are required to close, but education facilities will this time remain open.
- 9.16 There will no doubt be an impact on the provision of Council services and consequential increased costs / reduced income. This impact will be estimated within the report and assumptions made in respect of further Government funding as a result of the national lockdown.
- 9.14 The 2020/21 position will be monitored regularly and formally reported to Members as part of the usual quarterly financial reporting process. Finance will be working with Services on a monthly basis to assess the 2020/21 position.

## 10. Medium Term Financial Plan Impact

- 10.1 Whilst the Council appears to be in a position to offset the majority of the impact of COVID-19 on the 2020/21 budget via Government funding and use of reserves, there is concern about the longer-term financial impact this will have on the delivery of corporate plan objectives.

### **September 2020 Update**

- 10.2 Therefore, an initial review of the MTFP was undertaken and presented to members in September 2020
- 10.3 The September update focused on updating the MTFP as approved in February 2020 - therefore no additional financial years were added and no additional budget demand items were included. The review simply updated the current MTFP in light of the estimated financial impact of Covid-19.
- 10.4 In summary, the updated MTFP estimated a 4 year revenue position of:-

	2020/21 Projection	2021/22 Projection	2022/23 Projection	2023/24 Projection
	£	£	£	£
<b>Deficit / (Surplus)</b>	<b>459,480</b>	<b>830,390</b>	<b>258,910</b>	<b>161,130</b>
<b>Cumulative Deficit (call on reserves)</b>	<b>459,480</b>	<b>1,289,870</b>	<b>1,548,780</b>	<b>1,709,910</b>

- 10.5 The MTFP approved in February 2020 included an assumed £17,910 contribution into reserves over the four year life of the Plan. The September update showed that in order to balance the updated MTFP position, there would now need to be an overall £1,709,910 use of reserves.
- 10.6 In terms of the HRA, the updated MTFP estimated a 4 year revenue position of:

	2020/21 Projection	2021/22 Projection	2022/23 Projection	2023/24 Projection
	£	£	£	£
<b>Deficit / (Surplus)</b>	<b>193,740</b>	<b>1,083,100</b>	<b>646,770</b>	<b>(2,078,800)</b>
<b>Cumulative Deficit (call on reserves)</b>	<b>193,740</b>	<b>1,276,840</b>	<b>1,923,610</b>	<b>(155,190)</b>

10.7 The MTFP approved in February 2020 included an assumed £932,620 contribution into HRA reserves over the four year life of the Plan. The September update showed that in order to balance the updated MTFP position, there would now be a reduced contribution into reserves of £155,190

**November 2020 Update**

10.8 This MTFP update report now focuses on the 4 year period 2021/22 – 2024/25 – adding an additional financial year and including any new budget demand items.

10.9 The following sections of this report will focus on the four key areas which form part of the MTFP:

- Transformation Programme
- Financial Forecasts
- Funding & Income Generation
- Risks, Contingencies & Reserves

**11. Transformation Programme**

11.1 The Council’s ‘transformation programme’ incorporates all major projects which meet the strategic priorities of the authority and have significant financial implications, including:-

- The Capital Programme (General Fund & HRA)
- Treasury management implications of capital programme and economic changes
- The Efficiency & Rationalisation Programme (General Fund & HRA)
- The Council’s major contracts
- Member Priority Projects

11.2 The delivery of transformation programme projects is monitored by the Transformation Board made up of Directors, along with key Heads of Service and officers. A Director is allocated as ‘project executive’ and a full business case appraisal is completed for each project.

11.3 The table below details the proposed budget for each area of the Transformation programme, changes made compared to the February approved MTFP, assumptions that have been taken in making those changes and any further work required to identify the financial implications of the programme are discussed and will feed into future MTFP updates.

Transformation Programme	Assumptions	Proposed Budget / Changes to Feb Approved position (£)
Capital Programme – General Fund	The Capital Programme presented to Members in February 2020 has been reviewed, re-profiled and updated to reflect the latest position in terms of capital projections to 31st March 2025.	<b>Capital Programme Budget:</b> 2020/21 £3,394,230 2021/22 £3,263,160 2022/23 £4,056,910 2023/24 £2,733,910

	<p>The review also estimates the impact Covid-19 has had on delivery of the approved programme. Some projects have inevitably been delayed due to the lockdown period (and potentially during the second lockdown period), social distancing measures and contractor availability.</p> <p>New approved projects include:-</p> <ul style="list-style-type: none"> <li>• Civica Digital Transformation Suite - £68,450</li> </ul> <p>Consequently the five year capital programme (including 2020/21) is forecast at £16,324,760</p> <p><b>Other Potential Capital Commitments</b>  Details and estimated costs of any new capital schemes which the Council is aiming to progress during the 4-year MTFP period will be included in a future update of the MTFP:</p> <p><i>Glossop Halls</i> - £2million funding secured from the D2N2 Getting Building Fund, subject to approval of business case. Latest project costings indicate potential further funding to support delivery of the project from the Council in addition to the current capital budget of £1.3m.</p> <p><i>Future High Street Funding (FHFSF)</i> – The Council is awaiting notification from Government on whether the FHFSF bid for the regeneration of Buxton town centre has been successful. If so, there is a potential significant investment into this project required from the Council – subject to the full business case being completed and approved.</p> <p><i>ICT</i> – Evaluation of the most efficient way to fund investment into laptops required to facilitate the new ways of home working is currently being undertaken.</p> <p>The updated general fund capital programme is detailed in <b>ANNEX B</b></p> <p>In accordance with the requirements of the 2017 edition of the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code for Capital Finance in Local Authorities, a Capital Strategy was produced and approved alongside the MTFP in February 2020.</p> <p>The Strategy, which will be updated and presented to members alongside the MTFP</p>	<p><u>2024/25 £2,876,550</u>  <b>TOTAL £16,324,760</b></p> <p><b>Changes to Feb 2020 position:</b></p> <p><b>2020/21 decrease (£1,652,190)</b>  <b>2021/22 decrease (£1,102,370)</b>  <b>2022/23 Increase £2,253,080</b>  <b>2023/24 decrease (£518,480)</b>  <b>2024/25 increase £2,876,550</b></p>
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	<p>report in February 2021, explains how capital expenditure and investment decisions are taken in line with the Council's Corporate Plan and service objectives, taking account of stewardship, value for money, prudence, risk management, sustainability and affordability.</p>	
<b>Capital Programme - HRA</b>	<p>The Capital Programme presented to Members in February 2020 has been reviewed, re-profiled and updated to reflect the latest position in terms of capital projections to 31st March 2025. The review also estimates the impact Covid-19 has had on delivery of the approved programme. Some projects have inevitably been delayed due to the lockdown period (and potentially during the second lockdown period), social distancing measures and contractor availability.</p> <p>New proposed projects include:-</p> <ul style="list-style-type: none"> <li>• Upgrade of Fire Alarm Systems at various Sheltered Blocks £280,000 over 3 financial years</li> </ul> <p>Consequently the five year capital programme (including 2020/21) is forecast at £22,312,940.</p> <p>The updated HRA capital programme is detailed in <b>ANNEX B</b></p>	<p><b>Capital Programme Budget:</b></p> <p>2020/21 £ 4,567,930  2021/22 £ 5,673,210  2022/23 £ 5,351,600  2023/24 £ 2,765,060  2024/25 £ 4,599,130  <b>TOTAL £22,956,930</b></p> <p><b>Changes to Feb 2020 position:</b></p> <p>2021/22 decrease £829,160  2022/23 increase £1,278,150  2023/24 increase £195,000  2024/25 -</p>
<b>Capital Programme Funding Borrowing Requirement</b>	<p>The capital programme can be funded from a number of options which include external grants and contributions from third parties comprising of Government and lottery funding; capital receipts from asset sales as part of the asset management plan; earmarked revenue reserves and borrowing.</p> <p>The main element of spending within the current General Fund programme which is expected to be funded from external resources is support towards Disabled Facilities Grants. Estimated capital receipts from land sales of £4,409,270 will be available over the next five years subject to a review of surplus assets. Revenue and capital reserves of £164,450 are forecast (at this stage) to be applied over the period.</p> <p>Borrowing is therefore the main funding option for the programme. The Treasury Management Strategy then considers whether this is funded externally or internally - both options have a consequence on revenue either through reduced investment income or increased external interest liability.</p>	<p><b>Borrowing Requirement:</b></p> <p>2020/21 £1,951,890  2021/22 £2,150,050  2022/23 £2,526,300  2023/24 nil  2024/25 nil</p> <p><b>Changes to Feb 2020 position:</b></p> <p>2020/21 decrease (£912,290)  2021/22 increase £1,191,380  2022/23 increase £2,526,300  2023/24 decrease (£21,250)  2024/25 -</p>

	<p>The HRA capital programme is fully funded from reserves.</p> <p>As a result of the reprofiling of the capital programme, the funding position has consequently changed between years.</p> <p>The impact on the Council's borrowing requirement to fund any unfinanced capital expenditure is shown.</p>	
<p><b>Treasury Management implications of capital programme changes</b></p>	<p>The treasury management implications (borrowing costs associated with the estimated borrowing requirement) have been updated to take account of both the re-profiled capital programme and capital funding programme.</p>	<p><b>Borrowing Costs Budget (Total):</b></p> <p>2021/22 £1,810,800  2022/23 £1,845,820  2023/24 £1,859,010  2024/25 £1,842,200</p> <p><b>Changes to Feb 2020 position (implications of capital spend):</b></p> <p>2021/22 £41,710  2022/23 £49,020  2023/24 £56,540  2024/25 -</p>
<p><b>Efficiency Programme Review</b></p>	<p>The current Efficiency and Rationalisation Strategy was approved by Members in February 2017, which identified a programme of £2.1 million in savings to be made over the period 2017/18 – 2020/21.</p> <p>When setting the MTFP in February, there remained a £0.505 million savings target to be achieved in 2020/21. Following additional savings that were realised in quarter 4 of 2019/20, the overall target remaining has been reduced to £352,000 (£257,000 targeted in 2020/21, £95,000 targeted in 2021/22)</p> <p>At quarter 2 stage, it assumed that there will be a £171,000 shortfall against the 2020/21 target of £257,000 due to Covid-19 pressures (this will be monitored during the year) – which is built into the £450,000 deficit projected at Quarter 2.</p> <p>At this stage it is proposed that the actual year-end shortfall on the 2020/21 saving target (currently forecast at £171,000) is rolled forward into 2021/22 to be offset by the significant fleet procurement savings due to be realised in that year.</p> <p>The Council also has an earmarked reserve established to support with any re-profiling requirements of the efficiency programme with £200,000 currently set aside. Therefore, if there was a shortfall in achieving savings in 2021/22, this reserve could be drawn.</p>	<p><b>Efficiency Programme targets:</b></p> <p>2021/22 £95,000  2022/23 -  2023/24 -  2024/25 -</p> <p><i>*plus an estimated additional £171,000 in unachieved savings rolled forward from 2020/21</i></p> <p><b>Changes to Feb 2020 position:</b></p> <p>2021/22 -  2022/23 -  2023/24 -  2024/25 -</p>

	<p>No assumptions in respect of any 'new' efficiency programme have been incorporated into this iteration of the plan. Similarly, there are no further efficiency savings for the HRA within the current plan.</p>	
<p><b>Major Contracts</b></p>	<p>One of the major cost pressures as a result of Covid-19 has been the impact on some of the Council's major contracts. However, there are also other potential pressures, as well as potential savings that need to be reflected in the MTFP forecast.</p> <p><b>Leisure Centres &amp; Pavilion Gardens</b> Financial support has been provided in regard to the Council's leisure centres and Pavilion Gardens operation during the lockdown and recovery period – which is being rolled on a monthly basis. The leisure centre operation has seen income receipts wiped out during the period the centres were closed and is forecasting slow recovery phase as footfall is reduced in the early stages of recovery to maintain social distancing and facilities are opened on a phased basis. The second lockdown means that the facilities will once again close during this period. An estimated £1,203,000 spend pressure is currently assumed in 2020/21, which is in part offset by Government COVID-19 support grants. Recognising that recovery may be prolonged and income levels may not reach pre-Covid levels in the near future, a £350,000 growth item has been built into the MTFP in 2021/22 – but then removed from 2022/23 on the working assumption of a return to pre COVID-19 levels. At this stage, it is not assumed that the recently announced Government funding to support externalised Leisure contracts will extend into 2021/22.</p> <p><b>Alliance Environmental Services</b> Alliance Environmental Services (AES) delivers waste, fleet, street cleansing and grounds maintenance services to the High Peak Borough and Staffordshire Moorlands District Councils. The Councils are shareholders of the company along with Ansa, which is a wholly owned subsidiary of Cheshire East Council. The company has experienced additional cost pressures as a result of the Covid-19 pandemic in regard to additional agency and overtime costs to enable social distancing and additional</p>	<p><b>Changes to Feb 2020 position:</b></p> <p>2021/22 £350,000 2022/23 - 2023/24 - 2024/25 -</p> <p><b>Changes to Feb 2020 position (Change demand items):</b></p> <p>2021/22 £188,610 2022/23 (£1,950) 2023/24 £47,670 2024/25 -</p>

	<p>cleaning and personal protective equipment – the amount apportioned to HPBC is forecast at £158,720 in 2020/21.</p> <p>Change demand items flagged by AES which will affect the management fee from 2021/22 include: Round Growth; Melandra Depot (one year only); increased waste tonnage costs (ongoing covid effect); Recycling contracts decline in market, impact on income, offset partially by an increase in recycling credits from increased tonnage (covid effect).</p> <p><b>Facilities Management</b></p> <p>In 20/21 the Cleaning &amp; Caretaking Contract was taken over by Vertas, the Council are currently working with Vertas to mitigate the overspend in the 20/21 to a balanced budget in 2021/22 – pending any new ongoing arrangement.</p>	
<p><b>Member Priority Projects</b></p>	<p>During the development of the Corporate Plan a number of priority actions have been identified and prioritised by members.</p> <p>Any costs or revenue associated with these actions will need to be included in the MTFP. The impact of a number of them is already included in this iteration of the plan but additional work will need to be undertaken to develop a number of the actions further and at the same time identify any financial implications.</p> <p>More detail on this will provide in the February iteration of the MTFP.</p>	

## 12. Financial Forecasts

12.1 A review of financial forecasts includes:-

- Updated interest rate forecasts
- Updated inflationary projections
- Any pensions impact relating to economic changes
- Estimation of any additional medium term costs of COVID recovery:
  - Reinstating Services
  - Economic recovery
  - Community recovery
- Potential financial savings developing from new ways of working in accordance with recovery plan stream:-
  - Taking advantage of the positive legacy

12.2 The table below details the proposed budget for each area of review, changes made compared to the February approved MTFP and assumptions that have been taken in making those changes:-

<b>Financial Forecasts</b>	<b>Assumptions</b>	<b>Proposed Budget / Changes to Feb Approved position (£)</b>
<b>Interest Rates</b>	<p>Following the decrease in the Bank of England base rate to 0.10% in March 2020, and the context of the impact of the coronavirus pandemic, the expectation is that interest rates will continue at current low levels throughout the period of the MTFP, with only a small potential increase in the 4<sup>th</sup> year.</p> <p>The Council's advisors Link do not include negative interest rates in their forecast, but their average earning forecast shows an expectation of near 0% return.</p> <p>The forecast of borrowing interest rates similarly remains at current levels, although the outcome of the recent PWLB consultation may impact this.</p> <p>Consequently, the cost of borrowing and the return on cash investments has reduced compared to the previous MTFP iteration.</p>	<p><b>GENERAL FUND REVENUE</b> Net impact of reduced interest rates (interest income and borrowing costs):</p> <p>2021/22 £52,850  2022/23 (£5,010)  2023/24 (£31,980)  2024/25 (£23,680)</p> <p><b>HRA IMPACT</b>  Year 1 (£35,570)  Year 2 (£94,760)  Year 3 (£93,420)  Year 4 £4,840</p>
<b>Inflation</b>	<p>The Retail Price Index (RPI) and Consumer Price Index (CPI) 12 month rate, as at October 2020, stood at 1.3% and 0.9% respectively. Inflation forecasts are made reflecting the composition of the Council's expenditure, resulting in an inflation rate specific to the Council.</p> <p>This includes the impact on staff pay, supplies and services, premises related costs and transport.</p> <p>The inflationary effects of Covid-safe working arrangements will feed through the system as increased supplies and service costs as contracts are renewed and uplifted.</p> <p>Based on the recent Government announcement concerning Public Sector pay, the assumptions on pay award have been revised 0% in 2021/22 and 1% pa thereafter. This will be further refined as more details emerge.</p>	<p><b>Inflationary Uplift (Total):</b></p> <p>2021/22 £175,000  2022/23 £229,400  2023/24 £230,130  2024/25 £228,630</p> <p><b>Net changes to Feb 2020 position:</b></p> <p>2021/22 (£103,130)  2022/23 (£55,310)  2023/24 (£56,660)  2024/25 -</p>

<b>Pensions</b>	<p>The Pension Fund triennial valuation, which took place in 2019, fixed the Council's contributions for the first 2 years of this plan. A further valuation is to take place in 2022, which will set the contributions payable up until 2025/26.</p> <p>At this stage the plan assumes no further increase in contributions will be necessary arising out of the 2022 valuation.</p> <p>At the 2019 valuation the High Peak portion of the Pension Fund had a funding level of 90%.</p> <p>The impacts of Covid19 are not expected to have an effect on pension contribution rates at this stage. The long term nature of Pension Fund forecasting means the impacts of short term financial shocks are mitigated. This situation will continue to be monitored following the outcome of this next valuation.</p> <p>The Council carries an earmarked reserve for Pension purposes, which was originally set up to meet extraordinary pension costs outside of the actuarial valuation process. It has become obsolete having never been used for this purpose and is potentially available for re-designation. This will be reviewed alongside all other earmarked reserves and Third Party funds.</p>	<b>No impact assumed</b>
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### 13. Funding & Income Generation

13.1 The key areas of funding and income generation include:

- Council Tax, Business Rates and Housing Rents collection
- Impact on the Collection Fund
- Income from Government Grants
- Longer term impact on fees and charges income

13.2 The table below details the proposed budget for each area of review, changes made compared to the February approved MTFP and assumptions that have been taken in making those changes:-

Funding & Income Generation	Assumptions	Proposed Budget / Changes to Feb Approved position (£)
<b>Council Tax</b>	The Council has the capacity to vary Council Tax levels, following the abolition of capping. However the	<b>Council Tax Income Budget (inc. impact of Council tax</b>

	<p>Council's ability to increase Council Tax by more than a certain percentage is subject to referendum. Government consultation is currently on-going regarding the level of this percentage.</p> <p>In line with the consultation, this iteration of the MTFP assumes that a 1.9% Council Tax increase will be implemented throughout the 4 year life of this Plan.</p> <p>Provision for tax base growth remains unchanged from the levels assumed in February. A provisional figure has been included for Year 4. Further work will be carried out in the course of the next few months to recalculate likely changes in the tax base.</p> <p>There is also a risk associated with non-payment, with some households potentially struggling to meet instalments. Collection Rates for 2020/21 are behind what they normally are, however this is currently largely distorted by deferred payment plans and stalled recovery.</p> <p>Having said that, it is recognised that there will be an impact on collection rates in 2020/21. However, the financial impact will only be realised if outstanding debts are not collected in the near term and are subsequently written off.</p>	<p>increase and tax base changes):</p> <p>2021/22 £6,230,240  2022/23 £6,409,480  2023/24 £6,595,350  2024/25 £6,784,750</p> <p>Net changes to Feb 2020 position:</p> <p>2021/22 -  2022/23 -  2023/24 -  2024/25 -</p>
<p><b>Business Rates</b></p>	<p>Under the 50% Business Rates Retention system, the Authority retains 40% of Business Rates less a tariff that is payable into a pool of Derbyshire Authorities. This amount is then compared to a Funding Baseline (estimated at £2,406,290 for 2021/22): any amount in excess of this Baseline is subject to levy, or conversely if the amount of retained Business Rates is below this Baseline, the loss is capped by a safety net payment. The MTFP does not anticipate the Council falling below the Baseline.</p> <p>As part of the Derbyshire Pool, the levy or the safety net payment is made to or from the Pool instead of Central Government. If the Council was not in the Staffordshire Pool it would have to pay 50p in the £1 to the Government as a levy, effectively limiting the income the Council can gain from business rates growth. However, as part of the Pool, the Council retains c.60% of this levy based on past performance. The benefit to the Council of being part of the Pool arrangement is estimated to be £409,550 in 2021/22.</p> <p>Extended Retail Relief was announced by Government in March 2020 which awarded full Business Rates relief to all retail, hospitality and leisure related businesses.</p>	<p>Business Rates Income Budget:</p> <p>2021/22 (£3,649,580)  2022/23 (£3,780,120)  2023/24 (£4,050,700)  2024/25 (£4,319,010)</p> <p>Net changes to Feb 2020 position:</p> <p>2021/22 £222,290  2022/23 £210,090  2023/24 £86,510  2024/25 -</p>

	<p>It is unknown at this stage if the extended Retail Relief will continue into 2021/22.</p> <p>Either way, the Council would either be reimbursed via Government grant or the amount would be collectable from businesses.</p> <p>However, as a result of Covid-19 and the impact recession and social distancing measures are having on businesses, there is a risk that the District may see a reduction in the business tax base and therefore business rates retention. The MTFP includes a reduction of 1% in year 1; and a recovery of 0.75% in year 2, leaving a permanent depression of 0.25% resulting from the current situation. However, growth in the business rates base is included at 1.5% in years 3 and 4 on the basis of a general stimulation in the economy by this point and more particularly the potential positive effects of the Crescent development. This will be reviewed at the next iteration.</p> <p>There is also a risk associated with non-payment, with businesses potentially struggling to meet instalments. Collection Rates for 2020/21 are behind the normal trend, however this is currently largely distorted by deferred / changed payments plans. A financial impact of lower collection rates will only be realised if outstanding debts are not collected in the near term and are subsequently written off. Prior to the Covid-19 climate an annual provision for bad debts of 0.6% was usually included in the budget. This has been increased to 1% for 2021/22; 0.8% in 2022/23; returning to 0.6% in 2023/24 and 2024/25.</p>	
<p><b>Collection Fund Impact</b></p>	<p>The Government announced that it will extend the period over which Councils must manage exceptional deficits on the collection fund relating to 2020/21 owing to the Covid-19 situation, from the usual one year to three years. This is intended to ease immediate pressures on Councils when budget setting for 2021/22, protecting their ability to deliver essential local services.</p> <p>The hardship element of the Local Council Tax Reduction Scheme; and the Extended Retail Relief and Nursery Discount on Business Rates are all funded by grants, therefore do not impact on the exceptional deficit.</p>	<p><b>Distribution of 2020-21 exceptional deficit (Council share):</b></p> <p><b>2021/22 to 2023/24:</b></p> <p><b>Council Tax £24,000 per annum</b></p> <p><b>Business Rates No impact</b> (a small surplus is forecast which will be distributed in 2021/22 under normal rules)</p>

<b>Housing Rent</b>	<p>The four year 1% rent reduction ended in 2019/20, allowing Authorities to increase rents by CPI +1% from 2020/21. This led to an increase in rents by 2.7% in 2020/21. The current HRA Plan projects a 1.5% increase from 2021/22. It also assumes that 'Other Charges', including garages and service charges, will increase in 2021/221 – 2024/25 by a maximum of 5% per annum.</p>	<p><b>Housing Rent &amp; Service Charges Budget:</b></p> <p>2021/22 (£15,154,770)  2022/23 (£15,440,190)  2023/24 (£15,730,830)  2024/25 (£16,322,050)</p> <p><b>REVENUE INCOME IMPACT</b>  Year 1 £112,200 increase  Year 2 £285,420 increase  Year 3 £290,640 increase  Year 4 £591,220 increase (53 week year)</p>
<b>New Homes Bonus</b>	<p>The replacement for the New Homes Bonus scheme (the intended subject of consultation in Spring 2020) has been delayed by Covid19.</p> <p>The February 2020 iteration of the MTFP assumed that any replacement scheme would be as beneficial to the Council as the former scheme. In the absence of detailed guidance this assumption remains in place. As was the case in February; this remains a significant risk.</p> <p>This assumption will be revised in December when the provisional Local Government financial settlement is released. Any changes will be incorporated into the February 2021 MTFP update</p>	<p><b>New Homes Bonus Budget:</b></p> <p>2021/22 £647,250  2022/23 £647,250  2023/24 £647,250  2024/25 £647,250</p> <p><b>Net changes to Feb 2020 position:</b></p> <p>2021/22 £0  2022/23 £0  2023/24 £0  2024/25 -</p>
<b>Government Grants – Covid-19</b>	<p>The Council has received Government funding towards Covid-19 pressures during 2020/21. This has included non-ringfenced grants, specific grants (for additional services provided such as the administration of the grants process and compliance and enforcement of restrictions) and partial reimbursement of irrecoverable fees and charges income. It is assumed at this stage that this funding will not continue into future years.</p>	<p><b>Government Grants:</b></p> <p>2021/22 -  2022/23 -  2023/24 -  2024/25 -</p> <p><b>Net changes to Feb 2020 position:</b></p> <p>2021/22 -  2022/23 -  2023/24 -  2024/25 -</p>
<b>Fees &amp; Charges</b>	<p>The assumed annual increase in base income has been suspended for years 1 and 2 of the plan, whilst fees and charges income levels recover from the Covid19 shock.</p> <p>The MTFP assumes that income losses suffered in 2020/21 arising out of the Covid19 outbreak have substantially recovered by 2021/22. This working assumption will be kept under review over the next few months as the formal fees and charges process is completed before the budget is set in February</p>	<p><b>F&amp;C Total Budget (inc inflation):</b></p> <p>2021/22 £7,230,790  2022/23 £7,213,290  2023/24 £7,253,290  2024/25 £7,293,290</p> <p><b>Net changes to Feb 2020 position:</b></p> <p>2021/22 £40,000  2022/23 £80,000  2023/24 £80,000  2024/25 £0</p>

#### 14. Updated Revenue Position

14.1 Based on the above updated forecasts, the updated revenue forecast for both the general fund and HRA is summarised below.

### General Fund Revenue Summary

Budget Heading	2021/22 Projection	2022/23 Projection	2023/24 Projection	2024/25 Projection
	£	£	£	£
Employees	10,467,850	10,579,300	10,688,700	10,797,020
Premises	4,295,740	4,400,560	4,466,570	4,533,210
Transport	401,560	406,660	411,820	416,980
Supplies & Services	9,774,240	9,471,170	9,665,800	9,815,260
Benefits	82,460	82,460	82,460	82,460
Borrowing	1,810,800	1,845,820	1,859,010	1,842,200
Parish Grant re Council Tax Support	51,320	51,320	51,320	51,320
Financing Costs	22,130	22,130	22,130	22,130
<b>Total Expenditure</b>	<b>26,906,100</b>	<b>26,859,420</b>	<b>27,247,810</b>	<b>27,560,580</b>
Fees and Charges / Other Income	(7,192,490)	(7,271,690)	(7,311,690)	(7,351,690)
Interest Receipts	(45,720)	(45,140)	(43,390)	(65,760)
HRA Recharges	(7,863,390)	(8,022,750)	(8,143,650)	(8,266,600)
Capital Recharges	(231,240)	(231,240)	(231,240)	(231,240)
<b>Net Expenditure</b>	<b>11,573,260</b>	<b>11,288,600</b>	<b>11,517,840</b>	<b>11,645,290</b>
Council Tax	(6,230,240)	(6,409,480)	(6,595,350)	(6,784,750)
Business Rates Retention	(3,649,580)	(3,780,120)	(4,050,700)	(4,319,010)
New Homes Bonus	(647,250)	(647,250)	(647,250)	(647,250)
Contribution to / (use of) Reserves	(3,420,530)	(1,640)	(1,640)	(1,640)
Contingency Balances	0	0	0	0
Collection Fund	3,522,590	(37,080)	(36,390)	(35,700)
<b>Total Financing</b>	<b>(10,425,010)</b>	<b>(10,875,570)</b>	<b>(11,331,330)</b>	<b>(11,788,350)</b>
<b>Cumulative Deficit / (Surplus)</b>	<b>1,148,250</b>	<b>413,030</b>	<b>186,510</b>	<b>(143,060)</b>
Efficiency Requirement (cumulative)	(38,300)	58,400	58,400	58,400
<b>Deficit / (Surplus)</b>	<b>1,109,950</b>	<b>471,430</b>	<b>244,910</b>	<b>(84,660)</b>
<b>Cumulative Deficit (call on reserves)</b>	<b>1,109,950</b>	<b>1,581,380</b>	<b>1,826,290</b>	<b>1,741,630</b>

14.2 In order to balance the updated MTFP position, there would need to be a forecast overall £1,741,630 use of reserves up to the end of 2024/25.

## Housing Revenue Account Summary

HRA	2021/22 Projection	2022/23 Projection	2023/24 Projection	2024/25 Projection
	£	£	£	£
Repairs & Maintenance	4,393,640	4,501,460	4,570,430	4,640,240
Supervision & Management	2,673,380	2,703,920	2,734,850	2,765,990
Rent, Rates, Taxes & Other Charges	109,130	109,130	109,130	109,130
Other Operating Expenditure	782,430	806,290	830,190	858,100
Depreciation & Impairment Charges	2,099,030	2,099,030	2,099,030	2,099,030
Interest & Debt Management Charges	2,710,770	2,616,010	2,522,590	2,527,430
HRA Contribution to Capital Programme	3,574,180	3,252,570	666,030	2,500,100
<b>Total Expenditure</b>	<b>16,342,560</b>	<b>16,088,410</b>	<b>13,532,250</b>	<b>15,500,020</b>
Dwelling Rents	(14,483,110)	(14,768,530)	(15,059,170)	(15,650,390)
Non-Dwelling Rents & Other Income	(671,660)	(671,660)	(671,660)	(671,660)
<b>Total Income</b>	<b>(15,154,770)</b>	<b>(15,440,190)</b>	<b>(15,730,830)</b>	<b>(16,322,050)</b>
<b>(Surplus) / Deficit for year</b>	<b>1,187,790</b>	<b>648,220</b>	<b>(2,198,580)</b>	<b>(822,030)</b>
<b>Cumulative (contribution to) / use of reserves</b>	<b>1,187,790</b>	<b>1,836,010</b>	<b>(362,570)</b>	<b>(1,184,600)</b>

14.3 In order to balance the updated MTFP HRA position, there would be a forecast contribution into reserves of £1,184,600 up to the end of 2024/25.

### 15. Risks, Contingencies & Use of Reserves

15.1 When setting the Budget and Medium Term Financial Plan in February 2020, the general fund contingency reserves balance as at 31st March 2020 was estimated to total £2.838 million.

15.2 The 2019/20 provisional outturn position highlighted a £295,000 surplus – of which £200,000 was set aside specifically to fund COVID-19 recovery activities. After other earmarked reserves movements, the general fund contingency balance as at 31st March 2020 was £2.841million (just slightly higher than forecast in the MTFP presented in February).

15.3 The Council carries reserves as a contingency for situations where risks cannot be fully mitigated. Section 25 of the Local Government Act 2003 requires the Chief Finance Officer (CFO) to report on the robustness of the estimates included in the budget and the adequacy of the reserves that the budget provides.

15.4 While there is no detailed guidance on calculating the level of general reserves, the Council is encouraged to take into account the strategic, operational and financial risks facing the Council. These amounts are then moderated to acknowledge the likelihood of all risk events occurring together. When setting the Budget in February, the minimum level of general fund contingency reserves required was set at £1,332,000

- 15.5 In addition to utilising the £0.2million COVID-19 earmarked reserve (and proposed re-designation of the £0.220million Pensions earmarked reserve) in offsetting the impact in the current financial year, the Council could utilise contingency reserves of approximately £1.5 million, which would leave the contingency balance just above the minimum required amount of £1.3 million over the life of the current MTFP (including the current year).
- 15.6 The updated MTFP currently shows a forecast cumulative deficit position of £1.742million over the four years – which represents the required use of reserves in order to balance the 4 year plan. Utilising the Covid-19 recovery reserve and potential re-designation of the Pension reserves (as discussed in para. 12.2) would leave £1.321million to be funded from General Fund Contingency reserves:

	£
MTFP Four Year Use of Reserves requirement	1,741,630
Covid-19 Recovery earmarked Reserve	(200,000)
Pensions Re-designated Reserve	(220,000)
<b>Balance to be funded</b>	<b>1,321,630</b>
General Fund Contingency	(1,321,630)
<b>Balance to be funded</b>	<b>0</b>
Estimated General Fund Contingency Balance 31 <sup>st</sup> March 2021*	2,504,220
Drawdown over 2021/22 – 2024/25	(1,321,630)
<b>Forecast General Fund Contingency Balance by 31<sup>st</sup> March 2025</b>	<b>1,182,590</b>
<i>Forecast General Fund Contingency Balance by 31<sup>st</sup> March 2024 as at Feb 2020</i>	<i>2,855,900</i>

\*includes estimated £336,780 use of reserves in 2020/21

- 15.7 At the end of year 4 of the plan (2024/25) there would be an estimated balance of £1.183million in General Fund Contingency reserves – which would be £0.117 million under the required £1.3 million minimum balance. However, the updated MTFP illustrates an anticipated surplus of £84,660 in year 4 of the plan (2024/25).
- 15.8 Over the next few months, prior to formal approval in February 2021, the Plan's position will be refined to incorporate amongst other things, the spending review announcement, which is expected to give details of any further Government support which will hopefully improve the forecast position.
- 15.9 If reserves are utilised as forecast to fund the deficit position, a plan would need to be put into place in to rebuild reserves over the longer term. A review of earmarked reserves will also take place prior to February 2021 in an attempt to boost contingency reserves.
- 15.10 In terms of the HRA, the financial impact of COVID-19 is expected to be less severe, and the HRA has sufficient reserves to cover this certainly in the medium term. There may be a longer term impact on the HRA business plan which will be considered as part of the MTFP update to be presented in February 2021. The anticipated change in the reserves position as at the end of year 4 of the Plan is illustrated below:

HRA	£
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HRA Reserves Balance as at 31 <sup>st</sup> March 2021	(16,329,706)
Net Movement Over 2021/22 – 2024/25	(1,184,600)
Forecast HRA Reserves Balance by 31 <sup>st</sup> March 2025	(17,514,306)
<i>Forecast HRA Reserves Balance by 31<sup>st</sup> March 2024 as at Feb 2020</i>	<i>(17,310,904)</i>

15.11 The updated HRA MTFP illustrates a surplus position of £0.822million by year 4.

15.12 All of the above is subject to the assumptions as detailed in sections 11-13 which is extremely difficult to forecast – and does not assume any further Government support. These assumptions will be continually monitored.

### ***Risk Identification and Management***

15.13 The early identification and management of risks is critical to the Medium Term Financial Planning process. Risks are assessed, mitigated and actively managed to ensure that the Council delivers its services effectively within the funding at its disposal. The principal risks to the Medium Term Financial Plan are summarised in **ANNEX C**.

15.14 Risk areas will be closely monitored and reviewed on an on-going basis and remedial action taken as appropriate. Risks associated with specific projects will be identified within the project methodology documents and reviewed monthly by the Transformation Board.

15.15 The table below highlights specific financial risks that are embedded within the Medium Term Financial Plan:

Revenue Risks	Capital Risks
<ul style="list-style-type: none"> <li>• Inflationary assumptions</li> <li>• Interest rates</li> <li>• Revenue consequences of capital</li> <li>• Housing benefits</li> <li>• Fees and charges</li> <li>• Universal Credit</li> <li>• Business Rates Retention scheme</li> <li>• Council Tax collection</li> <li>• New Homes Bonus</li> <li>• Financial benefits from partnerships / shared services</li> <li>• Pension costs</li> <li>• Insurance costs</li> <li>• Waste management costs</li> <li>• Brexit implications</li> </ul>	<ul style="list-style-type: none"> <li>• Interest rates</li> <li>• External funding</li> <li>• Capital receipts</li> <li>• Capacity to deliver capital programme</li> <li>• Project overspend</li> <li>• Project overrun</li> <li>• External factors (e.g. planning objections, judicial reviews etc. leading to project delay)</li> <li>• Housing Joint Venture</li> <li>• Suppliers / Contractors / Contract Management</li> <li>• Weather</li> <li>• Brexit implications</li> </ul>

15.16 In addition, there are a number of Covid-19 related financial risks to the MTFP to be regularly reviewed and considered:-

- The impact that a recession may have on Council Tax, Business Rates and Housing Rent collection and increased risk of non-payment which is not subsequently collected

- The period of recovery is prolonged which has further cost pressure consequences for the Council – especially in regard to the operation of leisure centres
- Fees and Charges income levels do not return to pre-Covid levels as forecast
- The economy is deflated post-recovery leading to ongoing economic problems in town centres and the broader economy, as well as community safety issues, which lead to increased cost pressures
- Increased demand on certain services e.g. Benefits and economic support.
- Further national lockdown/strict tiered system is imposed which leads to further pressures on businesses and households and additional costs to the Council in providing support

## **16. Future MTFP Updates**

- 16.1 The next iteration of the MTFP is due towards the end of the calendar year and then again alongside the presentation and setting of the Budget 2021/22 in February 2021.
- 16.2 The forecasts will be updated to reflect latest information, intelligence and monthly in year actuals and an additional year will be added to the plan. In year financial performance will be closely monitored within the quarterly financial reports.

## ANNEX A

## Approved General Fund Revenue Budget (approved February 2020)

Budget Heading	2020/21 Projection	2021/22 Projection	2022/23 Projection	2023/24 Projection
	£	£	£	£
Employees	10,599,460	10,784,110	11,010,610	11,234,790
Premises	4,274,230	4,322,520	4,388,380	4,455,340
Transport	404,900	408,120	413,220	418,380
Supplies & Services	9,412,780	9,516,280	9,665,170	9,812,130
Benefits	82,460	82,460	82,460	82,460
Borrowing	1,837,940	1,905,240	1,900,580	1,860,010
Parish Grant re Council Tax Support	51,320	51,320	51,320	51,320
Financing Costs	22,130	22,130	22,130	22,130
<b>Total Expenditure</b>	<b>26,685,220</b>	<b>27,092,180</b>	<b>27,533,870</b>	<b>27,936,560</b>
Fees and Charges / Other Income	(6,964,110)	(7,048,810)	(7,168,010)	(7,208,010)
Interest Receipts	(160,000)	(207,500)	(255,000)	(302,500)
HRA Recharges	(8,027,720)	(8,202,660)	(8,382,800)	(8,562,770)
Capital Recharges	(231,240)	(231,240)	(231,240)	(231,240)
<b>Net Expenditure</b>	<b>11,302,150</b>	<b>11,401,970</b>	<b>11,496,820</b>	<b>11,632,040</b>
Council Tax	(6,051,540)	(6,230,240)	(6,409,480)	(6,595,350)
Revenue Support Grant	0	0	0	0
Business Rates Retention	(3,797,710)	(3,871,870)	(3,990,210)	(4,137,210)
New Homes Bonus	(647,250)	(647,250)	(647,250)	(647,250)
Contribution to / (use of) Reserves	(88,940)	(1,640)	(1,640)	(1,640)
Contribution to / (use of) Balances	138,290	(177,580)	(69,880)	127,080
Collection Fund	(455,320)	(35,410)	(37,080)	(36,390)
<b>Total Financing</b>	<b>(10,902,470)</b>	<b>(10,963,990)</b>	<b>(11,155,540)</b>	<b>(11,290,760)</b>
<b>Cumulative Deficit / (Surplus)</b>	<b>399,680</b>	<b>437,980</b>	<b>341,280</b>	<b>341,280</b>
Efficiency Requirement (cumulative)	(399,680)	(437,980)	(341,280)	(341,280)
<b>Deficit / (Surplus)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Approved Housing Revenue Budget (approved February 2020)

	2020/21 Projection	2021/22 Projection	2022/23 Projection	2023/24 Projection
	£	£	£	£
Repairs & Maintenance	4,299,300	4,395,830	4,494,570	4,593,550
Supervision & Management	2,618,150	2,676,560	2,736,960	2,796,950
Rent, Rates, Taxes & Other Charges	113,030	113,030	113,030	113,030
Other Operating Expenditure	761,310	784,150	808,040	831,980
Depreciation & Impairment Charges	2,099,030	2,099,030	2,099,030	2,099,030
Interest & Debt Management Charges	2,746,340	2,739,520	2,758,630	2,705,150
HRA Contribution to Capital Programme	3,178,060	2,296,030	3,057,570	666,030
<b>Total Expenditure</b>	<b>15,815,220</b>	<b>15,104,150</b>	<b>16,067,830</b>	<b>13,805,720</b>
Dwelling Rents	(14,370,910)	(14,654,780)	(14,943,860)	(15,238,230)
Non-Dwelling Rents & Other Income	(629,440)	(629,440)	(629,440)	(629,440)
<b>Total Income</b>	<b>(15,000,350)</b>	<b>(15,284,220)</b>	<b>(15,573,300)</b>	<b>(15,867,670)</b>
<b>(Surplus) / Deficit for year</b>	<b>814,870</b>	<b>(180,070)</b>	<b>494,530</b>	<b>(2,061,950)</b>

## ANNEX B

## Updated General Fund Capital Programme

Service Area	2020/21	2021/22	2022/23	2023/24	2024/25	Total
	£	£	£	£	£	£
Housing	667,000	374,000	504,000	504,000	504,000	2,553,000
Asset Management	1,806,510	1,640,960	2,238,020	1,518,800	880,250	8,084,540
Housing Grants	519,110	489,110	489,110	489,110	489,110	2,475,550
ICT Strategy	188,360	67,050	50,000	50,000	50,000	405,410
Fleet Management	-	633,000	725,780	172,000	953,190	2,483,970
Other Schemes	213,250	59,040	50,000	-	-	322,290
<b>Total Revised Programme</b>	<b>3,394,230</b>	<b>3,263,160</b>	<b>4,056,910</b>	<b>2,733,910</b>	<b>2,876,550</b>	<b>16,324,760</b>
Original Programme	5,046,420	4,365,530	1,803,830	3,252,390	-	14,468,170
<b>Change increase (decrease)</b>	<b>(1,652,190)</b>	<b>(1,102,370)</b>	<b>2,253,080</b>	<b>(518,480)</b>	<b>2,876,550</b>	<b>1,856,590</b>
<b>Financed by:-</b>						
External Contributions	519,110	489,110	489,110	489,110	489,110	2,475,550
Planning Obligations	43,000	-	-	-	-	43,000
Capital Receipts(Land)	48,780	250,000	505,000	1,722,050	1,883,440	4,409,270
Capital Receipts( one for one)	667,000	374,000	504,000	504,000	504,000	2,553,000
Capital Receipts (Vehicles)	-	-	32,500	18,750	-	51,250
Capital Reserves	100,000	-	-	-	-	100,000
Earmarked Reserves	64,450	-	-	-	-	64,450
Borrowing	1,951,890	2,150,050	2,526,300	-	-	6,628,240
<b>Total Revised Financing</b>	<b>3,394,230</b>	<b>3,263,160</b>	<b>4,056,910</b>	<b>2,733,910</b>	<b>2,876,550</b>	<b>16,324,760</b>
Original Programme	5,046,420	4,365,530	1,803,830	3,252,390	-	14,468,170
<b>Change Increase (decrease)</b>	<b>(1,652,190)</b>	<b>(1,102,370)</b>	<b>2,253,080</b>	<b>(518,480)</b>	<b>2,876,550</b>	<b>1,856,590</b>

## Comparison with February 2020 increase (decrease)

Service Area	2020/21	2021/22	2022/23	2023/24	2024/25	Total
	£	£	£	£		£
Housing	-	-	-	-	504,000	<b>504,000</b>
Asset Management	(732,360)	(1,035,680)	1,649,300	(37,050)	880,250	<b>724,460</b>
Housing Grants	(31,180)	-	-	-	489,110	<b>457,930</b>
ICT Strategy	53,150	17,050	-	-	50,000	<b>120,200</b>
Fleet Management	(932,760)	(92,780)	553,780	(481,430)	953,190	-
Other Schemes	(9,040)	9,040	50,000	-	-	<b>50,000</b>
<b>Total Programme</b>	<b>(1,652,190)</b>	<b>(1,102,370)</b>	<b>2,253,080</b>	<b>(518,480)</b>	<b>2,876,550</b>	<b>1,856,590</b>
<b>Financed by:-</b>						
External Contributions	(31,180)	-	-	-	489,110	<b>457,930</b>
Planning Obligations	-	-	-	-	-	-
Capital Receipts(Land)	(676,220)	(2,275,000)	(305,720)	(497,230)	1,883,440	<b>(1,870,730)</b>
Capital Receipts( one for one)	-	-	-	-	504,000	<b>504,000</b>
Capital Receipts (Vehicles)	(32,500)	(18,750)	32,500	-	-	<b>(18,750)</b>
Capital Reserves	-	-	-	-	-	-
Earmarked Reserves	-	-	-	-	-	-
Borrowing	(912,290)	1,191,380	2,526,300	(21,250)	-	<b>2,784,140</b>
<b>Total Financing</b>	<b>(1,652,190)</b>	<b>(1,102,370)</b>	<b>2,253,080</b>	<b>(518,480)</b>	<b>2,876,550</b>	<b>1,856,590</b>

## Updated Housing Revenue Account Capital Programme

Service Area	2020/21	2021/22	2022/23	2023/24	2024/25	Total
	£	£	£	£	£	£
Asset Management Works	4,187,610	4,835,710	4,536,600	2,370,060	4,204,130	20,134,110
Repairs Team Capital Works	190,320	295,000	295,000	295,000	295,000	1,370,320
Professional & Commissioning Fees	100,000	100,000	100,000	100,000	100,000	500,000
Vehicle Purchasing	90,000	242,500	420,000	-	-	752,500
Housing IT System	-	200,000	-	-	-	200,000
<b>Total Revised Programme</b>	<b>4,567,930</b>	<b>5,673,210</b>	<b>5,351,600</b>	<b>2,765,060</b>	<b>4,599,130</b>	<b>22,956,930</b>
Original Programme*	5,397,090	4,395,060	5,156,600	2,765,060	4,599,130	22,312,940
<b>Change increase (decrease)</b>	<b>(829,160)</b>	<b>1,278,150</b>	<b>195,000</b>	<b>-</b>	<b>-</b>	<b>643,990</b>
<b>Financed by:</b>						
HRA Contribution	2,468,900	3,574,180	3,252,570	666,030	2,500,100	12,461,780
Major Repairs Reserve	2,099,030	2,099,030	2,099,030	2,099,030	2,099,030	10,495,150
<b>Total Revised Financing</b>	<b>4,567,930</b>	<b>5,673,210</b>	<b>5,351,600</b>	<b>2,765,060</b>	<b>4,599,130</b>	<b>22,956,930</b>
Original Programme*	5,397,090	4,395,060	5,156,600	2,765,060	4,599,130	22,312,940
<b>Change increase (decrease)</b>	<b>(829,160)</b>	<b>1,278,150</b>	<b>195,000</b>	<b>-</b>	<b>-</b>	<b>643,990</b>

\* 2020/21 original programme includes £120,000 approved carry forwards from 2019/20

### Comparison with February 2020 increase (decrease)

Service Area	2020/21	2021/22	2022/23	2023/24	2024/25	Total
	£	£	£	£	£	£
Asset Management Works	(571,980)	1,035,650	195,000	-	-	658,670
Repairs Team Capital Works	(104,680)	-	-	-	-	(104,680)
Professional & Commissioning Fees	-	-	-	-	-	-
Vehicle Purchasing	(152,500)	242,500	-	-	-	90,000
Housing IT System	-	-	-	-	-	-
<b>Total Programme</b>	<b>(829,160)</b>	<b>1,278,150</b>	<b>195,000</b>	<b>-</b>	<b>-</b>	<b>643,990</b>
<b>Financed by:</b>						
HRA Contribution	(829,160)	1,278,150	195,000	-	-	643,990
Major Repairs Reserve	-	-	-	-	-	-
<b>Total Financing</b>	<b>(829,160)</b>	<b>1,278,150</b>	<b>195,000</b>	<b>-</b>	<b>-</b>	<b>643,990</b>

**Medium Term Financial Plan – Principal Risks**

<b>Risk Category</b>	<b>Risk</b>	<b>Mitigation and Controls</b>
Financial Implications	Robustness of financial assumptions within Efficiency and Rationalisation Strategy	Structured project management arrangements have been put in place with detailed business cases for each initiative – these will be strengthened in the service review process
Financial Implications	Additional financial pressures emerge – cost & income	The strategy is kept under constant review and adjustments will be made where necessary
Service Continuity	Interruptions to key services or performance standards	Resource implications and impact are identified as part of the business case process. Service continuity and maintenance of standards of service are key requirements of any new proposals
Corporate Governance	Maintaining stakeholder confidence; lack of clarity on accountability	Ongoing review of standards of internal control (e.g. Financial Procedure Rules reviewed and updated). Internal Audit Plan will be reviewed to account for the new approach proposed in the efficiency & Rationalisation Strategy
Management of Change	Management of corporate and local, cultural change; behavioural risks; residual effects of aggregation; proposed changes to organisational structure, roles & responsibilities	Progress with achievement of aims will be monitored through an effective performance management structure. Investment has been made in a new approach to Organisational Development.
People Risks	Impact of cultural changes; assessment of skills; recruitment & retention; capacity issues	Continuing communications process for the delivery of transformation programme
Key Projects & Partnerships	Managing changes to shared service delivery arrangements	The project management methodology provides for an adequate transition

Risk Category	Risk	Mitigation and Controls
		where there are changes in service delivery
Performance Management	Adequacy of framework to monitor transition	Risk management processes are embedded
Reputation and Relationship Risks	Maintaining existing partner confidence	Continuing communications process for the delivery of transformation programme
Programme Delivery	Delays in implementation of efficiency savings	<p>Effective governance arrangements in place to monitor plans.</p> <p>Executive Directors and Senior Managers own delivery of efficiencies.</p>
Programme Delivery	A number of the efficiency / rationalisation initiatives are not achieved	<p>Structured project management approach is in place for delivery including effective exception reporting</p> <p>The strategy is kept under constant review</p> <p>Identification of further efficiency / rationalisation opportunities through benchmarking / effective member working groups</p>
Political Support	Lack of Members support for Plan.	Regular reporting and member briefings including effective scrutiny arrangements