Appendix A – Detailed MTFP refresh

HIGH PEAK BOROUGH COUNCIL

MEDIUM TERM FINANCIAL PLAN 2021/22 to 2024/25

SEPTEMBER 2021 REFRESH

September 2021

1. Introduction

1.1. The Medium Term Financial Plan (MTFP) is a key element of the Council's budget and policy framework. It aims to ensure resources are directed effectively and efficiently towards delivery of the Corporate Plan. It describes the financial direction of the Council for planning purposes and outlines the financial pressures the Council is likely to experience over the next 4 years. This 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.

1.2. The MTFP is updated regularly to fit in with the budget cycle. This refresh of the MTFP builds on the existing strategy and updates assumptions to reflect changes to income, costs and funding. It also includes an updated assessment of key risks and a presentation of longer term financial issues which have the potential to impact on the Council. At this point in time, this is not a complete recasting of a new plan, or a finalised, balanced longer term plan. Those products will be produced as part of the budget setting considerations in February 2022. The purpose of this refresh is threefold:

- To update the MTFP produced in February 2021, for known or likely changes
- To highlight service and policy issues likely to impact on budget considerations later in the year
- To provide contextual information so that other issues that may impact on short and longer term budgetary issues can be identified and discussed

1.3. The rest of this report follows the following structure:

	Section
Strategic priorities of the Council and summary of the current (as of February 2021) 2021/22 budget and medium term financial plan	2 & 3
Update on impact of the pandemic and 2020/21 outturn on the MTFP	4
Update on capital programme (and revenue consequences)	5
Update on inflationary pressures and investments	6
Update on budget demand and budget growth, including fees and charges	7
Update on local taxes – Council Tax, Business Rates & New Homes Bonus	8
Impact of savings plans	9
Use and level of reserves	10
Summary of financial risks and next steps	11

2. Strategic Priorities

2.1. 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.

2.2. The Council's 4-year Corporate Plan (2019-2023) 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 High Peak. The Medium Term Financial Plan is updated to reflect the contents of the plan and to ensure that resources are directed towards key priorities.

2.3. The Council's vision is expressed as follows: "*Working together to protect and invest in the High Peak with the Council on your side*".

2.4. This vision is articulated further by four aims:

- Supporting our communities to create a healthier, safer, cleaner High Peak
- A responsive, smart, financially resilient and forward thinking council
- Protect and create jobs in the High Peak by supporting economic growth, development & regeneration
- Protect and improve the environment including responding to the climate emergency

2.5. These aims are supported by several objectives which also provide the framework for the delivery of service plans. The Council's objectives are summarised below:

Supporting our communities to create a healthier, safer, cleaner High Peak
• Effective relationship with strategic partners • Effective provision of high-quality public amenities, clean streets and environmental health • Fit for purpose housing that meets the need of tenants and residents • Practical support of community safety arrangements • Provision of high quality leisure facilities both in formal leisure centres and swimming pools and out in our communities • Work with our partners and the community to address health inequality, food and fuel poverty, mental health and loneliness
A responsive, smart, financially resilient and forward thinking Council
• Ensure our future financial resilience can be financially sustainable whilst offering value for money • Ensure our services are readily available to all our residents in the appropriate channels and provided "right first time" • Invest in our staff to ensure we have the internal expertise to deliver our plans by supporting our high performing and well-motivated workforce • More effective use of Council assets to benefit our communities • Effective procurement with a focus on local businesses • Use innovation, technology and partnership with others to help improve the efficiency of services, improve customer satisfaction and reduce our impact on the environment
Protect and create jobs in the High Peak by supporting economic growth, development & regeneration
• Encourage business start-ups and enterprises • Work to create flourishing town centres and thriving high streets that support the local economy • Promote tourism to maximise local benefit • High quality development and building control with an "open for business approach" • Car parking arrangements that meet the needs of residents, businesses and visitors • Working to support existing local businesses, both large and small across the High Peak as they respond to future challenges • Supporting the development of innovative green jobs and businesses across the High Peak

Protect and Improve the Environment including responding to the climate emergency
• Effective recycling and waste management • Effective provision of quality parks and open spaces • Meeting the challenge of climate change and working with residents and business across the High Peak to implement the climate change action plan

2.6. The Council maintains a Strategic Alliance with Staffordshire Moorlands District Council, formed around the principle of shared services in the pursuit of efficiency and realisation of savings. The Strategic Alliance has enabled the implementation and transformation of a joint management structure and services, consequently realising significant efficiency savings. The Council intends to continue to drive savings and service improvements through collaboration with its Alliance partner.

3. Current Spending Levels

3.1. The starting point for the development of the MTFP is the current level of spending and the approved capital expenditure commitments.

3.2. The Council's current year (2021/22) General Fund budget (and its funding) is summarised as follows:

Budget Heading	**2021/22**
	£
Employees	10,564,990
Premises	4,284,800
Transport	401,560
Supplies & Services	9,872,600
Benefits	82,460
Borrowing	1,824,340
Parish Grant re Council Tax Support	51,320
Financing Costs	22,130
Total Expenditure	**27,104,200**
Fees and Charges / Other Income	(8,687,210)
Interest Receipts	(40,290)
HRA Recharges	(6,406,160)
Capital Recharges	(231,240)
Net Expenditure	**11,739,300**
Council Tax	(6,193,160)
LCTS Compensation Grant	(126,330)
Business Rates Retention	(3,710,270)
COVID-19 Grant Funding	(529,010)
New Homes Bonus	(341,770)
Contribution to / (use of) EM Reserves*	(3,383,880)
Contribution to / (use of) Contingency	(901,880)
Collection Fund**	3,542,000
Total Financing	**(11,644,300)**

Deficit / (Surplus)	**95,000**
New Efficiency Requirement	(95,000)
In-Year Deficit / (Surplus)	**0**

3.3. The proposed 2021/22 Housing Revenue Account Budget is detailed below:

Budget Heading	**2021/22 Projection**
	£
Repairs & Maintenance	4,409,480
Supervision & Management	2,739,230
Rates, Rents, Taxes, Other Charges	109,130
Other Operating Expenditure	782,430
Depreciation & Impairment Charges	2,099,030
Interest & Debt Management Charges	2,693,060
HRA Contribution to Capital Programme	4,192,640
Total Expenditure	**17,025,000**
Dwellings Rents	(14,483,110)
Non - Dwelling Rents & Other Income	(671,660)
Total Income	**(15,154,770)**
(Surplus) / Deficit for year	**1,870,230**
Use of Reserves	(1,870,230)
In Year Deficit (Surplus)	**0**

3.4. The medium-term projection for capital commitments approved by Members in February 2021 is detailed below: -

Service Area	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**Total**
	£	**£**	**£**	**£**	**£**	**£**
Housing	170,000	374,000	925,000	504,000	504,000	2,477,000
Asset Management	1,557,060	3,586,450	4,701,060	1,518,800	880,250	12,243,620
Housing Grants	330,000	489,110	489,110	489,110	489,110	2,286,440
ICT Strategy	198,360	67,050	50,000	50,000	50,000	415,410
Fleet Management	162,750	1,527,330	187,500	698,080	88,500	2,664,160
Other Schemes	283,040	2,355,150	40,000	-	-	2,678,190
Total Revised Programme	**2,701,210**	**8,399,090**	**6,392,670**	**3,259,990**	**2,011,860**	**22,764,820**
Financed by:-						
External Contributions	523,070	3,762,090	1,456,770	489,110	489,110	6,720,150
Planning Obligations	43,000	-	-	-	-	43,000
Capital Receipts(Land)	57,180	250,000	905,000	2,255,880	998,000	4,466,060
Capital Receipts(one for one)	170,000	374,000	925,000	504,000	504,000	2,477,000
Capital Receipts (Vehicles)	-	12,500	62,750	11,000	20,750	107,000
Capital Reserves	100,000	-	-	-	-	100,000
Earmarked Reserves	64,450	-	-	-	-	64,450
Borrowing	1,743,510	4,000,500	3,043,150	-	-	8,787,160
Total Revised Financing	**2,701,210**	**8,399,090**	**6,392,670**	**3,259,990**	**2,011,860**	**22,764,820**

3.5. In addition, the Housing Revenue Account Capital Programme is set as follows:

	2020/21	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**Total**
	£	£	£	£	£	£
Asset Management works	3,577,090	5,507,170	4,582,770	3,718,210	4,360,090	21,745,330
Repairs Team Capital works	204,840	295,000	295,000	295,000	295,000	1,384,840
Asset Purchases	90,000	289,500	420,000	-	-	799,500
Commissioning Costs	100,000	100,000	100,000	100,000	100,000	500,000
ICT Strategy	-	100,000	100,000	-	-	200,000
Total Programme	**3,971,930**	**6,291,670**	**5,497,770**	**4,113,210**	**4,755,090**	**24,629,670**
Major Repairs Reserve	2,099,030	2,099,030	2,099,030	2,099,030	2,099,030	10,495,150
HRA Contribution	1,872,900	4,192,640	3,398,740	2,014,180	2,656,060	14,134,520
Total Financing	**3,971,930**	**6,291,670**	**5,497,770**	**4,113,210**	**4,755,090**	**24,629,670**

3.6. The updated MTFP shows a forecast cumulative deficit position of £1.082 million over four years, which represented the required use of reserves to balance the 4 year plan, as shown below:

Reserve	**2020/21 (Budget)**	**2021/22**	**2022/23**	**2023/24**	**2024/25**
	£	£	£	£	£
Contingency Reserve	138,290	(901,880)	(467,110)	(23,370)	310,290

3.7. The forecast general fund reserves position over the life of the current approved MTFP is estimated to be:-

Contingency Reserve	2020/21 (Budget)	2021/22	2022/23	2023/24	2024/25
	£	£	£	£	£
As at February 2021:					
Balance at year-end	3,819,810	2,917,930	2,450,820	2,427,450	2,737,740
Minimum requirement (s7.2)	1,332,000	1,540,000	1,540,000	1,540,000	1,540,000
Headroom	**2,487,810**	**1,377,930**	**910,820**	**887,450**	**1,197,740**

3.8. The table below summarises the projected overall HRA reserves position for the duration of this MTFP. HRA balance is projected to significantly exceed its £1 million contingency minimum over the next four years.

	2020/21	2021/22	2022/23	2023/24	2024/25
	£	£	£	£	£
HRA Reserves Brought Forward	16,464,054	17,027,032	15,156,802	14,321,172	15,095,512
Surplus/(Loss) for the year*	562,978	(1,870,230)	(835,630)	774,340	590,930
Total HRA Reserves carried forward	**17,027,032**	**15,156,802**	**14,321,172**	**15,095,512**	**15,686,442**

4. Impact of Coronavirus Pandemic & 2020/21 Outturn Position

4.1. The Coronavirus pandemic has had, and is likely to continue having, an adverse impact on the Council's financial position. The immediate financial impact arose from additional expenditure in dealing with the crisis as well as lost income and delays in delivering savings targets. The longer-term financial impacts on corporate plan objectives are difficult to forecast. Hence the need to maintain adequate financial contingency levels.

4.2. The 2020/21 outturn position was positive for the Council. As well as add £100,000 to the earmarked reserve to fund future costs of the Covid-19 recovery programme, the Council has added £950,000 to the general Contingency reserve. This places the Council in a much better position to respond to increased levels of risk.

4.3. The 2021/22 financial position will be monitored through the remainder of the year taking into account the actual recovery of income levels and services and any further updates on Government funding.

5. Capital Programme & Revenue Consequences

5.1. The 2020/21 outturn position on General Fund capital spend was slightly over the revised budget, primarily because of more pre-construction expenditure being incurred against the project in 2020/21 than originally anticipated, so the balance of the remaining budget has been reprofiled accordingly. The Capital Programme presented to Members in February 2021 will be reviewed, re-profiled and updated as part of 2022/23 budget setting considerations, particularly to where projects have been delayed due to the lockdown periods, social distancing measures and contractor availability. In addition, the Council will develop an Asset Management Strategy to ensure the future delivery of efficient asset management. This work will be progressed once condition surveys have been undertaken and the updated 30 year costs of maintaining the general fund asset stock are known.

5.2. 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. As noted in the Table at para 3.4, estimated capital receipts of £4.466m are assumed (over the period 2020/21 to 2024/25), which is a challenging target requiring decisions to be made on land use and asset sales. The Council's current estimated borrowing requirement over the 4 years is shown below and there are no material changes to this in the refresh of the MTFP to date (assuming that capital receipts will be delivered):-

General Fund Borrowing Requirement	2021/22	2022/23	2023/24	2024/25
Total	£ 4,000,500	£ 3,043,150	£ 0	£ 0

5.3. In addition, there are other major capital projects in the process of being designed (for example, the Future High Street Fund project) and some emerging national policy issues that may have financial impacts locally, such as the Department for Environment, Food & Rural Affairs (DEFRA) consultation on consistency in household and business recycling in England. In the case of any major capital project, the default presumption is that schemes will be self-financing, and any financial implications will be identified in decision-making reports to the Executive that will then feed into the MTFP. In the case of any national changes to service policy, the default presumption is that central Government will fund the costs of any changes imposed nationally. Again, detailed reports to the Executive will identify if this assumption is incorrect, with any financial implications reflected in an updated MTFP.

5.4. The Council incurred HRA capital expenditure of £3,731,138 during the year against a revised budget of £3,971,930; representing an under spend of £240,792. However, there were carry forward requests of £263,000 on schemes. This is reflected in the reduced funding direct from the HRA and associated capital reserves, but with a requirement for the use of additional reserves in 2021/22 to accommodate the requested carry forwards. There were no other material impacts on the longer term HRA capital programme.

5.5. An updated and sustainable 30 year HRA Business Plan was presented alongside the MTFP in February 2019. It highlighted several key issues and challenges such as the impact of the welfare reform, understanding tenant priorities, considering the outcomes of estate regeneration reviews and the development of new stock. All the savings in the HRA Financial Improvement Plan have been delivered. The major assumptions underpinning the HRA business plan will be reviewed prior to rent setting in February 2022.

6. Inflationary Pressures and Investments

6.1. Inflation forecasts are made reflecting the composition of the Council's expenditure, resulting in an inflation rate specific to the Council. This includes the impact on staff pay, supplies and services, premises related costs and transport. The costs to the Council arising from inflation are forecast in the current MTFP as follows:

Inflationary Changes	2021/22	2022/23	2023/24	2024/25
	£	£	£	£
Employee Costs	127,140	111,240	111,910	112,900
Premises Costs	91,180	101,580	62,670	63,570
Transport	3,220	5,100	5,160	5,160
Supplies and Services	143,110	142,940	144,620	144,380
In-Year Inflation Pressure	**364,650**	**360,860**	**324,360**	**326,010**
General Fund	237,510	222,180	224,140	224,730
Housing Revenue Account	127,140	138,680	100,220	101,280

When the MTFP was set (in February 2021) HM Treasury were invoking a public sector pay freeze and inflation was depressed by the pandemic. At the time of this refresh (August 2021), the Retail Price Index (RPI) was 2.7% and Consumer Price Index (CPI) was 2.5%, with the Bank of England forecasting that inflation may hit 4% by the end of the calendar year. In addition, a national 1.5% pay increase offer has been rejected by the Unions, so will need revisiting. It is unclear whether current inflation rates are a blip created by a temporary uptick in demand as lockdown eases, or whether rising prices reflect a systemic shift in the economy. However, it does look as if the current MTFP forecasts (pay (1%); and an amalgam of premises (1.25%), transport (1%) and supplies (1.5%) price increases will need reviewing prior to the budget being set, with the likelihood that budgetary provision for inflation will need to increase. In addition, it is currently unclear what the longer term structural economic impacts of Covid-19 and Brexit may be, so this will need ongoing monitoring.

6.2. 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 4th year. The Council's advisors - *Link* – forecast average investment income earnings of near 0% return.

6.3. The PWLB consultation was released at the end of November 2020 and as was widely anticipated, rates were reduced by 1%. This has not directly impacted the forecast of borrowing interest rates, but it does provide more options for the Council to borrow, particular for longer periods. However, there are no material changes to existing forecasts and the budget remains as follows:

Treasury Budgets – Borrowing costs and investment Income	2021/22	2022/23	2023/24	2024/25
General Fund	£	£	£	£
Borrowing Costs	1,824,340	1,919,640	1,967,700	1,951,700
Investment Income	(40,290)	(39,410)	(40,040)	(63,280)
HRA				
Borrowing Costs	1,700,040	1,581,150	1,522,920	1,532,550
Investment Income	(6,980)	(5,910)	(6,570)	(12,640)

7. Budgetary Demand & Growth

7.1. The Medium Term Financial Plan presented to Council in February 2021 included changes in budgetary demand for a number of factors, the most noticeable of which were the following:

- Leisure centres – one year support of £754,000 has been included with an assumption that this will be in part offset by further Government grant aid of £160,000; giving a net provision of £594,000 in the Plan.
- Glossop Halls – Loss of rental income during the renovation project are included in the Plan on the assumption that the work will be completed by 2023/24.
- Waste Collection - Costs are included arising out of the closure of Melandra depot and the increase in tonnages collected.

Early forecasts (for Quarter 1) indicate that this additional budget capacity is sufficient. In addition, other areas identified in the MTFP where there may be a requirement to include upfront increased budget demand have been covered by the creation of new (or increased) reserves to cover climate change related projects and Organisational Development. So, the budgetary demands identified in February 2021 remain valid.

7.2. It is assumed, considering the financial pressures faced by the Council, that any local issues that necessitate budget growth will be financed by internal spending reductions elsewhere. Occasionally, it is necessary to include budget growth to meet spending commitments, but there is no indication that any such items are required in this refresh of the MTFP.

7.3. The MTFP assumes that income losses suffered in 2020/21 arising out of the Covid19 outbreak will be substantially recovered by the end of 2021/22. Early indicators from Quarter 1 monitoring indicate that this assumption remains sound.

7.4. The Medium Term Financial Plan would normally project that the Council will increase fees and charges (and other income) broadly in line with inflation, acknowledging that certain income streams may not increase each year and others are fixed or subject to periodic review. However, 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

7.5. Additional revenue arising out of increased fees and charges of £115,000 (including inflationary increases) has been reprofiled into 2023/24. This is at risk if new tariffs (or other sources of income) are not introduced.

7.6. The current HRA Plan projects a 2.5% in rent in the years 2022/23 to 2024/25. This is based on the ability of Authorities to increase rents from 2020/21 by CPI +1%. It also assumes that 'Other Charges', including garages and service charges, will increase in 2021/22 – 2024/25. As noted in Section 6, CPI is currently rising at a greater rate. Therefore, the current forecasts (as outlined in the table below) may need reviewing later in the financial year:

Rental Income	2021/22	2022/23	2023/24	2024/25
Revenue from Rental Income and Other Charges	£ (112,200)	£ (285,420)	£ (290,640)	£ (591,220)**

*** 53 week rent year*

8. Local Taxes – Council Tax, Business Rates & New Homes Bonus

Council Tax

8.1. The Council has the capacity to vary Council Tax levels, following the abolition of capping. However, the Council's ability to increase Council Tax by more than a certain percentage is subject to referendum. For 2021/22, this percentage was 2%, but alternatively, lower tier Authorities had the option to increase the Band D equivalent by a set £5 or 2% – whichever was higher.

8.2. The February 2021iteration of the MTFP assumed a 1.9% increase from 2022/23 onwards. In addition, provision was included to reflect anticipated growth in Council Tax base over the next 4 years. Having seen the growth in tax base slow during the pandemic as house-building and employment levels were affected; it is assumed that this will recover in 2022/23, boosted by an upturn in the economy. Current assumptions are as follows:

Increased Council Tax Income	2021/22	2022/23	2023/24	2024/25
	£	£	£	£
Revenue from increased Council Tax	(154,850)	(114,980)	(118,370)	(121,780)
Revenue from Tax Base growth	13,230	(87,440)	(68,700)	(70,080)
Total	**(141,620)**	**(202,420)**	**(187,070)**	**(191,860)**

8.3. There has been no further update from Ministry of Housing, Communities and Local Government (MHCLG) regarding the principles by which a Council Tax increase for 2022/23 will be regarded as "excessive" and require a referendum. Therefore, it is sensible at this point in time to assume 1.9% increases, purely for planning purposes within the MTFP.

Business Rates

8.4. 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 with any amount in excess of this Baseline 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.

8.5. The MTFP anticipates that Business Rates retention will be above the baseline. Net income is somewhat suppressed due to the award of reliefs including increased small business rate relief, caps on inflation to the multiplier, extended rural relief, and the increase in the provision for RV reductions on successful appeals. To compensate for the loss of business rates, the Government distributes grants (known as Section 31 grants) to Councils.

8.6. 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 40% of this levy plus 20% or £215,000, whichever is the larger; meaning that for every £1 achieved above the baseline at least 60% is retained by the Council with the remainder going to the Pool to be distributed within Staffordshire. The benefit to the Council of being part of the Pool arrangement is estimated to be £430,350 in 2021/22.

8.7. As a result of Covid-19 and the impact recession and social distancing measures are having on businesses, there is a risk that the Council may see a reduction in the business tax base and therefore business rates retention. A reduction of 0.5% has been included in this version of the MTFP. There is also a risk associated with non-payment, although collection rates for 2020/21 generally held up. 98.1% of Business Rates was collected by 31 March 2021, compared with 98.4% for the same period last year. Bad debt provision of 1% has been set for 2021/22; with 0.8% in 2022/23; returning to the pre-Covid level of 0.6% in 2023/24 and 2024/25.

New Homes Bonus

8.8. The Government consulted on a replacement for the New Homes Bonus scheme earlier this year. Any new housing incentive scheme will reflect a more targeted approach that rewards local government where they are ‘ambitious’ in delivering housing growth. At this stage, there is no further detail on what form the new scheme will take. In the absence of any further information, this refresh of the MTFP assumes that the Council will continue to receive funding at a base level of £450,000 per annum. However, this does remain a major risk to the viability of the Plan beyond 2021/22.

9. Efficiency & Rationalisation Programme

General Fund

9.1. 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. Subsequently, a review was undertaken in February 2019 to assess the timing and estimated value of future savings based on the current programme. The Covid-19 recovery phase and impact on the Council’s financial position has continued into 2021/22, but there is only a relatively modest £95,000 target outstanding, and the Council has an earmarked reserve to support any reprofiling requirement. There will be greater certainty on achievement of the savings target following Quarter 2 monitoring. No assumptions in respect of any 'new' efficiency programme have been incorporated into this refresh of the plan.

HRA Efficiency Programme

9.2. A HRA Financial Improvement Plan was approved as part of the MTFP in February 2017 which identified £1.2m in savings from several sources to be achieved over the period 2017/18 – 2020/21. Progress against the Improvement Plan has been positive and all the £1.2m savings have now been achieved.

10. Use and Level of Reserves

10.1. The Medium Term Financial Plan is underpinned by several assumptions that have been made explicit in this report. New information, when it emerges, may require the Council to alter its assumptions with a consequential effect on the Council's financial position. Members receive quarterly updates on performance against the budget, indicating whether such assumptions remain robust.

10.2. The Council carries reserves as a contingency for situations where risks cannot be fully mitigated. In February 2021 the minimum general reserve contingency balance was set at £1.540m with an anticipation at 1st April 2021 it would hold a contingency reserve of £3.8m. At outturn the contingency was at £4.1m, indicating a relatively healthy level of reserves, albeit acknowledging higher levels of financial risk too.

10.3. In addition, the HRA budget for 2020/21 was originally set to produce a deficit of £0.8m, to be funded from reserves, but produced a surplus of £1.3m to be added to reserves, which again leaves the overall level of HRA reserves in a relatively strong position (see para 3.8 above).

10.4. The early identification and management of risks is critical to the Budget and 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 table below highlights specific financial risks that are embedded within this Medium Term Financial Plan:

Revenue Risks	Capital Risks
• Inflationary assumptions • Interest rates • Housing benefits • Fees and charges • Universal Credit • Business Rates • Council Tax collection • Housing Rent levels (HRA affordability) • Government grants • Financial benefits from partnerships / shared services • Pension costs • Contract Management	• Interest rates • External funding • Capital receipts • Capacity to deliver capital programme • Project overspends • Project overruns • External factors (e.g. planning objections, judicial reviews etc. leading to project delay) • Housing finance • Weather • Brexit implications

• Brexit implications	

10.5. In addition, there are several financial risks within the MTFP related to local recovery post Covid-19 that need to be regularly reviewed and considered:-

- The period of recovery is prolonged which has further cost pressure consequences for the Council – especially regarding 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 lockdowns / tiered systems imposed which leads to further pressures on businesses and households and additional costs to the Council in providing support

11. Summary of Financial Risks and Next Steps

11.1. A summary of all the considerations above is given in the annex to this report, with each factor RAG (Red, Amber, Green) rated, using the following criteria:

Red	Either the financial position has materially shifted from that in the MTFP set in February 2021 in a negative way (i.e. costs have increased and / or income has reduced); or there are external factors beyond the influence of the Council, which could detrimentally impact on the financial position of the Council.
Amber	The financial position has shifted from that in the MTFP set in February 2021 in a negative way (i.e. costs have increased and / or income has reduced), but there are mitigating actions available (e.g. short term reserves) or policy decisions available to resolve the pressure, but they have not yet been implemented.
Green	The current financial forecast remains as set in the MTFP set in February or has improved since that time (i.e. costs have reduced and / or income has grown).

11.2. The overall conclusion is that the MTFP remains fundamentally robust and the following actions will need to be taken prior to it being agreed alongside the 2022/23 budget in February 2022:

- Forecasts are rolled forward to include 2025/26
- Inflation provision is reviewed alongside economic data to establish whether structural inflation is higher than previously forecast
- Any service budget demands are built in
- The outcomes of any Government reviews (on council tax, business rates and new homes bonus) are considered
- Any changes to the capital programme (including any identified capital / revenue implications of major projects) are reflected
- Decisions on any fees and charges and the deliverability of capital receipts are also reflected

Ann ex - September 2021 Review of High Peak MTFP

Area	RAG	Comment
Revenue Consequences of Capital Spend		The outturn position on capital spend was in line with the revised budget, so do not expect much variation from existing MTFP plans. However, the capital programme is more dependent on £4.4m of receipts being realised (over the period to 2024/25), which will require decisions on planning / sales etc
Return on Investments		There is unlikely to be any change to interest rates in the short term, but the MTFP already reflects this.
Inflation Pressures		MTFP is built on the following Inflation assumptions: pay (1%); and amalgam of premises (1.25%), transport (1%) and supplies (1.5%).These assumptions were set when HM Treasury were invoking a public sector pay freeze and inflation was depressed by the pandemic. The pay estimate (for 2021/22) now looks low – a national 1.5% pay increase offer has been rejected by the Unions, so will need revisiting.
Increased / (Reduced) Budget Demand		Generally, the additional allocations incorporated into the 2021/22 budget seem to be adequate (as at interim Quarter 1 monitoring), including the level of leisure contractor support (£594k) and the expectation of car park income returning to pre Covid levels by the end of the year. There is the potential for further Facilities Management costs, but only for this financial year, which could be met from one-off Covid resources.
Budget Growth		There is nothing to suggest that the current principle that any local issues that necessitate budget growth are financed by internal spending reductions elsewhere does not still hold. Specific issues previously identified in the MTFP (around climate change related projects and Organisational Strategy) have been covered by additional earmarked reserves, as part of the 2020/21 outturn.
Council Tax Income		There has been no indication from MHCLG regarding the level at which a referendum is required to raise council tax (known colloquially as the “capping guide”) but given forecast inflation levels the current MTFP assumption of 1.9% remains valid.
Collection Fund		Collection rates for both Business Rates (98.1%) and Council Tax (97.8%) have remained high, so MTFP projections remain fundamentally sound. The removal of furlough funding may have a negative impact on Council Tax recovery but will need reviewing later in the year.
Government Funding Reviews		The Government’s position on a replacement for New Homes Bonus, the future or expansion of Business Rates Retention and the Fair Funding review all remain unknown. The outcomes from these reviews pose the biggest risks to the Authority. However, the likelihood is no implementation of any changes for a further year.
Use of and Levels of Reserves		Following the 2020/21 outturn, another £0.950m has been added to the general contingency, which is 0.3m better than anticipated in the February 2021 MTFP.
Fees and Charges		Inflationary increases are built into the MTFP, plus £115k in 2023/24 and £40k in 2024/25, for which decisions will need to be made.
Efficiency & Rationalisation Plan		No ongoing savings requirement from 2022/23, and just £95k is required in 2021/22.