

HIGH PEAK BOROUGH COUNCIL

Corporate Select Committee

7 February 2022

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| TITLE: | 2022/23 Budget & Medium Term Financial Plan 2022/23 to 2025/26 |
| PORTFOLIO HOLDER: | CLLR ALAN BARROW – EXECUTIVE COUNCILLOR FOR FINANCE & CORPORATE SERVICES |
| CONTACT OFFICERS: | JOHN BETTS – INTERIM EXECUTIVE DIRECTOR KEITH POINTON – HEAD OF FINANCE |
| WARDS INVOLVED: | Non-Specific |

Appendices Attached

- Appendix A (Medium Term Financial Plan 2022/23 to 2025/26)
- Appendix B (Capital Strategy 2022/23)
- Appendix C (Fees & Charges 2022/23)
- Appendix D (Procurement Forward Plan 2022/23)

1. Reason for the Report

- 1.1 The purpose of the report is to present the proposed Budget for 2022/23, updated Medium-Term Financial Plan 2022/23 – 2025/26, Capital Strategy 2022/23, proposed Fees and Charges for 2022/23 and Procurement Forward Plan 2022/23.

2. Recommendation

- 2.1 That Corporate Select Committee support the following **recommendations** to Council:
- Approves the General Fund Budget for 2022/23 as detailed in Appendix A (section 9)
 - Approves the revised Medium-Term Financial Plan (2022/23 to 2025/26) as detailed in Appendix A, including the revised Capital Programme (attached at Annex A)
 - Approves the Capital Strategy 2022/23 as set out in Appendix B
 - Approves the updated Housing Revenue Account (HRA) Business Plan Forecast as detailed in Appendix A (Annex E) and commissions a fundamental review of the HRA Business Plan during 2022/23

- Approves the proposed Fees and Charges for 2022/23 as detailed in Appendix C
- Approves the proposed Procurement Forward Plan for 2022/23, providing the Authority to procure based on procurement activity detailed in Appendix D
- Approves a Band D Council Tax of £205.40 for 2022/23 (an increase of £5.00 or 2.50% from 2021/22)
- HRA charges as follows:
 - All dwellings rents to increase by 1.6% increasing the average rent from £72.64 to £73.96 per week (average rent takes into account new tenancies let over the previous year where the higher formula rent was charged. This gives an arithmetical increase of 1.81%)
 - Garage rents to be increased by 5% from £7.49 to £7.86 average per week
 - Other Charges including service charges to increase by a maximum of 5%
 - Fuel charges at individual blocks have been reviewed and the 2022/23 charge is based on the 2021/22 estimated costs and 2020/21 actual fuel usage/prices, charged on an individual scheme basis.
- Notes the Chief Finance Officer's view that the level of reserves are adequate for the Council, based on this budget and the circumstances in place at the time of preparing it (Appendix A Annex C)

3. **Executive Summary**

- 3.1 This report makes recommendations to Council for the budget and the level of Council Tax for 2022/23. The report also provides an update on the Council's medium-term financial position through to 2025/26. Additionally, it establishes an overarching Capital Strategy, sets out the fees and charges that are proposed for 2022/23, and details the Procurement Forward Plan 2022/23.
- 3.2 The budget setting and medium term financial planning process provides the Council with the opportunity to plan its delivery of public services in accordance with local priorities. There are also 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.
- 3.3 The current four year MTFP was updated in September 2021 to reflect further Covid-19 related pressures and updated economic forecasts in order to begin to understand the medium term financial impact.
- 3.4 This version of the MTFP updates the September forecasts, based on the provisional settlement information released in December, latest economic

forecasts, assumptions around the timing and level of capital and revenue expenditure and income and the impact of the recovery from Covid-19.

- 3.5 The 2022/23 local government finance settlement was better than anticipated in the MTFP, but contained one-off monies or greater uncertainty and it was also a one-year settlement, which isn't good for medium term service planning
- 3.6 The Council received £106k of Lower Tier Services Grant, which wasn't expected, as it was announced as a one-off grant last year. The assumption in setting the MTFP is that it won't recur. The Council also received £163k in the form of a new Services Grant. The Secretary of State has said that the Government "will then take the time to fully consider its future distribution". So this grant looks set to continue, but the Council's future share is unknown.
- 3.7 Lastly, the Council received £675k in New Homes Bonus for 2022/23, which was anticipated and is positive news. In the finance settlement, the Government stated it would reform New Homes Bonus to improve how housing growth is incentivised, but it didn't say how this would be done. So, in the MTFP, it is prudent to revise downwards the Council's current reliance on it to balance in the medium term.
- 3.8 In terms of costs, the Council will incur costs higher than originally anticipated when setting the MTFP last year. The pay award for this year (2021/22) will be at least 1.75% and probably at least 2% next year. The current MTFP had anticipated 1.0% on the basis of a Government announced squeeze on public sector pay. General inflation will also be higher than anticipated last year, with an average consolidated rate in the 2022/23 budget of 2.6%, rather than 1.0%.
- 3.9 This leaves a balanced 2022/23 budget on both the revenue and capital side, but with greater uncertainty and risk in the MTFP for future years. Particularly so, as the outcomes from Government's business rates review, fair funding review, or new homes bonus review are all unknown.
- 3.10 The current efficiency strategy ends this year (2021/22). Any savings from re-commissioning and re-procurement during the year will be taken. It is recommended that underspends at year end are put into a financial resilience reserve, which will provide a buffer if national reviews have negative impacts for the Council. And for the same reasons, work should begin on a new efficiency strategy during 2022/23. An existing saving already reflected in the 2021 Medium Term Financial Plan related to ceasing to make payments to parish councils for reductions in the taxbase when council tax benefit was localised in 2013/14. The Council no longer receives and Revenue Support Grant to support this. Details of the proposed saving are contained in the annex to this report.
- 3.11 The financial settlement allows for a 2% or £5 increase in Council Tax, whichever is higher. It should be noted that Treasury's published figures do assume all Authorities maximise the increase. The way capping (or "referendum limits") works, if the maximum increase isn't taken then that opportunity is lost forever (there's no way to catch up in subsequent years). For context, a 1.9% increase would raise an additional £118k and add £3.81 to a Band D property. Taking the maximum increase (£5.00 on Band D) would

raise another £37k. A £5.00 increase equates to a 2.50% increase, which is below half the current inflation rate (CPI is currently at 5.4%). As over 71% of residents in the High Peak live in Band A, B or C dwellings, the *average* increase will actually be less than £5.

- 3.12 Having completed the annual budget exercise, a balanced budget for 2022/23 has been achieved. The final General Fund budget proposal for 2022/23 provides for a net budget of £11,835,130 and a Council Tax increase of £5.00 on a Band D equivalent property (2.50%).
- 3.13 A new financial year (2025/26) has been added to the MTFP and the overall financial assumptions have been updated for the four years. It must be stressed that there is a great deal of uncertainty in regard to this position, both from the coronavirus pandemic and the outcomes of national funding reviews (i.e. fair funding; business rates retention; and new homes bonus), which remain unknown at this stage.
- 3.14 The forecast predicts a balanced budget position by 2025/26 – on the basis the Country has fully recovered from the Coronavirus pandemic at that point and the Council can once again become self-sustainable (without reliance on reserves) – albeit it with the risks identified above.
- 3.15 The final HRA budget proposal for 2022/23 provides for a net budget of £15,396,870. This is based on a Council Dwelling Rent increase of 1.6%. The maximum permissible increase in rent for 2022/23 was 4.1%, as measured by the Consumer Price Index (CPI) as at September 2021 plus 1.0%. The difference between raising rents at 4.1% rather than 1.6% is £368k. To maintain spending levels on direct services as if the maximum rent had been taken, the budget for voluntary repayment of debt (which is currently set at £1 million per annum), will be reduced by £368k.
- 3.16 The Capital Strategy and the Capital Programme have been updated and allow for additional investment in priority areas. The Medium Term Financial Plan includes an updated General Fund Capital Programme of £36,195,470 over the period 2021/22 – 2025/26 and a HRA Capital Programme of £28,306,570 over the same period.
- 3.17 The Procurement Forward Plan sets out details of the expected activity during 2022/23.

4. How this report links to Corporate Priorities

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

5. Options and Analysis

- 5.1 This report recommends a Council Tax level and associated budget, Medium Term Financial Plan, Capital Strategy (and future capital programme) and Fees & Charges for 2022/23 designed to best deliver the Council's corporate priorities within a balanced budget. Other options are feasible, but any

alternatives would need to robustly identify the service and financial implications, in order to satisfy the Council's Section 151 Officer (under the Local Government Finance Act 1988, section 114) of the need to deliver a balanced budget.

6. **Implications**

6.1 Community Safety - (Crime and Disorder Act 1998)

None

6.2 Workforce

None

6.3 Equality and Diversity/Equality Impact Assessment

This report has been prepared in accordance with the Council's Equality and Diversity policies. An Equalities Impact Assessment (EIA) has been undertaken on the Corporate Plan, which feeds into budget plans.

6.4 Financial Considerations

There are substantial financial considerations contained throughout the report.

6.5 Legal

The Local Government Act 2000 states that it is the responsibility of the full Council, on the recommendation of the executive, to approve the budget and related council tax demand. The Local Government Act 2003, section 25 requires the council's Section 151 officer to report to the council on the robustness of the estimates made and the adequacy of the proposed financial reserves assumed in the budget calculations. The Local Government Finance Act 1988, section 114 requires the Section 151 officer to report to all of the Authority's councillors if there is likely to be an unbalanced budget.

6.6 Sustainability

An earmarked reserve has been established to support with climate change related activities. Climate Change considerations are indirectly included in many aspects of the MTFP – including capital programme projects focused on Council buildings and vehicle purchases, as well as being a consideration in procurement activity reflected in the Forward Plan. These are highlighted, wherever possible, in the MTFP report itself.

6.7 Internal and External Consultation

The Council's budget plans have been subject to a consultation exercise via the Council's website.

6.8 Risk Assessment

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

JOHN BETTS

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**Web Links and
Background Papers**

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Moorlands House

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2022/23 Budget Proposal to Cease Payments to Parish Councils in Lieu of Council Tax Benefit Reductions in the Taxbase

There is a proposal in the High Peak Medium Term Financial Plan, that was agreed in 2021, to make savings of £51,217. This reflects the value of ceasing payments to parish councils in lieu of Council Tax Benefit Support.

In 2013/14, Government provided a Council Tax Benefit Support (CTBS) grant to councils to offset the impact of the new Localising Council Tax Benefit legislation. This legislation had the effect of reducing the local taxbase. The Authority assessed that £51,316 of this grant was in proportion to the impact on the overall parish tax take. Payments were then made to parishes as part of the annual precept. In the following year Government subsumed CTBS into its annual Revenue Support Grant (RSG) to the Authority.

Over the last 8 years, the Authority has continued to make these payments. However, Government has gradually removed RSG from the Authority's funding, culminating in its total removal in 2019/20. Therefore, the Authority no longer receives a grant to fund these payments to parish councils. Other Authorities have reduced the amount of Council Tax Support Grant they have paid to Parishes in line with the reduction in RSG. The Authority has identified ceasing these payments as part of its Efficiency and Rationalisation Strategy proposals.

A paper went to all parishes on 22 July, seeking views. The consultation on the proposal ended on 24 September and the results of the consultation were discussed at the Parish Forum on 10 November. The paper to the Parish Forum included an option to further ease in the saving over 3 years, rather than 2.

As part of the consultation, a response was received from the Minister of State in the Department for Levelling Up, Housing and Communities (DLUHC).

In previous years the Government published a series of 'visible lines of funding' alongside the local government finance settlement. These were supposed to represent grants that, in the past, have been provided by the Government, but were subsequently rolled into Revenue Support Grant before 2016. The Government did **not** publish any such "visible lines of funding" alongside the 2021-22 or 2022-23 settlements. Therefore, there is nothing DLUHC can point to, to demonstrate that council tax benefit reduction is still within the financial settlement.

The Borough Council no longer receives any Revenue Support Grant. Therefore, the presumption that the Borough Council no longer receives central government resources to fund previous reductions in parish grant taxbases and has faced ongoing reductions in Government support remains.

Summary of Responses from Parish Councils to the Proposal

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|------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| NEW MILLS | Opted for Option 1 – no change on the proposal to cease Council Tax Benefit Support Payments. |
| CHAPEL-EN-LE-FRITH | Members were concerned that the proposal will have an adverse impact on deprived areas of High Peak and asks that the Council reconsiders ways of continuing to fund this grant to Parish Councils in High Peak.' |
| BAMFORD WITH THORNHILL | The Parish Council voted at its meeting on August 2nd to support Option 3. |
| CHINLEY, BUXWORTH & BROWNSIDE | Preferred option would be 'Option 1– No change, but if the Borough Council decides to cease payments, the preference would be 'Option 3 – Grants phased out' –preferably over 3 years. |
| CHISWORTH | Support Option 2, to prevent any unfunded spending on the phase out |
| EDALE | Edale Parish Council are in support of Option 3 - Grants phased out over 2 years for Edale |
| HAYFIELD | Opposed to any option other than option 1 and the retention of current funding levels.... options 2 & 3.... would be akin to re-introducing double rating |
| WORMHILL & GREEN FAIRFIELD | (Members)... require Option 1 (No change). |
| DERWENT & HOPE WOODLANDS | Wish the payment of the grant which supports Parish Councils in carrying out their work as the first level of local government to remain without change. |
| WHALEY BRIDGE | Option 1 |

Revised Proposal – implement cessation of payments in lieu of council tax benefit support grant over 3 years

| | Baseline (2020/21 actual grant) | Proposed 2022/23 Grant | Proposed 2023/24 Grant | Proposed 2024/25 Grant |
|----------------------------|------------------------------------------|------------------------------|------------------------------|------------------------------|
| NEW MILLS | 22,337 | 14,892 | 14,892 | 7,446 |
| TINTWISTLE | 2,516 | 1,677 | 1,677 | 839 |
| WHALEY BRIDGE | 7,358 | 4,905 | 4,905 | 2,453 |
| CHAPEL-EN-LE-FRITH | 9,993 | 6,662 | 6,662 | 3,331 |
| BAMFORD | 575 | 287 | 287 | - |
| CASTLETON | 353 | 176 | 176 | - |
| CHARLESWORTH | 320 | 160 | 160 | - |
| CHINLEY & BUXWORTH | 2,702 | 1,801 | 1,801 | 901 |
| CHISWORTH | 110 | 55 | 55 | - |
| EDALE | 116 | 58 | 58 | - |
| HARTINGTON UPPER QUARTER | 177 | 89 | 89 | - |
| HAYFIELD | 3,962 | 2,642 | 2,642 | 1,321 |
| HOPE WITH ASTON | 366 | 183 | 183 | - |
| PEAK FOREST | 95 | 48 | 48 | - |
| WORMHILL & GREEN FAIRFIELD | 335 | 168 | 168 | - |
| Total | 51,317 | 33,803 | 33,803 | 16,289 |

*NB to provide certainty, the grant would **not** be recalculated each year based on updated taxbases or entitlements, but would be based on modelled grant figures in 2020/21 (as in the table above)*