

HIGH PEAK BOROUGH COUNCIL

Report to the Corporate Select Committee

4th December 2017

TITLE:	Updated Medium Term Financial Plan 2018/19 to 2021/22
EXECUTIVE COUNCILLOR:	Cllr Emily Thrane – Executive Councillor for Finance & Corporate Services
CONTACT OFFICERS:	Claire Hazeldene – Finance & Procurement Manager
WARDS INVOLVED:	Non-Specific

Appendices Attached

- **Appendix A (Medium Term Financial Plan 2018/19 to 2021/22)**

1. Reason for the Report

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

2. Recommendations

- 2.1 That members of the Committee endorse the updated Medium Term Financial Plan (Appendix A) with the recommendation that it should proceed to Executive for approval

3. Executive Summary

- 3.1 The medium term financial planning process provides the Council with the opportunity to plan its delivery of public services in accordance with local priorities and against the backdrop of unprecedented public sector financial constraint
- 3.2 The 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 2018/19 to 2021/22. It sets the context for the preparation of the 2018/19 budget which will need to be approved by the Council in February 2018.

3.3 The plan provides:

- Details of local spending influences in the context of the Corporate Plan
- A focus on the transformation programme and the consequential financial implications, including the capital programme, housing revenue account (HRA) review and efficiency & rationalisation plan
- Updated inflation and interest assumptions using the latest forecasts and the impact of any budgetary demand
- An update on any national issues that will impact on the Council's financial position

3.4 The previous version of the MTFP was agreed by the Council in February 2017 when setting the budget for the current financial year. The plan identified a £2.1 million budget shortfall over the four year period on the general fund. This was primarily as a result of the reduction in Government funding including the phasing out of Revenue Support Grant by 2019/20 and changes to the New Homes Bonus funding system.

3.5 A new financial year (2021/22) has now been added to the plan, which forecasts a small deficit. In addition, the overall financial assumptions have been updated for the four years, and taking account of the projected 2017/18 surplus position as forecast in the Quarter Two report – this results in a potential increase to the overall use of reserves by the end of 2021/22 of £147,680. However, this is subject to progression of the current efficiency programme and changes to financial assumptions going forward.

3.6 The plan has been updated to reflect reduced levels of business rates retention - most significant in year 1 (2018/19) of the plan. This is a result of reductions in net income from successful appeals and new reliefs awarded as a result of the Chancellor's spring budget which were not known at the time of budget setting in February 2017. The reliefs are funded by S31 grants – this creates a surplus on business rates retention in the current year on the general fund (2017/18), but a collection fund deficit in year 1 (2018/19) of this plan. Therefore it is appropriate to ring fence the surpluses being forecast in 2017/18 (as per the Quarter 2 report) to fund the distribution of the deficit being created in year 1.

3.7 Achieving a balanced budget over the medium-term relies upon delivery of the Council's approved efficiency & rationalisation strategy. A new efficiency programme was presented and approved as part of the MTFP update in February 2017 which focused on both reducing expenditure and increasing income. The main areas of focus being:

- **Major Procurements** - There is the opportunity to focus attention on a number of large service functions which are currently provided by an external contractor / supplier. A number of significant contracts are coming to an end. This will also allow a fundamental review of these services with proper consideration of the current financial constraints. The contract

commitments have sometimes restricted the opportunity to align services across the alliance with High Peak. The individual projects will focus on Waste Collection & Environment Services, Leisure Management and Facilities Management

- **Asset Management Plan** – continuation of the existing priority of rationalising the Council's asset base with a focus around priorities in order to allow for the necessary capital investment
- **Growth** – development of a clear focus upon housing and economic growth based upon the established Local Plan.
- **Income Generation** – focus on increasing the yield from existing sources of income and a drive towards identifying new sources of income
- **Rationalisation** – a commitment to reducing expenditure on non-priority areas of spend e.g. management arrangements, channel shift, non-statutory services

3.8 Current progression against the efficiency programme is positive, with the 2017/18 target likely to be achieved. However, the ability to limit the impact of the reduction in central government support and achieve the overall 4 year efficiency programme target is underpinned by the following:

- The realisation of savings from the continued implementation of the alternative delivery model for Waste, Streets and Parks via the transfer of services to trading company Alliance Environment Services
- A review of current leisure centre provision in order to reduce the Council's subsidy
- The delivery of the Local Plan in order to achieve income generation from sustained housing and economic growth
- Reviewing fees and charges and identifying new sources of income generation
- Retained business rates through economic growth and the saving of the levy payable to central government as a consequence of the Council's membership of the Derbyshire Business Rates Pool (as per the current business rates system) and potential benefits if selected as a pilot County for 100% business rates retention;

3.9 The MTFP also assumes an annual 1.9% increase in Council Tax over the life of the plan.

3.10 The Housing Revenue Account (HRA) was showing a deficit position of £770,430 by 2020/21 in February 2017 as a result of the 1% annual rent reduction (over a four year period) announced by Government..

3.11 This latest MTFP update highlights a surplus of £469,620 for the HRA by the end of 2021/22. The financial position has improved based on the inclusion of the £1.2 million savings identified in the HRA financial improvement plan in February 2017. The capital programme has also been maintained at £3.9 million throughout the life of the plan – however, this is subject to the results of the stock condition surveys which may indicate an increased capital requirement.

3.12 The review of the HRA is continuing, with reports initially presented to the HRA councillor working group. The recommendations in terms of savings and income generation opportunities from the HRA review will be offset against the financial improvement plan savings. An update to the overall 30 year HRA business plan will be included in the February 2018 update.

3.13 As previously stated, this version of the MTFP sets the context for the development of the 2018/19 Budget. Members will receive a further update of the MTFP when considering the final budget proposals in February 2018. The following actions will need to be completed to ensure that these proposals are robust:

- Complete review of the Council's transformation programme and produce revised forecasts as required
- Further development of the HRA Business Plan incorporating HRA review recommendations
- Development of detailed budget plans for 2018/19
- Development of detailed proposals for fees and charges increases
- Review progress of the efficiency programme
- Complete review of reserves and balances
- Continue to monitor the ongoing issues arising from the Autumn budget, retention of business rates and the associated financial implications for the Council

4. How this Report Links to Corporate Priorities

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

5. Options and Analysis

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

6. Implications

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

6.2 Workforce
None.

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

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

- 6.4 Financial Considerations
There are substantial financial considerations contained throughout the report.
- 6.5 Legal
None.
- 6.6 Sustainability
None.
- 6.7 External Consultation
The Council's budget plans are the subject of an annual public consultation exercise. Full details are contained within the plan
- 6.8 Risk Assessment
A full risk analysis has been undertaken which is contained within the plan

ANDREW P STOKES
Executive Director (Transformation) & Chief Finance Officer

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