

HIGH PEAK BOROUGH COUNCIL

Report to The Executive

15 February 2018

TITLE:	2018/19 Budget & Medium Term Financial Plan 2018/19 to 2021/22
EXECUTIVE COUNCILLOR:	Cllr Emily Thrane – Executive Councillor for Finance & Operational Services
CONTACT OFFICERS:	Claire Hazeldene – Finance & Procurement Manager Keith Pointon – Principal Finance Officer (Financial Planning)
WARDS INVOLVED:	Non-Specific

Appendices Attached

- **Appendix A (Medium Term Financial Plan 2018/19 to 2021/22)**
- **Appendix B (Procurement Forward Plan 2018/19)**
- **Appendix C (Fees & Charges 2018/19)**

1. Reason for the Report

- 1.1 The purpose of the report is to present the proposed Budget for 2018/19, updated Medium-Term Financial Plan 2018/19 – 2021/22, Procurement Forward Plan 2018/19 and proposed Fees and Charges for 2018/19.

2. Recommendations

- 2.1 That the Executive make the following recommendations to Council:

- Approve the General Fund and Housing Revenue Account (HRA) Budget for 2018/19 as detailed in **Appendix A (section 8)**
- Approve the revised Medium-Term Financial Plan (2018/19 to 2021/22) as detailed in **Appendix A**, including the revised Capital Programme (attached at Annex A) for the General Fund and HRA
- Approve the proposed Procurement Forward Plan for 2018/19, providing the authority to procure based on procurement activity detailed in **Appendix B**

- Approve the proposed Fees and Charges for 2018/19 as detailed in **Appendix C**
- Approve a Band D Council Tax of £186.36 for 2018/19 (an increase of 2.9% from 2018/19)
- Approve the following HRA charges:
 - Dwellings rents to reduce by an average of 1% (over 52 weeks) from £70.73 to £70.00 average per week
 - Garage rents to be increased by 5% (over 52 weeks) from £6.16 to £6.47 average per week
 - Other charges including service charges to increase by a maximum of 5% for current tenants
 - Fuel charges at individual blocks have been reviewed and the 2018/19 charge is based on 2016/17 and 2017/18 actual fuel usage/prices, charged on an individual scheme basis.
 - From 1st April 2018, new tenants are charged 'formula' rent (less 1%) plus any applicable service charge based on the actual cost to the Council
- Note 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 section 7**)

3. Executive Summary

- 3.1 This report makes recommendations to Council for the budget and the level of council tax and council dwelling rents for 2018/19. The report also provides an update on the Council's medium-term financial position through to 2021/22. Additionally, it details the Procurement Forward Plan and sets out the fees and charges proposed for 2018/19.
- 3.2 The budget setting and medium term financial planning process provides the Council with the opportunity to plan its delivery of public services in accordance with local priorities and against the backdrop of unprecedented public sector financial constraint.
- 3.3 The Medium Term Financial Plan (MTFP) has been updated in accordance with the budget cycle. The MTFP presents the Council's finances over a four-year period, namely 2018/19 to 2021/22 and provides:
- Details of local spending influences in the context of the Corporate Plan
 - A focus on the transformation programme and the consequential financial implications, including the capital programme and efficiency & rationalisation plan
 - Updated inflation and interest assumptions using the latest forecasts and the impact of any budgetary demand

- An update on any national issues that will impact on the Council's financial position
- 3.4 The General Fund 2017/18 – 2020/21 MTFP was approved by the Council in February 2017, and showed a balanced position. However the balanced position was dependent on the delivery of a £2.13 million four-year Efficiency & Rationalisation Programme. The balanced position also relied upon the use of some £2.1 million reserves to meet shortfalls in the early years of the plan whilst the efficiency programme is being implemented.
- 3.5 The HRA was unbalanced, with a deficit position of £770,430 by the end of 2020/21 after applying an interim reduction to the capital programme pending stock condition information. Consequently, a HRA Financial Improvement Plan was presented alongside the MTFP setting out a programme of £1.2 million in savings to be achieved by 2020/21.
- 3.6 The outturn position for 2017/18 is forecast as follows:
- **General Fund:** a £1.2 million underspend. This is made up of a net service spending underspend of £400,000 and increased income from business rates of £800,000. There is a need to retain the underspend in reserves to meet the collection fund deficit that will occur in 2018/19.
 - **HRA:** a £1.2million underspend – of which £625,000 has been realised against the Financial Improvement Plan savings target. The remainder relates to a reduction in the contribution to capital as a result of delayed schemes, treasury management savings and a reduction in cyclical repairs spend.
- 3.7 Having completed the annual budget exercise the following position emerges:
- **General Fund:** a balanced budget for 2018/19 has been achieved, with the inclusion of an efficiency and rationalisation target of £549,100 (£581,000 as per the Efficiency & Rationalisation Strategy less £31,900 achieved from additional New Homes Bonus payments in 2018/19) and the drawdown of £1.8 million in contingency reserves.
 - **HRA:** a balanced budget for 2018/19 has been achieved with a contribution to balances of £176,340 and the realisation of £245,000 in efficiencies (as a result of a reduction to the voluntary MRP charge)
- 3.8 The final General Fund budget proposal for 2018/19 provides for a net budget of £10,427,240 and a council tax increase of 2.9%. Consequently, the band D council tax increases to £186.36.
- 3.9 The final HRA budget proposal for 2018/19 provides for a net budget of £14,672,010 and a council dwelling rent decrease of 1%.
- 3.10 A new financial year (2021/22) has now been added to the MTFP and the overall financial assumptions have been updated for the four years.

3.11 This has resulted in a surplus position of £305,500 by the end of 2021/22 for the General Fund. An overall use of £1.96 million in reserves are still required over the life of the plan.

3.12 The changed position is primarily due to:

- **Additional forecast Business Rates income (£400,000) –**
 - Reduction in tariff payable based on information supplied by the Valuation Office Agency to DCLG (partially offset by the resulting increase in levy)
 - Additional S31 grants payable to compensate for the extension to small business rate relief anticipated
 - Offset by a review of the level of appeals provision for prudence and based on latest information (this reduces income in year 1 which increases the deficit in year 2 but is partially offset by a reduction in levy payable)
- **Additional Council Tax income (£60,000) –** increase for 2018/19 increased to 2.9% due to increase in referendum limit

These are partially offset by:

- **Additional Inflation Provision (£190,000) –** 2 year staff pay award offer plus general inflationary increases

3.13 There is a surplus position of £497,790 by the end of 2021/22 for the HRA with the inclusion of Financial Improvement Plan savings targets.

3.14 However, there are no plans to allocate the surplus at this stage due to the complexity involved in the delivery of the Efficiency & Rationalisation Programme / Financial Improvement Plan and in particular the realisation of the forecast savings. There is also uncertainty surrounding the future Business Rates system and volatility in forecasting retention amounts due to the amount of variables involved and risk surrounding appeals. The future HRA financial position is dependent on the stock condition survey results which are currently being validated and financially assessed.

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

- **General Fund:-** £16,143,240 over the period 2017/18 – 2021/22
- **HRA:-** £20,106,200 over the period 2017/18 – 2021/22

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

- **Major Procurements** - 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 Staffordshire Moorlands. 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

3.17 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 of being a pilot County for 100% business rates retention;

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

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Background Papers

Location

Contact details

Various background working papers

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