

# North East Derbyshire District Council

## MEDIUM TERM FINANCIAL PLAN

– 2017/18 to 2020/21

COUNCIL : 20th February 2017

# BUDGET OBJECTIVES

- 3 Key Objectives.
- Delivery of Statutory Services
- Secure a balanced budget (income = expenditure)
- Delivery of Member Priorities.

# BUDGET PROCESS

- Considered by Audit Committee 2nd February
- Recommended from Cabinet (15th February) to Council (20th February).
- All precepts and Council Tax for District (Inc DCC, Parish, Police, Fire and District Council ) to Council on 6th March.
- On 6<sup>th</sup> March acting as 'Collection Agent'

# BUDGET OVERVIEW

- Council needs to set a ‘balanced budget’ based upon reasonable assumptions.
- Robustness of the Estimates
- Technical Soundness of the Budget.
- Does report enable Members to understand Council’s financial position?

# BUDGET OVERVIEW

- Covering Report and 3 Appendices
- General Fund
- Housing Revenue Account (HRA)
- Capital Programme
- Generally seen as too long, too much detail – but it gives Elected Members the information to challenge the budget.
- Needs to stand up to External Scrutiny

# BUDGET OVERVIEW

- These are 'roll forward' budgets – nothing new, no surprises
- Assumes continuation of existing service standards
- Major Issues require separate reports.

# General Fund - Options

|  | 2017/18<br>£000's | 2018/19<br>£000's | 2019/20<br>£000's | 2020/21<br>£000's |
|--|-------------------|-------------------|-------------------|-------------------|
| Efficiency Target /<br>Budget Shortfall                | 513               | 1,050             | 1,456             | 1,863             |
| NNDR Growth  | 0                 | 0                 | 0                 | 0                 |
| Transformation &<br>Joint Working (inc<br>vacancy mgt) | (150)             | (300)             | (450)             | (600)             |
| Vacancy<br>Management                                  | (50)              | (50)              | (50)              | (50)              |
| Council Tax<br>Increase                                | (150)             | (300)             | (450)             | (600)             |
| Debt Repayment /<br>Investment                         |                   | (150)             | (200)             | (250)             |
| Unidentified<br>Savings Target                         | 163               | 250               | 306               | 363               |

# General Fund Assumptions

- Assumed no NNDR growth
- Challenging Transformation targets .
- Debt Repayment / Invest to Save Investments in services.
- Detailed measures in updated Efficiency Plan



# General Fund Assumptions

- Level of General Fund Balance £2m against Risk of £1.745m.
- Invest to Save £1m.
- A good position – good service performance, good levels of customer satisfaction.
- Reflects hard work over last 5 years

# General Fund Assumptions

- 4 Year Settlement only covers RSG
- NNDR a volatile income source (revaluation, business closure, Gov changing rules)
- Full localisation of NNDR (April 2020)
- Review of Needs / Resources
- Equalisation between authorities
- Only certainty is continued reductions in central funding (£1.3m RSG, £0.5m NHB)

# General Fund Assumptions

- Decision today is about level of Council Tax.
- No longer government funding for nil increase
- Highest Increase consistent with Gov Guidance is a Band D increase from £177.77 to £182.75.
- Members need to balance Council's responsibility to provide services against impact on local residents.

# GENERAL FUND ASSUMPTIONS

- Key message is the requirement to secure ongoing financial savings of £0.5m p.a. over next 4 years.
- A challenging target if we are to protect services.
- Business as usual probably not a realistic option.

# HRA

- 2012 Localisation of HRA brought a debt burden of £127m (30% of income)
- Rent Decrease of 1% (year 2 of 4 year policy)
- On top of previous changes to rent policy which cost £1.5m p.a.
- Reduction of rental income costs £0.6m next year, £2.5m by end of 4 year period.
- £75m over period of Business Plan.

# HRA

- RTB up to 50 from 10 inc in model, loss of revenue £0.2m p.a or £6m over 30 year period.
- Legislation requiring financial support to Hsg Associations RTB by March 2018.
- Will result in reducing levels of investment in both current and new stock.
- Financial position will require ongoing efficiency savings and reduced investment levels.

# Capital Programme

- A capital Programme of £16m next year.
- Average of £9m on Housing renovation – assumed sufficient to meet decency standards
- New stock purchase scheme to utilise One for One receipts.
- £0.8m on GF programme, disabled facilities grant.

# Treasury Management Strategy

- Effectively an Appendix of MTFP, but need to consider:
- Prudential Code 3 Principles of Prudent / Affordable / Sustainable for all investment / prudential borrowing.
- TM Strategy sets out controls over level & type of borrowing and investment



# Treasury Management Strategy

- Audit Cttee undertook evaluation / consideration of TM strategy.
- This Strategy recommends continuation of current cautious / prudent policy.
- Investments only in UK Institutions of good financial standing
- Borrowing – PWLB, fixed rates

# Treasury Management Strategy

- Increased investments over 1 year from £5m to £10m
- New Prudential Borrowing (HRA) of £1.5m for Stock Purchase scheme – only used when HRA development reserve fully utilised.
- Will retain Prudent Policy rather than using Treasury Investments as a means of securing additional income.
- ‘Risk’ accepted on Invest to Save strategy.