

**North East Derbyshire District Council**

**Audit and Corporate Governance Scrutiny Committee**

**31 January 2019**

**Medium Term Financial Plan 2019/20 to 2022/23**

**Report of the Head of Finance and Resources and S151 Officer**

This report is public

**Purpose of the Report**

- To enable the Audit and Corporate Governance Scrutiny Committee to consider the attached report concerning the Medium Term Financial Plan 2019/20 to 2022/23 prior to the report being taken to Cabinet and Council.

**1 Report Details**

- 1.1 To update Members of the Audit and Corporate Governance Scrutiny Committee to ensure they are kept informed of the Council's financial position as set out in the Medium Term Financial Plan 2019/20 to 2022/23. Any comments expressed by the Audit and Corporate Governance Scrutiny Committee will be taken into account in the report, or reported verbally to Cabinet.
- 1.2 The appendices providing details of the financial plans that will be taken to Cabinet on 13 February 2019 and to Council on the 18 February 2019 are attached to this report.
- 1.3 Whilst the financial plans are substantially complete they are still subject to change at this stage. The main variations are reported below.

**General Fund**

The proposed budget for 2019/20 currently shows a shortfall of £0.871m. Further shortfalls are also budgeted for future years being £1.769m in 2020/21, £2.399m in 2021/22 and £2.783m in 2022/23 (**Appendix 1**). The main factors taken into account in developing the Council's financial plans are:

- New Homes Bonus - the provisional allocations have now been received from the Government and the estimates updated. The Council is forecast to receive £0.926m in 2019/20. However, New Homes Bonus is not confirmed after 2019/20 and there is a real risk that the scheme will end at this point. Therefore forecasts from 2020/21 onwards exclude any new allocations. This means that in 2020/21

the allocation drops to £0.402m, then £0.182m in 2021/22 and £0.111m in 2022/23.

- Business Rates Retention – As part of the changes to Business Rates Retention the Government sought bids from local authorities to be Business Rates pilots for 2019/20. The Derbyshire pool was successful in 2018/19 and a further bid was submitted for 2019/20. Unfortunately, as announced in the Settlement, the bid was unsuccessful but it has been confirmed that the previous pooling arrangements will be reinstated for 2019/20 for Derbyshire. The income from business rates included in the budget is therefore on this basis, updated for revisions from the settlement. Due to the timing of its completion, the forecast does not at this stage take account of the NNDR1 return. Any changes resulting will be accounted for during quarter 1 of 2019/20.
- Expenditure, income levels and efficiencies – a pay award of 2% has been included in staffing budgets and inflation specific budgets such as energy costs and fuel have been amended to reflect anticipated price changes.
- No provision has been made in the budget for costs that may be incurred as a result of Brexit. Should there be any significant impact on the Council's resources as a result this will be addressed at that time.
- As reported in the 2018/19 quarter 1 budget monitoring report, a number of fundamental changes to local authority funding are currently being considered by the Government for incorporation into the 2020/21 Financial Settlement. The Fair Funding Review and the Business Rates Reset are both likely to have a negative impact on most shire districts. Account has been taken of the likely impact of a business rates reset in the medium term financial plan but there is currently insufficient information to include the impact of the Fair funding review at this stage.
- The position regarding Council Tax options will be updated at the meeting.

**Appendix 2** details the net cost of each cost centre by Directorate.

#### Housing Revenue Account (HRA)

The proposed budget for 2019/20 is balanced with £0.762m being transferred to the Development reserve. Future years' budgets are also balanced with surpluses forecast to be transferred to the Development Reserve. The main factors taken into account in developing the HRA budgets are:

- Rents - continue to reduce by 1% per annum until 2019/20. From 2020 it is assumed that rent policy of CPIH +1% has been assumed.
- Fees and Charges - These charges are set on the principle that wherever possible charges for services should reflect the cost of providing those services.

**Appendix 3** provides the detail for the HRA.

#### Capital Programme

The proposed Capital Programme for the General Fund totals £2.035m for 2019/20; £3.184m for 2020/21; £3.174m for 2021/22 and £1.219m for 2022/23. For the HRA the proposed Capital Programme totals £1.140m in 2019/20 then is £9.5m per annum from 2020/21.

A strategic review of the Council's assets is to be undertaken during 2019/20. This will include an assessment of the level of capital spend needed within the HRA to maintain the Council's stock to an acceptable standard and the affordability of such spend in the context of the HRA 30 year business plan.

An analysis of all the schemes and associated funding are attached as **Appendix 4** to this report.

## **2 Conclusions and Reasons for Recommendation**

2.1 These are detailed in the attached report.

### **Reasons for Recommendation**

2.2 To ensure that the Audit and Corporate Governance Scrutiny Committee are kept informed of the Council's financial position as set out within the Medium Term Financial Plan.

## **3 Consultation and Equality Impact**

### **Consultation**

3.1 These are detailed in the attached report.

### **Equalities**

3.2 These are detailed in the attached report.

## **4 Alternative Options and Reasons for Rejection**

4.1 These are detailed in the attached report.

## **5 Implications**

### **5.1 Finance and Risk Implications**

#### **Financial**

These are detailed in the attached report.

#### **Risk**

These are detailed in the attached report.

### **5.2 Legal Implications including Data Protection**

These are detailed in the attached report.

### **5.3 Human Resources Implications**

These are detailed in the attached report.

**6 Recommendations**

- 6.1 That the Audit and Corporate Governance Scrutiny Committee note the report and make any comments that they believe to be appropriate with regards to the attached report which will be taken to Cabinet on 13 February 2019.

**7 Decision Information**

<p><b>Is the decision a Key Decision?</b></p> <p>A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds:</p> <p><i>BDC: Revenue - £75,000</i> <input type="checkbox"/></p> <p><i>Capital - £150,000</i> <input type="checkbox"/></p> <p><i>NEDDC: Revenue - £100,000</i> <input type="checkbox"/></p> <p><i>Capital - £250,000</i> <input type="checkbox"/></p> <p><input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i></p>	<p>No</p>
<p><b>Is the decision subject to Call-In?</b></p> <p>(Only Key Decisions are subject to Call-In)</p>	<p>No</p>
<p><b>Has the relevant Portfolio Holder been informed</b></p>	<p>Yes</p>
<p><b>District Wards Affected</b></p>	<p>All</p>
<p><b>Links to Corporate Plan priorities or Policy Framework</b></p>	<p>All</p>

**8 Document Information**

Appendix No	Title
1	Medium Term Financial Plan
<p><b>Background Papers</b> (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)</p>	
Report Author	Contact Number
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