

North East Derbyshire District Council

Audit and Corporate Governance Scrutiny Committee

12 January 2022

Medium Term Financial Plan 2021/22 to 2025/26

Report of the Assistant Director of Finance and Resources (S151 Officer)

Report By: Jayne Dethick, Assistant Director - Finance and Resources
(S151 Officer)

Contact Officer: as above

PURPOSE/SUMMARY

To enable the Audit and Corporate Governance Scrutiny Committee to consider the attached report concerning the Medium Term Financial Plan (MTFP) 2021/22 to 2025/26 prior to the report being taken to Cabinet and Council.

RECOMMENDATIONS

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 27 January 2022.

IMPLICATIONS

Finance and Risk

Yes ✓

No

These are detailed in the attached report.

On Behalf of the Section 151 Officer

Legal including Data Protection

Yes ✓

No

These are detailed in the attached report.

On Behalf of the Solicitor to the Council

Staffing

Yes

No ✓

There are no staffing issues arising directly from this report.

DECISION INFORMATION

<p>Is the decision a Key Decision?</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 checked="" type="checkbox"/></p> <p><i>Capital - £250,000</i> <input checked="" type="checkbox"/></p> <p><input checked="" type="checkbox"/> Please indicate which threshold applies</p>	No
<p>Is the decision subject to Call-In?(Only Key Decisions are subject to Call-In)</p>	No
<p>Has the relevant Portfolio Holder been informed</p>	N/A
<p>District Wards Affected</p>	All
<p>Links to Corporate Plan priorities or Policy Framework</p>	All

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 MTFP 2021/22 to 2025/26. 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 27 January 2022 and to Council on the 31 January 2022 are attached to this report.
- 1.3 The main variations in the MTFP are reported below.

General Fund

- 1.5 The proposed budget for 2022/23 currently shows a shortfall of £0.111m. Further shortfalls are also budgeted for future years being £1.505m in 2023/24, £1.716m in 2024/25 and £1.921m in 2025/26. It is important to ensure these savings are secured by underlying reductions in expenditure or increases in income and this is considered in the efficiencies action plan detailed in the Cabinet report at **Appendix 3**. The main factors taken into account in developing the Council's financial plans are:

- 1.6 Government Funding - The settlement for 2022/23 is a single year settlement again and is largely a roll forward of 2021/22. This is the fourth consecutive one year settlement which does provide a lack of certainty beyond 2022/23, making forecasting for future years incredibly challenging especially with such major funding reforms likely.
- 1.7 New Homes Bonus - The rollover of the current settlement for a further year means that New Homes Bonus will once again be awarded in 2022/23 generating income of £0.609m. This is the result of considerable growth in new homes during the reporting year to Oct 2021. This is in addition to the final legacy payment of £0.111m so the total grant due is £0.720m.
- 1.8 New Homes Bonus is not confirmed beyond 2022/23 and the Government has been clear that it will not continue into the next spending review period. So, estimates for 2023/24 onwards exclude any new allocations for new homes bonus. This loss of funding creates a significant budget pressure in the future years of the medium term financial plan.

Other Grants

- 1.9 Lower Tier Services Grant (LTSG) has been paid again in 2022/23. This is for one year only and the allocation is £0.126m. A new one-off services grant has also been paid in 2022/23 based on the existing Settlement Funding Assessment and the award is £0.193m.
- 1.9 “Updating the System” - The Government will consult over the next year about “updating the system” (the new working title for the Fair Funding Review). This is likely to encompass a response to the review of New Homes Bonus that was undertaken earlier this year. It is unclear whether the business rates reset will still go ahead but we can expect there to be a comprehensive review of the distribution of local government funding. There has been a change in emphasis in the Government’s calculation of spending need this year with what appears to be a genuine attempt at “levelling up” to address some of the funding issues that some councils have been experiencing since the last major reform in 2012. This gives some optimism that the “updating the system” review will continue with this approach.
- 1.9 Business Rates Reset – it remains unclear whether the business rates reset will proceed as part of the national funding review but it still a subject of debate nationally. The reset will mean that any growth gained since 2013/14 (the last reset) will be built into a new baseline, effectively wiping it out. The further delay to the spending review because of the pandemic means that the impact of the reset will not now affect the 2022/23 budget but has been included from 2023/24.
- 1.10 Expenditure, income levels and efficiencies – a pay award of 2% in 2022/23 and 1% thereafter have been included in staffing budgets and inflation specific budgets such as energy costs have been amended to reflect anticipated price changes. Increases to service specific budgets, as agreed by Members, have also been reflected in the MTFP.

Housing Revenue Account (HRA)

- 1.12 The proposed budget for 2022/23 currently shows a balanced position. The HRA budget makes the same assumptions as the General Fund budget for staff costs and inflation.

- 1.13 Rents - In April 2020 the new Social Housing Rent Standard came into force. It is externally regulated by the Housing Regulator and applies to all registered providers of social housing. The Government has directed the Regulator to apply the rent standard to all registered providers and this includes local authorities. The Standard confirms that rent increases of up to CPI + 1% will be permitted, until it is reviewed in 2025. In line with the standard an increase of 4.1% is being recommended in the budget for 2022/23. Future year rent increases will be considered as part of the annual refresh of this plan each year.
- 1.14 Fees and Charges - These charges are set on the principle that wherever possible charges for services should reflect the cost of providing those services.

Capital Programme

- 1.15 The proposed Capital Programme for the General Fund £5.92m for 2022/23; £2.93m for 2023/24, £3.12m for 2024/25 and £1.89m for 2025/26. The budget in 2022/23 includes the carbon efficiency works at Dronfield Sports Centre and the profile of the vehicle replacement programme. The remainder of the programme is relatively static including the asset management programme of £0.500m per annum.
- 1.16 The proposed Capital Programme for the HRA totals £18.80m in 2022/23 which includes £4.60m for additional eco works. The programme totals £18.12m in 2023/24, £18.12m in 2024/25 and £18.12m in 2025/26.

2 Reasons for Recommendation

- 2.1 These are detailed in the attached report.

3 Alternative Options and Reasons for Rejection

- 3.1 These are detailed in the attached report.

DOCUMENT INFORMATION

Appendix No	Title
1	Medium Term Financial Plan 2021/22 to 2025/26 and Appendices 1-5
Background Papers	
Report Author	Contact Number
Jayne Dethick – Assistant Director - Finance and Resources (S151 Officer)	(01246) 217078