

North East Derbyshire District Council

Audit and Corporate Governance Scrutiny Committee

20 January 2021

Medium Terms Financial Plan 2020/21 to 2024/25

Report of the Head of Finance and Resources

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 (MTFP) 2020/21 to 2024/25 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 MTFP 2020/21 to 2024/25. 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 28 January 2021 and to Council on the 1 February 2021 are attached to this report.
- 1.3 Whilst the financial plans are substantially complete they are still subject to change at this stage. Work is still ongoing in relation to council tax and business rates projections to take account of the Government's measures announced in the Spending review and detailed at 1.20 – 1.21 of the cabinet report attached.
- 1.4 The main variations in the MTFP are reported below.

General Fund

- 1.5 The proposed budget for 2021/22 currently shows a shortfall of £0.133m. Further shortfalls are also budgeted for future years being £1.055m in 2022/23, £1.855m in 2023/24 and £2.610m in 2024/25. The main factors taken into account in developing the Council's financial plans are:
- 1.6 Government Funding - the current financial year (2020/21) is a one year extension of the four year settlement announced in December 2015. As a result of the Covid

pandemic, the spending review has been delayed until 2022/23 meaning that the 2021/22 budget is also a rollover from the previous settlement. The impact of national funding changes including the Fair Funding Review and Business Rates reset that were expected to affect the 2021/22 budget have therefore been further delayed until 2022/23.

- 1.7 New Homes Bonus - The rollover of the current settlement means that New Homes Bonus will once again be awarded in 2021/22 generating income of £0.360m. This is for one year only, no legacy payments will be made. New Homes Bonus is not confirmed beyond 2021/22 and the Government has been clear that it will not continue into the next spending review period. So, estimates for 2022/23 onwards exclude any new allocations for new homes bonus.
- 1.8 Fair Funding Review - Although a delay to implementation has been confirmed it is too early to say with any clarity what the impact of the Fair Funding Review will be. Financial modelling continues to show that resources will be directed to councils based on “highest need” which will impact negatively on most shire. The risk of losses from the Fair Funding Review is also much greater for those councils who can raise income from council tax. This puts a greater burden on local decision making with regards to council tax setting each year. Due to this uncertainty the likely impact of the Fair Funding Review has not been included in the medium term financial plan at this time. Members will be updated on the impact as soon as this becomes available.
- 1.9 Business Rates Reset - Debate around Business Rates Retention Reform was a topic of national discussion prior to the pandemic with the review focusing on resetting the business rates baseline. This means any growth gained since 2013/14 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 2021/22 budget but has been included from 2022/23.
- 1.10 Expenditure, income levels and efficiencies – a pay award of 1% in 2021/22 and 2% thereafter have been included in staffing budgets and inflation specific budgets such as energy costs have been amended to reflect anticipated price changes. An allowance for the impact of the Covid pandemic on income generating services, in particular Leisure, has been made with those affected income budgets being reduced by 15% in 2021.
- 1.11 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.

Housing Revenue Account (HRA)

- 1.12 The proposed budget for 2021/22 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 comes into force which will be externally regulated by the Housing Regulator and apply 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 1.5% is being recommended in the budget for 2021/22. 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 totals £3.95m for 2021/22; £4.4m for 2022/23, £2.26m for 2023/24 and £1.86m for 2024/25. The budget in 2021/22 includes the cost of refurbishment works at Killamarsh Leisure Centre and the carbon efficiency works at Eckington Sports Centre. The budget in 2022/23 reflects 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 £22m in 2021/22 which includes £7.152m for additional eco works which is in part grant funded. The programme totals £16.85m in 2022/23, £18.6m in 2023/24 and £18.6m in 2024/25.

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 28 January 2021.

7 Decision Information

Is the decision a Key Decision? 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: <i>BDC: Revenue - £75,000</i> <input type="checkbox"/> <i>Capital - £150,000</i> <input type="checkbox"/> <i>NEDDC: Revenue - £100,000</i> <input type="checkbox"/> <i>Capital - £250,000</i> <input type="checkbox"/> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i>	Yes
Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)	Yes
Has the relevant Portfolio Holder been informed	Yes
District Wards Affected	All

Links to Corporate Plan priorities or Policy Framework	All

8 Document Information

Appendix No	Title
1	Medium Term Financial Plan
2	General Fund Summary
3	General Fund Detail
4	Housing Revenue Account
	Capital Programme
Background Papers (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)	
Report Author	Contact Number
Jayne Dethick – Head of Finance and Resources	7078