

**HIGH PEAK BOROUGH COUNCIL**

**MEDIUM TERM FINANCIAL PLAN 2018/19 to 2021/22**

November 2017

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## **1. INTRODUCTION**

- 1.1. The Medium Term Financial Plan (MTFP) is a key element of the Council's budget and policy frameworks. It aims to ensure that resources are directed effectively and efficiently towards delivery of the Council's Corporate Plan. It describes the financial direction of the Council for planning purposes and outlines the financial pressures the Council is likely to experience over the next 4 years.
- 1.2. The medium-term financial planning process establishes how available resources will be allocated to services in line with the Council's priorities which have been determined following consultation with residents, councillors and other stakeholders. The process facilitates the Council in planning the prudent management of its finances, in building resilience and in providing for the needs of residents over the long term.
- 1.3. The MTFP is updated regularly to fit in with the budget cycle. This review of the MTFP builds on the existing plan and updates assumptions to reflect known changes to income, costs and funding. The plan incorporates revenue and capital financial projections over the four years 2018/19 to 2021/22. It also includes an assessment of key risks and a presentation of longer-term financial issues which have the potential to impact on the Council.
- 1.4. The Council will demonstrate economy, efficiency and effectiveness in the application of its resources. Value for Money (VFM) is maximised when there is an optimum balance between economy, efficiency and effectiveness.
  - Economy: the price the Council pays for providing its services
  - Efficiency: how much the Council gets out of what's put in (productivity)
  - Effectiveness: value of the impact achieved (quantitative or qualitative)

## **2. STRATEGIC PRIORITIES**

- 2.1. The Medium Term Financial Plan is driven by local priorities. The Council's spending strategy is set out in the Corporate Plan formally adopted by members of the Council.
- 2.2. Following the elections in May 2015, there was a fundamental review of the Corporate Plan focussing on the period 2015-2019 (up to the end of the current political administration).
- 2.3. The Council's 4-year Corporate Plan (2015-2019) articulates the aims, objectives and priority actions, which the Council is working to achieve over this period. Its delivery is measured through the Performance Framework, which has at its centre the three pillars of value for money - efficiency, economy and effectiveness. It in effect determines the Council's commitments in the delivery of services and community leadership to the citizens of High Peak.

2.4. The Council's Corporate Plan has been developed after taking into account the views and aspirations of High Peak citizens and having come to a clear understanding of empirical evidence. The plan has taken due recognition of the national and regional policy framework. It has taken on board learning from the progress made by the Council and has benefitted from input from Members at a priority setting event which was held in July 2015.

2.5. The opportunity has now been taken, at the mid-point of the current administration, to reflect on the progress made during the first two years of the Plan and to reiterate the Council's commitment to the remaining objectives as well as adding any new areas of priority that have emerged since the Plan was first developed.

2.6. The Council's vision is expressed as:

“Delivering excellent services to High Peak residents and demonstrating value for money”

This vision is articulated further by four aims:

- Help create a safer and healthier environment for our residents to live and work
- Meet financial challenges & provide value for money
- Support economic development & regeneration
- Protect and improve the environment

2.7. These aims are supported by a number of objectives which also provide the framework for the delivery of service plans. The Council's objectives are summarised below:

	<b>Aim</b>	<b>Objectives</b>
1	Help create a safer and healthier environment for our residents to live and work	<ul style="list-style-type: none"> <li>• Effective relationship with strategic partners</li> <li>• Fit for purpose housing stock that meets the needs of tenants</li> <li>• Effective support of community safety arrangements</li> <li>• Provision of high quality leisure facilities</li> </ul>
2	Meet its financial challenges and provide value for money	<ul style="list-style-type: none"> <li>• Effective use of financial and other resources to ensure value for money</li> <li>• Ensure our services are easily available to all our residents in the appropriate channels and provided 'right first time'</li> <li>• A high performing and highly motivated workforce</li> <li>• More effective use of Council assets</li> </ul>
3	Support economic development and regeneration	<ul style="list-style-type: none"> <li>• Encourage business start-ups and enterprises</li> <li>• Flourishing town centres that support the local economy</li> <li>• Promote tourism</li> <li>• High quality development and building control with an 'open for business approach'</li> </ul>

	<b>Aim</b>	<b>Objectives</b>
4	Protect and improve the environment	<ul style="list-style-type: none"> <li>• Effective recycling and waste management</li> <li>• Provision of high quality public amenities, clean streets and environmental health</li> <li>• Provision of quality parks and open spaces</li> <li>• Car parking arrangements that meet the needs of residents, businesses and visitors</li> </ul>

2.8. The Council is committed to playing the lead role in championing the local area. In so doing the Council recognises its community leadership role. Fulfilling this role effectively means influencing partners in a number of key areas in order to ensure that services are shaped and delivered around the needs and aspirations of citizens. The priorities for the Council's influencing role will be focused in the following areas:

- Work with the private sector on regeneration schemes including: The Crescent and Torr Vale Mill
- Press for more regular and faster rail links and road infrastructure
- Provision of accessible health and social care
- Support the police in dealing with anti social behaviour
- Work with partners to bring additional funding into the Borough

2.9. The Plan identifies key priority outcomes, which will be the highest priority in the development of performance targets and key actions. A significant proportion of the Council's resources will be directed towards achieving them:

	<b>Aim</b>	<b>Priority Outcomes</b>
1	Help create a safer and healthier environment for our residents to live and work	<ul style="list-style-type: none"> <li>• Good quality social housing provision</li> <li>• Improved health</li> </ul>
2	Meet financial challenges and provide value for money	<ul style="list-style-type: none"> <li>• Balanced and sustainable medium term financial position</li> <li>• Council services provide value for money</li> <li>• High level of resident and customer satisfaction</li> </ul>
3	Support economic development and regeneration	<ul style="list-style-type: none"> <li>• Sustainable towns and rural communities</li> <li>• Increased economic growth</li> </ul>
4	Protect and improve the environment	<ul style="list-style-type: none"> <li>• High recycling rates</li> <li>• Quality parks and open spaces and clean streets</li> </ul>

2.10. The Council maintains a Strategic Alliance with Staffordshire Moorlands District Council, formed around the principle of shared services in the pursuit of efficiency and realisation of savings. The Strategic Alliance has enabled the implementation and transformation of a joint management structure and services, consequently realising significant efficiency savings.

2.11. The Council intends to continue to drive savings and service improvements through collaboration with its Alliance partner.

### 3. CURRENT SPENDING LEVELS

3.1. The starting point for the development of the MTFP is the current level of spending and the approved capital expenditure commitments.

#### **General Fund Revenue Budget**

3.2. The Council's current year (2017/18) General Fund budget can be summarised as follows:

Income and Expenditure	2017/18 Budget
	£
Employees	12,701,150
Premises	4,121,350
Transport	833,090
Supplies & Services	9,488,650
Benefits	82,460
Borrowing	1,425,230
Parish Grant	51,320
Financing Costs	191,000
Unachieved Efficiencies (2014 -2017 plan)	431,200
<b>Total Expenditure</b>	<b>29,325,450</b>
Fees and Charges / Other Income	(11,600,320)
Interest Receipts	(64,720)
Capital Recharges	(231,240)
HRA Recharges	(6,633,300)
<b>Net Expenditure</b>	<b>10,795,870</b>

3.3. The net expenditure is financed as follows:

Financing	2017/18 Budget
	£
Council Tax	(5,431,520)
Government Funding	(580,100)
New Homes Bonus	(725,060)
Business Rates Retention	(3,050,510)
Collection Fund Deficit	(145,110)
Contribution to / (from) Reserves & Balances	(553,570)
Efficiency Requirement	(310,000)
<b>Total Financing</b>	<b>(10,795,870)</b>

### ***Housing Revenue Account Budget***

- 3.4. The Housing Revenue Account (HRA) is a 'ring-fenced' account that ensures the management and maintenance of the Council's housing stock is funded from the income generated by rents and other related sources.
- 3.5. The Council's current year (2017/18) Housing Revenue Account budget can be summarised as follows:

<b>Budget Heading</b>	<b>2017/18 Budget</b>
	£
Repairs & Maintenance	3,932,800
Supervision & Management	2,695,930
Rates, Rents, Taxes, Charges	115,320
Other Operating Expenditure	1,383,590
Depreciation & Impairment Charges	1,550,000
Interest & Debt Management Charges	3,381,630
HRA Contribution to Capital Programme	1,997,000
<b>Total Expenditure</b>	<b>15,056,270</b>
Dwellings Rents	(14,495,540)
Non - Dwelling Rents & Other Income	(617,730)
<b>Total Income</b>	<b>(15,113,270)</b>
<b>(Surplus) / Deficit for year</b>	<b>(57,000)</b>

### ***General Fund Capital Budget***

- 3.6. The medium-term projection for General Fund capital commitments approved by Council in February 2017 is detailed below:

<b>Service Area</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>Total</b>
	£	£	£	£	£	£
New Housing Schemes	241,960	142,000	301,050	454,000	454,000	1,593,010
Asset Management Plan	580,300	4,953,780	2,079,630	1,130,000	455,000	9,198,710
Housing Grants	463,140	414,700	389,000	389,000	389,000	2,044,840
ICT Strategy	318,000	50,000	50,000	50,000	41,520	509,520
Other Schemes	431,230	304,130	45,000	45,000	45,000	870,360
<b>Total Programme</b>	<b>2,034,630</b>	<b>5,864,610</b>	<b>2,864,680</b>	<b>2,068,000</b>	<b>1,384,520</b>	<b>14,216,440</b>
<b>Financed by:</b>						
External Contributions	569,180	460,700	389,000	389,000	389,000	2,196,880
Capital Receipts	-	642,000	491,050	1,264,000	734,000	3,131,050
Capital Reserve	-	-	-	-	-	-
S106 Planning Obligations	308,080	10,000	-	-	-	318,080
Borrowing	1,157,370	4,751,910	1,984,630	415,000	261,520	8,570,430
<b>Total Financing</b>	<b>2,034,630</b>	<b>5,864,610</b>	<b>2,864,680</b>	<b>2,068,000</b>	<b>1,384,520</b>	<b>14,216,440</b>

## ***Housing Revenue Account Capital Budget***

3.7. The medium-term projection for Housing Revenue Account capital commitments approved by Council in February 2017 was as follows:

	2016/17	2017/18	2018/19	2019/20	2020/21	Total
	£	£	£	£	£	£
Planned Maintenance	2,908,300	3,036,000	3,036,000	3,036,000	3,036,000	15,052,300
Responsive Works	445,000	395,000	395,000	395,000	395,000	2,025,000
Aids & Adaptations	435,670	350,000	350,000	350,000	350,000	1,835,670
New Build	194,000	-	-	-	-	194,000
Commissioning Costs	155,000	155,000	155,000	155,000	155,000	775,000
<b>Total Programme</b>	<b>4,137,970</b>	<b>3,936,000</b>	<b>3,936,000</b>	<b>3,936,000</b>	<b>3,936,000</b>	<b>19,881,970</b>
HRA Contribution	1,580,970	1,997,000	2,078,640	2,325,000	2,386,000	10,367,610
Major Repairs Reserve	1,550,000	1,550,000	1,550,000	1,550,000	1,550,000	7,750,000
Capital Receipts	509,000	389,000	307,360	61,000	-	1,266,360
Capital Investment Fund	498,000	-	-	-	-	498,000
<b>Total Financing</b>	<b>4,137,970</b>	<b>3,936,000</b>	<b>3,936,000</b>	<b>3,936,000</b>	<b>3,936,000</b>	<b>19,881,970</b>

## **4. TRANSFORMATION PROGRAMME**

### **4.1. Introduction**

4.1.1. The Council's 'transformation programme' incorporates all major projects which meet the strategic priorities of the Authority and have significant financial implications, including:

- The capital programme
- Housing Revenue Account review
- The efficiency and rationalisation strategy
- Member priority projects

4.1.2. The delivery of transformation programme projects is monitored by a Transformation Board made up of Directors, Heads of Service along with key Corporate Service Managers and officers. A director is allocated as 'project executive' and a full business case appraisal is completed for each project.

4.1.3. The progress and current financial projections of the transformation programme is explored below along with any potential revenue consequences. Any further work required to identify the financial implications of the programme are discussed and will feed into the 2018/19 budget setting process.

## 4.2. General Fund Capital Programme

- 4.2.1. The General Fund Capital Programme approved by members in February 2017 has been reviewed, re-profiled and updated to reflect the latest position in terms of capital projections to 31st March 2022.
- 4.2.2. The latest capital projections, specifically identifying the major schemes, are summarised in the table below. Full detail is attached in Annex A.

Service Area	2017/18	2018/19	2019/20	2020/21	2021/22	Total
	£	£	£	£	£	£
Housing	142,000	301,050	597,000	340,000	340,000	1,720,050
Asset Management	3,632,070	2,207,730	2,512,640	455,000	2,197,800	11,005,240
Housing Grants	455,240	421,000	421,000	421,000	421,000	2,139,240
ICT Strategy	104,310	9,640	9,640	9,640	9,640	142,870
Other Schemes*	371,840	279,000	245,000	45,000	45,000	985,840
<b>Total Programme</b>	<b>4,705,460</b>	<b>3,218,420</b>	<b>3,785,280</b>	<b>1,270,640</b>	<b>3,013,440</b>	<b>15,993,240</b>
<b>Financed by:-</b>						
External Contributions	520,720	421,000	421,000	421,000	421,000	2,204,720
Capital Receipts	642,000	491,050	1,407,000	620,000	340,000	3,500,050
Capital Reserve	-	-	-	-	-	-
S106 Planning	10,000	-	-	-	-	10,000
Borrowing	3,532,740	2,306,370	1,957,280	229,640	2,252,440	10,278,470
<b>Total Financing</b>	<b>4,705,460</b>	<b>3,218,420</b>	<b>3,785,280</b>	<b>1,270,640</b>	<b>3,013,440</b>	<b>15,993,240</b>

\*includes £290,000 provision for new schemes as detailed in 4.2.38

- 4.2.3. The capital projections above include the carry forward of £258,650 capital budgets from 2016/17 as approved by Members.

### Housing Revenue Account Capital Programme

- 4.2.4. The Housing Revenue Account Capital Programme approved by members in February 2017 is largely unchanged at this stage with further work to be undertaken prior to February 2018. However, an additional year has been added based on the current HRA business plan and the allocation of capital receipts has been updated.

	2017/18	2018/19	2019/20	2020/21	2021/22	Total
	£	£	£	£		£
Asset Management works	3,597,200	3,441,000	3,441,000	3,441,000	3,441,000	17,361,200
Repairs Team Capital works	395,000	395,000	395,000	395,000	395,000	1,975,000
Commissioning Costs	155,000	100,000	100,000	100,000	100,000	555,000
<b>Total Programme</b>	<b>4,147,200</b>	<b>3,936,000</b>	<b>3,936,000</b>	<b>3,936,000</b>	<b>3,969,000</b>	<b>19,891,200</b>
Major Repairs Reserve	2,099,030	2,099,030	2,099,030	2,099,030	2,099,030	10,495,150
HRA Contribution	1,659,170	1,529,610	1,775,970	1,836,970	1,836,970	8,638,690
Capital Receipts	389,000	307,360	61,000	-	-	757,360
<b>Total Financing</b>	<b>4,147,200</b>	<b>3,936,000</b>	<b>3,936,000</b>	<b>3,936,000</b>	<b>3,936,000</b>	<b>19,891,200</b>

4.2.5. The capital projections above include an approved £211,200 carry forward of unused budget from the 2016/17 programme to 2017/18.

### **Asset Management Plan (AMP) – General Fund**

4.2.6. It is essential that the Council maintains an asset base, which delivers the ambitions of the Corporate Plan – however, this needs to be affordable. This is becoming increasingly difficult due to the age of a number of the Council's key buildings and the shrinking amount of financial resources available to support service delivery.

4.2.7. A stock condition survey has been undertaken on the Council's property assets. A report detailing the outcomes and actions emerging was presented to the Executive in July 2016. This includes the potential capital and revenue financial implications of maintaining the Council's current property assets over a 30-year period. This was reviewed and updated in February 2017 to take account of any changes and updates to stock information since July 2016, and has subsequently been reviewed again and presented to the Asset Management working group in October.

4.2.8. The surveys have confirmed that a number of the Council's operational assets are dated in appearance, have structural issues or urgent health and safety work requirements or the electrical and mechanical infrastructure require updating. The investment required to ensure the assets remain fit for purpose is significant over the 30 year period and would consequently impact on future revenue budgets.

4.2.9. Therefore, the report discusses the options to either reduce the amount of capital expenditure or reduce the impact on revenue of the necessary capital spending:

- Asset rationalisation
- Shared use of assets
- Reduction in specification and functionality

- Generate additional capital receipts
- Identify grants to support investment
- Generate additional revenue from asset holdings

4.2.10. Additionally, it also recommended the review of a number of areas as detailed below, with the progress made to date (as reported to the Asset Management working group in October 2017):-

Area of Review	Progress to date
<p>Assess and confirm the approach that provides for the early year investments (including the proposed strategy) for each of the key buildings</p>	<p>The current level of essential works are included within the 30 year programme as detailed above. This includes significant upfront investment in key public buildings specifically:-</p> <ul style="list-style-type: none"> <li>- <b>Buxton Town Hall</b> (£1.4m allocated in MTFP timeframe)– options are currently being assessed into alternative usage for this building which aims to reduce the investment required and realise revenue savings</li> <li>- <b>Pavilion Gardens</b> (£3.3m allocated in MTFP timeframe) – essential works relating to the Octagon ring beam are currently underway. Options for alternative delivery of the Pavilion Gardens facility in order to reduce the revenue subsidy are currently being explored.</li> <li>- <b>Glossop Halls</b> (£2m allocated in MTFP timeframe) – The £2m represents the Council’s contribution to the restoration and conversion of the Market Hall, Town Hall and Municipal Buildings. A £4.8m bid has been submitted to the Heritage Lottery Fund to fund the remainder of the project - the outcome of which will determine the scale of the project achievable.</li> </ul>
<p>Review the public convenience and car park provision with a view to disposal of assets that are surplus to requirements</p>	<p>The working group has to date agreed proposals to progress emergency building works which present significant hazards and the deferral of car parks works to focus on other priorities (with the exception of Sylvan car park which required early investment). However, the group expressed the wishes for a programme of maintenance/investment to be established as soon as possible.</p> <p>Additionally, public convenience provision has been reviewed and a strategy agreed to maintain current standards in recently refurbished locations with a phased scheme of improvements at public conveniences which require investment.</p> <p>There are 4 public conveniences proposed for decommission and disposal. These assets do not generate revenue expenditure as they are currently closed and therefore are not in the work plan for 2017 due to other priorities. The disposal of these 4 assets will be reviewed in 2018 and outcome built into the AMP and MTFP</p>
<p>Review the Leisure asset</p>	<p>There is significant capital investment required in Leisure</p>

<p>portfolio in the context of the expiry of the existing leisure management</p>	<p>Centre assets over the 30 year period – £7.9m (26% of overall programme spend) which is based on the long term fit for purpose estimated costs. The current leisure centre operational contract with Places for People expires in 2019 – which coincides with the expiry of the operational contract at Staffordshire Moorlands D.C. Therefore providing the option to potentially have a joint arrangement in place. A review of leisure centre provision will be taking place during 2018, which may in turn result in an alternative delivery model – which then reduces the overall investment requirements and/or reduces the overall revenue subsidy.</p>
<p>Review the operational depot asset portfolio in the context of the expiry of the waste collection contract</p>	<p>The AMP includes £0.8m capital investment required in operational depots over the 30 year period – which is based on the long term fit for purpose estimated costs. As part of the new operational arrangements in place with Alliance Environment Services for Waste Collection, and planned transfer of Streets Scene and Grounds Maintenance (replicated at Staffordshire Moorlands D.C.), an operational depot review will be undertaken collectively. This will ensure facilities are fit-for-purpose, efficiency located and consequently rationalise the facilities. This is a longer-term project to progress once all relevant services have transferred.</p>
<p>Review the Council's strategic land holdings with a view to developing options to either generate additional capital receipts or opportunities to generate ongoing financial returns.</p>	<p>There has been a full review completed. The sites identified for development potential will be issued as part of the environmental estate review to determine feasibility of sites and realisation value. The review is to be completed April 2018.</p>

4.2.11. The current capital programme costs of the AMP include approved carry forwards from 2016/17, projected spend in 2017/18, revised estimates for 2018/19-2020/21 and the additional estimated costs of maintaining the asset portfolio in 2021/22. The current programme includes significant early investment in key public buildings: Pavilion Gardens, Buxton Town Hall and Glossop Halls.

4.2.12. Options are currently being assessed for an alternative usage for Buxton Town Hall (and options for alternative Council accommodation arrangements within the town) which aims to reduce the investment required and realise savings.

4.2.13. A second bid is being prepared for external funding towards the Glossop Halls renovation project, however, it is proposed that roofing works are progressed in the meantime utilising the current £2million provision in the capital programme.

4.2.14. The most significant capital expenditure over the 4 year period of the MTFP is in relation to Pavilion Gardens. The phase 1 project to undertake works required to the Octagon building is currently progressing. The resultant revenue implications of borrowing for this scheme have been calculated and a programme of cost saving measures at the Pavilion Gardens has been identified with the aim of covering these additional costs. Alternative delivery options for the facility are also being explored in order to reduce the overall subsidy provided. .

4.2.15. The table below illustrates the capital investment requirements on the Council's property portfolio and revenue consequences (cost of borrowing) over a 30 year period **as reported in July 2016:-**

<b>HPBC - Capital Investment Required</b>	<b>2016-17 - 2019-20 (MTFP)</b>	<b>2020-21 - 2045-46 (26 Years)</b>	<b>TOTAL</b>
Public Buildings	8,450,983	6,188,951	<b>14,639,934</b>
Car Parks	120,000	3,754,462	<b>3,874,462</b>
Public Conveniences	123,400	949,300	<b>1,072,700</b>
Waterways & Infrastructure Assets	671,360	1,230,000	<b>1,901,360</b>
Leisure Centres	45,000	6,825,129	<b>6,870,129</b>
Depots and Parks Buildings	144,700	1,301,785	<b>1,446,485</b>
<b>TOTAL</b>	<b>9,555,443</b>	<b>20,249,627</b>	<b>29,805,070</b>
<b>Revenue Consequences</b>	<b>295,619</b>	<b>592,838</b>	<b>888,457</b>

4.2.16. The AMP and consequent financial implications were then updated within the Budget & MTFP in February 2017 to take account of any more up-to-date asset data and the forecast outturn position in 2016/17.

4.2.17. The table below reflects the updated capital investment requirements as at February 2017 which had increased by £300,200 over the 30 years which marginally increased the revenue consequences:-

HPBC AMP Capital Investment & Revenue Consequence	2016-17 (current year forecast)	2017-18 – 2020-21 (MTFP)	2021-22 – 2045-46 (25 years)	TOTAL
	£	£	£	£
Public Buildings	558,000	7,024,650	6,059,078	13,641,728
Car Parks	-	120,000	3,754,462	3,874,462
Public Conveniences	-	123,400	949,300	1,072,700
Waterways & Infrastructure Assets	22,300	1,053,310	1,105,000	2,180,610
Leisure Centres	-	245,000	7,736,945	7,981,945
Depots and Parks Buildings	-	52,050	1,301,785	1,353,835
<b>TOTAL</b>	<b>580,300</b>	<b>8,618,410</b>	<b>20,906,570</b>	<b>30,105,280</b>

4.2.18. This AMP was again updated and presented to the Asset Management Working Group in October 2017 – taking into account the 2016/17 actual outturn position, further up-to-date asset data and any actions already taken as part of the asset review. The figures reported in October 2017, and included in this iteration of the MTFP are provided below:-

HPBC AMP Capital Investment & Revenue Consequence	2016-17 (Actuals) £	2017-18 (forecast) £	MTFP*		2022-23 – 2045-46 (24 years) £	TOTAL £
			2018-19 – 2020-21 (MTFP) £	2021/22 £		
Public Buildings	339,450	3,190,690	4,052,510	158,030	5,901,048	<b>13,641,728</b>
Car Parks	-	90,000	30,000	121,000	3,633,462	<b>3,874,462</b>
Public Conveniences	-	-	123,400	127,600	821,700	<b>1,072,700</b>
Waterways & Infrastructure Assets	51,280	215,330	809,000	100,000	1,005,000	<b>2,180,610</b>
Leisure Centres	540	100,000	144,460	1,691,170	6,045,775	<b>7,981,945</b>
Depots and Parks Buildings	-	36,050	16,000	-	1,301,785	<b>1,353,835</b>
<b>TOTAL</b>	<b>391,270</b>	<b>3,632,070</b>	<b>5,175,370</b>	<b>2,197,800</b>	<b>18,708,770</b>	<b>30,105,280</b>
<b>Revenue Consequences</b>	-	<b>50,030</b>	<b>238,250</b>	<b>21,300</b>	<b>524,230</b>	<b>833,810</b>

\*The current MTFP capital programme costs of the AMP include approved carry forwards from 2016/17, projected spend in 2017/18, revised estimates for 2018/19-2020/21 and the additional estimated costs of maintaining the asset portfolio in 2021/22.

4.2.19. The overall 30 year programme remains consistent with the programme reported when setting the Budget and MTFP in February 2017. However, there has been some re-profiling of expenditure between financial years.

4.2.20. Although the programme has increased by £300,210 since the July 2016 report, the revenue consequences have marginally reduced over the 30 years in line with the latest interest rate forecasts provided by the Council's treasury management advisors.

- 4.2.21. The revenue consequences remain significant and are front loaded – 50% of the £833,810 being incurred by 2024/25 (year 9 of 30) and therefore action is required in order to reduce the impact on the revenue budget.
- 4.2.22. Any positive revenue implications of the asset management plan, for example, reduced annual maintenance and utility costs due to fewer and/or more efficient buildings and income receipts from shared accommodation partners will be taken towards the efficiency programme.

### **Asset Management Plan (AMP) - Housing**

- 4.2.23. The Executive agreed to complete a full condition survey on the Council's portfolio of housing properties by March 2019. The last stock condition survey was undertaken in 2012 and was based on a 20% sample of properties. It is recognised that reliable and up-to-date stock condition data is critical for investment planning and consequently it was agreed to undertake a phased prioritised approach to assessing the condition of the stock to validate the data currently held. This will be based on property type and phased in the following way:
- Phase 1 – Non Traditional properties
  - Phase 2 – Sheltered Accommodation
  - Phase 3 – Large town concentrations of stock
  - Phase 4 – Rural Stock
- 4.2.24. Stock condition requirements will then be considered in line with the affordability of the HRA Business Plan. The results of the stock condition surveys will start to fully emerge in early 2018, which will then need to be validated and assessed to understand the financial implications. Therefore, the full results will most likely feed into the 2019/20-2022/23 MTFP November update.
- 4.2.25. The HRA capital programme proposed within this update is based on current stock condition information held. The 2018/19 programme has been reviewed using existing internal data and prioritising schemes, consequently maintaining the overall programme at £3.9m per annum.

### **Buxton Crescent**

- 4.2.26. The Buxton Crescent Hotel and Thermal Spa construction stage is progressing. The smaller contract to refurbish the Pump Room reached practical completion in June. This will eventually become the hub for the proposed visitor centre.
- 4.2.27. The main contract to convert the Crescent and the Natural Baths into the hotel and spa is progressing well with a programmed completion in 2019.

4.2.28. Funding arrangements are in place for the project. It is, however, still necessary to identify the potential financial risks to the Council if the project failed to complete. The corresponding financial risks relate to mothballing costs and ongoing maintenance requirements of the building over a 5-year period (the estimated time to end the current project, procure a new partner, design and develop to the point of starting on site). Estimated costs are shown below:

Costs	HPBC Liability Cost over 5 years
	£
Mothballing costs (security, insurance, utilities)	257,500
Maintenance Costs	1,600,000
<b>TOTAL</b>	<b>1,857,500</b>

4.2.29. The above costs are not included in the MTFP, but flagged as a risk.

### **Housing Grants**

4.2.30. The Borough Council is the duty holder under the Housing Grants, Construction and Regeneration Act 1996 for the mandatory Disabled Facilities Grant and this status remains despite changes to funding arrangements. All eligible applicants are entitled to receive mandatory funding for certain major adaptations to their properties. The funding for these adaptations has previously been given directly to the Council but from 2015/16, the funding was incorporated into the Better Care Fund (BCF) and paid to the County Council.

4.2.31. The Better Care Fund is a single pooled fund for all health and social care provision and covers the whole range of services including public health, social care services and clinical commissioning groups.

4.2.32. The mechanism for the payment of funds from the fund holder to the Borough Council year on year is now governed through the BCF Commissioning Group, which makes the award based on the newly developed Assurance Plans submitted annually by each Council. The Plans outline how the allocated budget will be spent; including any discretionary or innovative schemes agreed between the Councils and the County Council and identifies the monitoring programme. The Plan requires a quarterly progress update submission to the Commissioning Group, and these updates will inform the discussion around the subsequent year's allocation.

4.2.33. Currently, demand for mandatory funding at High Peak exceeds the value of the funding awarded, so provided spend is in line with commitment through the year, it is unlikely that the funding will be reduced. It may be, however, that High Peak will need to consider investing funds at a local level in future years, over and above the allocation for mandatory grants, should the level of demand continue to increase and if new discretionary or innovative schemes are to be funded.

## **ICT Strategy**

- 4.2.34. The framework for the existing 3 year ICT Strategy was established in 2014/15. The key drivers of which are to support delivery of the Efficiency and Rationalisation Plan, provide the infrastructure to support joint working, support new ways of working and improve access to services for our customers. The Strategy is currently being reviewed and refreshed to take account of work undertaken to date and priorities going forward.
- 4.2.35. The aim of the current Strategy is to reduce the number of applications and software and consequently pressure on server space. The capital provision for this project was reprofiled to account for the acceleration of the infrastructure and Microsoft compliancy phase of the project resulting in higher than originally anticipated expenditure in 2016/17 and forecast spend in 2017/18.
- 4.2.36. Capital investment is required to establish the infrastructure required to meet the key drivers. This in turn will identify the revenue consequences of capital purchases – increased costs including maintenance, updates and annual licence purchases, offset by savings resulting from better usage and consolidation of the Council's suite of systems.

## **New Capital Schemes**

- 4.2.37. There are a number of new schemes which the Council is currently assessing the business case for to determine the cost of progressing each scheme. For this MTFP update, an additional provision of £290,000 has been included to account for the following schemes:-

- *Glossop Cemetery*

A £200,000 provision has been included in the capital programme in 2019/20 for the extension to Glossop cemetery which will cover the cost of construction and applicable civil engineer fees/environmental costs. Prior to construction ground water testing may need to be undertaken for a period of 12 months.

- *Leisure Centre – pool dosing systems*

There is a requirement to upgrade the dosing systems to improve pool water quality at Buxton, Glossop and New Mills leisure centres, with costs estimated at £90,000

- *Accelerated Housing Delivery Programme*

It is likely that there will be costs incurred associated in delivering the Council's accelerated housing programme going forward. However, these are still to be assessed (and may be revenue costs rather than capital costs), therefore no provision is included in the capital programme at this stage.

## **Funding the Capital Programme**

- 4.2.38. The capital programme can be funded from a number of options which include external grants and contributions from third parties, comprising of Government and lottery funding streams; capital receipts from asset sales as part of the asset management plan and sale of council dwellings; earmarked revenue reserves and a planned annual contribution from the Housing Revenue Account to finance construction of and improvements to council dwellings.
- 4.2.39. Borrowing is undertaken to fund the shortfall after the other capital resources have been used. The current programme includes estimates of external funding of £2.215m towards General Fund projects; capital receipts of £4.257m (£3.500m General Fund + £0.757m HRA); Housing Revenue Reserves of £3.758m are forecast to be applied in 2017/18 and a further £15.375million of Housing Revenue Reserves over the following four years (subject to review – see 4.3). Borrowing is the main funding option for the General Fund programme at £10.278m. The Treasury Management Strategy then considers whether this is funded externally or internally - both options have a consequence on revenue either through reduced investment income or increased external interest liability as highlighted in the table below.
- 4.2.40. The capital receipts applied to the HRA include the one-for-one right-to-buy element used to fund capital expenditure on new housing properties. Under Government guidelines, these receipts can only represent 30% of overall expenditure, with a further 70% being required to be allocated. The current strategy is to fund this via a third party, i.e. a social housing landlord or developer, with the third party organisation providing the additional 70% expenditure.
- 4.2.41. The HRA can also apply capital receipts which are not subject to the same restrictions to the overall capital programme. Therefore these un-ring-fenced receipts have been applied to the overall HRA capital programme as a source of funding.
- 4.2.42. There remains a balance of £84,000 within the general fund earmarked reserve established specifically to fund capital projects. It is proposed to use this fund where an options appraisal on the acquisition of vehicles, plant and equipment has been carried out and suggests that the most financially viable option is to outright purchase. Similarly, an increase in the contribution to capital is proposed where it is best value to do so for the HRA.

## *Revenue Consequences of the Capital Programme*

4.2.43. The capital investment proposals above will result in estimated revenue consequences as follows:

Revenue Consequences	2018/19	2019/20	2020/21	2021/22
	£	£	£	
Borrowing Costs	128,440	157,950	189,290	174,990
Other (Income)/Expenditure	-	-	-	-
<b>General Fund</b>	<b>128,440</b>	<b>157,950</b>	<b>189,290</b>	<b>174,990</b>
HRA contribution to Capital*	(467,390)	246,360	61,000	-
Borrowing Costs	-	-	-	-
<b>Housing Revenue Account</b>	<b>(467,390)</b>	<b>246,360</b>	<b>61,000</b>	<b>-</b>
<b>Total</b>	<b>(338,950)</b>	<b>404,310</b>	<b>250,290</b>	<b>174,990</b>

*\*dependent on stock condition survey results*

### **4.3. Housing Revenue Account review**

#### *Background*

- 4.3.1. In 2014, the Council made a commitment in its Corporate Plan to undertake a fundamental review of the Housing Revenue Account (HRA) business plan.
- 4.3.2. The business plan is being developed in the context of significant financial constraints. In 2015, government announced far reaching legislative and financial changes for the social housing sector, which have had significant implications for the Council and in particular a negative financial impact on the HRA. The financial impact of these changes, the most significant being the 1% rent reduction imposed over 4 financial years, is approximately £2.2 million by 2020/21.

#### *HRA Business Plan Sub-Committee*

- 4.3.3. The development of the business plan is being undertaken through a sub-committee established by the Corporate Select Committee. The work commenced in June 2016 and is expected to result in an updated sustainable business plan in February 2018 (in line with the Budget report).
- 4.3.4. Given the significance of the financial position there has been an early focus on areas where reductions in financial provisions in the HRA can be made or additional income can be generated in order to ensure that the longer term financial position can be brought into balance.
- 4.3.5. The remaining sub-committee review schedule and the actions from each report is summarised in the table below:

Month	Agenda Item	Action
August 2017	Revised Tenancy Agreement	<ul style="list-style-type: none"> <li>• Consider amendments</li> <li>• Approve for consultation</li> </ul>
18th October 2017	Radon	<ul style="list-style-type: none"> <li>• Recommended approach for management of radon risk in dwellings</li> </ul>
	Housing Systems	<ul style="list-style-type: none"> <li>• Recommendations for systems rationalisation and improvement</li> </ul>
	Void Policy	<ul style="list-style-type: none"> <li>• Outcomes and recommendations from 90 day challenge</li> </ul>
1st November 2017	Rent & Service Charge Policy and Leaseholder Charges	<ul style="list-style-type: none"> <li>• Policy and recommendations including details of impact on income levels and charges</li> <li>• Recharging Proposals</li> <li>• Approve draft for consultation and subsequent implementation</li> <li>• Including garage rent policy</li> <li>• Proposals for revised approach to charging and communication with Leaseholders</li> </ul>
	HRA Unoccupied Properties Review	<ul style="list-style-type: none"> <li>• Consideration of bringing back into use a number of long term vacant properties</li> </ul>
	Tenant Engagement	<ul style="list-style-type: none"> <li>• Round table discussion with Linda Levin re Tenant Engagement Framework</li> </ul>
December 2017	Housing Repairs Arrangements	<ul style="list-style-type: none"> <li>• Review of current arrangements</li> <li>• Identification / consideration of alternatives</li> <li>• Recommendations for future service provision</li> </ul>
	Financing Transactions	<ul style="list-style-type: none"> <li>• Decision on debt repayment and other financial implications</li> </ul>
	Neighbourhood Policies Suite	<ul style="list-style-type: none"> <li>• Summary of policies, amendments and Impacts</li> </ul>
	Housing Needs Report	<ul style="list-style-type: none"> <li>• Context and data including borough wide current supply and demand</li> </ul>
	Stock Condition Survey	<ul style="list-style-type: none"> <li>• Progress update and emerging findings for non traditional and sheltered stock</li> <li>• Timeline for completion &amp; reporting/next steps</li> </ul>
January 2018	Capital Programme	<ul style="list-style-type: none"> <li>• Summary of 2017/18 projected outturn</li> <li>• Proposals to feed into HRA Business Plan / Medium Term Financial Plan</li> </ul>
	Sheltered Housing Delivery	<ul style="list-style-type: none"> <li>• Recommendations for Sheltered housing</li> <li>• Approach to consultation</li> <li>• Carelink implications</li> </ul>
February 2018	DRAFT HRA BUSINESS PLAN	<ul style="list-style-type: none"> <li>• Incorporating information from all items as appropriate</li> </ul>

### *Financial Position*

4.3.6. The MTFP summarises the latest financial forecasts for the HRA Business Plan and provides a detailed summary of the financial position from 2018/19 to 2021/22.

- 4.3.7. The original forecast 4-year deficit upon the announcement of the social sector rent reduction was some £2.2 million, which had been reduced to £770,430 (taking into account savings already achieved) by the end of 2020/21 as part of the MTFP presented in February 2017.
- 4.3.8. The HRA Financial Improvement Plan - which was presented alongside the MTFP in February 2017 – identified a further £1.2m in savings to be achieved over a four year period (see Annex B) The anticipated timing of the realisation of savings and further detail are shown within section 4.4.
- 4.3.9. Building in the £1.2 million savings plan, the HRA now shows a surplus position of £469,620 by 2021/22. This also assumes a continuation of an annual capital programme of £3.9million.
- 4.3.10. The 30-year HRA business plan is based upon capital expenditure that is derived from the existing stock condition information. The plan also currently makes provision to repay outstanding debt at £1.2 million per annum – although alternative options have been presented to the HRA working group and further supporting information is being collated for review and discussion at the working group scheduled for December.
- 4.3.11. However, the capital programme requirements will not be fully understood until the stock condition surveys have been completed. Therefore, there may be a requirement to increase the capital programme budget dependent on this information – at which point the financial impact will need to be assessed and future options considered.
- 4.3.12. The 30 year business plan will be updated at part of the February 2018 Budget and MTFP report with the inclusion of any information coming out of the stock condition surveys.

#### **4.4. Efficiency & Rationalisation Programme**

##### *General Fund Efficiency Programme*

- 4.4.1. The current Efficiency and Rationalisation Strategy was approved by Members in February 2017, which identified a programme of £2.1 million (including £431,200 in unachieved efficiencies from the previous efficiency programme) in savings to be made over the period 2017/18 – 2020/21.
- 4.4.2. The new Efficiency and Rationalisation Strategy has the effect of both reducing expenditure and increasing income. The need to grow income is now more of a priority as the Council moves more towards being self-financing i.e. not reliant on direct government funding such as revenue support grant.
- 4.4.3. The strategy has been developed with the underlying principles of protecting frontline service delivery. It is also intended that the strategy is a tool to enable the Council to ensure that its service spending is determined by the established priorities set out in the Corporate Plan.

4.4.4. It is intended that there will be five areas of focus:-

- **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 on 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

4.4.5. The below table summarises the financial savings requirements and profile for achievement (**ANNEX B** provides more detail of the savings plan):-

General Fund Efficiency Strategy	2017/18	2018/19	2019/20	2020/21	TOTAL
	£	£	£	£	£
Major Procurements	100,000	275,000	100,000	500,000	<b>975,000</b>
Asset Management	-	30,000	200,000	-	<b>230,000</b>
Growth	-	40,000	40,000	190,000	<b>270,000</b>
Income Generation	90,000	190,000	70,000	120,000	<b>470,000</b>
Rationalisation	120,000	46,000	20,000	-	<b>186,000</b>
<b>TOTAL</b>	<b>310,000</b>	<b>581,000</b>	<b>430,000</b>	<b>810,000</b>	<b>2,131,000</b>

4.4.6. To date, £194,150 in savings have been realised against the 2017/18 efficiency target. A review will be undertaken in preparation for the February 2018 update to assess if any reprofiling needs to be undertaken, but at this stage, progress is good and it is anticipated that the 2017/18 efficiency target will be achieved.

4.4.7. However, continued progression against the efficiency programme is dependent on achieving significant savings as a result of the alternative delivery model for Waste, Streets and Parks via the transfer of services to trading company Alliance Environment Services, as well as a review of leisure provision. There are also significant income generation targets focusing on housing and economic growth as a result of implementing the Local Plan.

4.4.8. A further exercise reviewing the revenue underspends of recent years will also take place during the 2018/19 budget setting process. The review will identify areas, which have consistently underspent against the base budget, with a view to removing the excess provision. Any budget adjustments will be used to support the Efficiency & Rationalisation Strategy.

#### *HRA Efficiency Programme*

4.4.9. When setting the budget in February 2017, the HRA was in a deficit position of £770,430 by the end of 2020/21 due to the consequences of the four year 1% rent reduction.

4.4.10. Therefore, a HRA Financial Improvement Plan was approved as part of the MTFP which identified potential savings from a number of sources to be achieved over the period 2017/18 – 2020/21.

4.4.11. A HRA Review Progress report was presented to the HRA working group in April 2017 which further developed and provided more detail on the savings programme and likely profiling for the realisation of savings:-

HRA Review Focus	Savings Description	Potential Annual Reduction			
		2017/18	2018/19	2019/20	2020/21
Capital Financing	Initial reduction in voluntary repayment of debt (currently £1.25 million per annum) – to be benchmarked – maximum annual reduction	250,000			
	*Further reduction dependent on stock condition survey information – i.e. if an increase in capital expenditure is required, reduction in MRP could offset		*potential further reduction		
Rental Income – introduction of new rent policy	New tenancies – commence at higher of ‘social rent rate or ‘assumed rent rate’ (less 1% during rent reduction period) plus any service charges where calculated		30,000	30,000	30,000
	Review of services charges – ensuring full cost is rechargeable by accurately recording costs associated with specific properties/reducing costs of services provided De-pooling basic rent and service charges		5,000	5,000	
	Review of leasehold management arrangements (service charges) – to ensure we reflecting the cost of providing services in the charging process and/or to highlight where costs are high and the service provided requires review		10,000	10,000	
	Other, for example: - annual rent amendments carried out in-house removing of consultant - review of payment methods - maximising garage rental income - Repairs recharges – ensuring all rechargeable repairs are billed correctly		15,000	15,000	
Staffing structures – service review process	Post service review completion, removal of vacancies where responsibilities are now covered by joint service arrangements	200,000			

Repairs and Maintenance – overall reduction in expenditure	Productivity improvements (review of processes internally) increased on-contract expenditure, capturing back office savings post service review	85,000	50,000		
	Implementation of an alternative service delivery model and / or further improvements in productivity and procurement savings				150,000
ICT Costs – reduction in costs	Streamlining of systems, saving annual license/software fees, removing duplication and releasing Officer time. Focus on using the remaining systems more effectively.	25,000	25,000		
Voids review	Increased income from improvements in voids turn around times and review of tenancy commencements	20,000	20,000		
	Reduction in expenditure from a review of voids maintenance works carried out	30,000	30,000		
Tenancy Arrangements	Review of tenancy and neighbourhood management processes	15,000			
Stock Condition surveys	Disposal of surplus stock after consideration of net present value assessment following completion of stock condition survey				150,000
<b>Total Annual Saving</b>		<b>625,000</b>	<b>185,000</b>	<b>60,000</b>	<b>330,000</b>

4.4.12. To date, £460,000 in savings have been realised, and it is anticipated the £625,000 target will be achieved – which will result in an underspend against the HRA in 2017/18.

4.4.13. By including the HRA Financial Improvement Plan targets as above in the HRA budget, this results in a £469,620 surplus position by the end of 2021/22. However, this is subject to progression against the improvement plan and the result of the stock condition surveys in determining the capital expenditure requirements going forward.

## 4.5. Member Priority Projects

4.5.1. During the development of the Corporate Plan a number of priority actions have been identified and prioritised by members. These are as follows:

Member Priority Projects	Financial Implications			
	(y/n)	Firm - in plans	Costs understood - not in plans	Costs not known
<b>Leader</b>				
Adopt an approved Local Plan which will be kept under review	Y	✓		
Communicate more effectively with residents	N			
Review and improve our relationships with Strategic Partners	N			
Work with our partners and the Local Enterprise Partnership to bring funding to High Peak	Y			✓
Use our influence to secure better health and care services through commissioners and from providers	N			
<b>Parks, Leisure &amp; Recycling</b>				
Establish a developer open space contributions plan	Y			✓
Work with local residents to improve our parks	N			
Take steps to reduce dog fouling and littering	Y		✓	
<b>Finance &amp; Corporate Services</b>				
Continually review and implement an efficiency and rationalisation programme	Y	✓		
Improve customer service	Y		✓	
Review car parking provision and extend resident concessionary parking	Y	✓		
<b>Tourism, Regeneration &amp; Licensing</b>				
Review TIC and tourism service	Y		✓	
Together with partners work for the delivery of the Crescent development	Y	✓		
Support the development of the Woods Mill area, Glossop Halls and Torr Vale Mill	Y			✓
Create an "Open for Business" environment in High Peak	N			
<b>Housing</b>				
Complete and implement a Housing Management and Revenue Plan	Y		✓	

4.5.2. Any costs or revenue associated with these actions will need to be included in the MTFP. The impact of a number of them is already included in this iteration of the plan but additional work will need to be undertaken to develop a number of the actions further and at the same time identify any financial implications.

## 5. FINANCIAL FORECASTS

### 5.1. Interest Rates

- 5.1.1. The Bank of England Base Rate was increased from 0.25% to 0.50% at the Monetary Policy Committee (MPC) meeting on 2nd November 2017. This was a reversal of the post-EU Referendum emergency monetary stimulus implemented in August 2016 when the Base Rate was cut from 0.50% to 0.25%.
- 5.1.2. The MPC also gave forward guidance that they expected to increase Bank Rate only twice more in the next three years to reach 1.0% by 2020. Commentary continues that economic forecasting remains difficult with so many external influences weighing on the UK, therefore forecasts are likely to be subject to change.
- 5.1.3. The overall longer run trend is for gilt yields and PWLB rates to rise, albeit gently. Borrowing should be considered where appropriate to the strategy with a view to locking in lower rates and the cost of carry as trends begin to rise.
- 5.1.4. Based on the current forecasts, and the refinancing assumptions, changes in investment income and borrowing costs are highlighted below:

	2018/19	2019/20	2020//21	2021//22
	£	£	£	£
<b>General Fund</b>				
Changes in Investment Income	(74,320)	(75,380)	(101,330)	(43,930)
Changes in Borrowing Costs	118,370	(53,700)	(55,640)	(125,140)
<b>HRA</b>				
Changes in Investment Income	(66,400)	(42,340)	(45,000)	(31,810)
Changes in Borrowing Costs	(141,180)	(73,550)	(20,090)	(15,230)

### 5.2. Inflationary Projections

- 5.2.1. The Retail Price Index (RPI) and Consumer Price Index (CPI) 12 month rate, as at September 2017, stood at 3.85% and 2.94% respectively. Inflation forecasts are made reflecting the composition of the Council's expenditure, resulting in an inflation rate specific to the Council.
- 5.2.2. The MTFP presented to members in February 2017 was premised on inflation assumptions at that time. Those inflationary assumptions have now been rolled forward a further 12 months to incorporate the 2021/22 financial year and have been updated to reflect the latest available information on trends in Council expenditure. The additional costs to the Council arising from inflation are forecast in the table below.

Inflationary Changes	2018/19	2019/20	2020/21	2021/22
	£	£	£	£
Employee Costs	300,700	252,420	257,660	248,420
Premises Costs	74,820	61,760	72,980	65,760
Transport	2,970	5,530	7,520	10,030
Supplies and Services	151,830	134,940	134,600	131,880
<b>In-Year Inflation Pressure</b>	<b>530,320</b>	<b>454,650</b>	<b>472,760</b>	<b>456,090</b>
General Fund	420,240	348,750	363,910	350,050
Housing Revenue Account	110,080	105,900	108,850	106,040

### 5.3. Budgetary Demand

5.3.1. The Medium Term Financial Plan presented to Council in February 2017 analysed and projected forward both income and expenditure. This has been revised to reflect known increases and decreases in budgetary demand.

5.3.2. The current known changes in budgetary demand are highlighted below:-

Increased / (Reduced) Budget Demand	2018/19	2019/20	2020/21	2021/22
	£	£	£	£
HRA pension past service deficit costs	(22,400)	(24,400)	(25,400)	(20,000)
Uniforms – Customer Services (cyclical)	2,500	(2,500)	2,500	(2,500)
Pavilion Gardens – Octagon closure	(59,000)	(59,000)	-	-
DWP – HB administration grant reduction	21,000	-	-	-
DCC – Discontinue on-street parking arrangement	24,580	-	-	-
Insurance – Increased Limits of Indemnity	8,500	-	-	-
Insurance – Cut in discount rate	10,000	-	-	-
Rates Revaluation – increased NDR charge	30,200	-	-	-
Water rates base increase	10,500	-	-	-
Abolished credit card charges	4,000	-	-	-
Customer Services redeployment	(10,660)	-	-	-
Carelink Support – HRA contribution	(38,000)	-	-	-
Car Park Income – base budget adjustment	(22,700)	-	-	-
Trade Waste Income – base budget adjustment	(23,000)	-	-	-
Customer Services – e-bus	(10,000)	-	-	-
Customer Services - post	(15,000)	-	-	-
Procurement activity – base adjustment	(22,300)	-	-	-
<b>Total – General Fund</b>	<b>(111,780)</b>	<b>(85,900)</b>	<b>(22,900)</b>	<b>(22,500)</b>
HRA – Contribution to Carelink costs	38,000	-	-	-
HRA - Radon remediation works	110,000	(100,000)	-	-
<b>Total – Housing Revenue Account</b>	<b>148,000</b>	<b>(100,000)</b>	-	-

#### 5.4. Budget Growth

5.4.1. In previous years, few additions in respect of budget growth have been included in the MTFP. It was assumed in light of the financial pressures faced by the Council, that any local issues that necessitate budget growth will be financed by internal spending reductions elsewhere. Occasionally, however, it is necessary to include budget growth to meet spending commitments.

5.4.2. The following items of budget growth have been included in this version of the Medium Term Financial Plan.

Budget Growth	2018/19	2019/20	2020/21	2021/22
	£	£	£	£
Service strengthening - Tourism	15,200	-	-	-
<b>Total</b>	<b>15,200</b>	<b>-</b>	<b>-</b>	<b>-</b>

#### 5.5. Pensions

5.5.1. The last triennial actuarial valuation of the Derbyshire Pension Fund took place in 2016. At this valuation, the High Peak portion of the Fund was in deficit by £25.9 million and was 69% funded.

5.5.2. The 2016 valuation determined the level of contributions necessary for the following 3 year period (2017 – 2020). The Council was required to contribute 12.4% of pensionable pay plus £1,779,000 per annum in secondary payments with effect from 2017/18.

5.5.3. In year 3 of the MTFP (2020/21) the Fund will be subject to a further revaluation scheduled to take place in 2019. At this stage it has been assumed that the current level of contributions arising out of this valuation will remain unaltered from the current high levels.

5.5.4. These additional pension costs are included in the employee inflation element of the Plan.

#### 5.6. Housing Revenue Account – Other Operating Expenditure

5.6.1. There are a number of items that relate only to the HRA. They include some direct elements of income and expenditure as well as notional charges for asset depreciation and debt impairment.

5.6.2. Increase in Other Operating Expenditure - The updated HRA plan provides for a number of changes to operating expenditure as set out in the table below:

Expenditure / (Income)	2018/19	2019/20	2020/21	2021/22
	£	£	£	
Provision for Irrecoverable Debts	(2,230)	560	(1,320)	310
Charges for Depreciation	549,030	-	-	-
Past Service Pension Deficit Contribution	22,400	23,400	24,400	20,000
<b>Increased / (Reduced) Other Operating Expenditure</b>	<b>569,200</b>	<b>23,960</b>	<b>23,080</b>	<b>20,310</b>

## 6. FUNDING & INCOME GENERATION

### 6.1. Council Tax

6.1.1. The 2010 settlement heralded the introduction of 0% Council Tax increases, restricting the capacity of Local Authorities to raise council tax to meet budget pressures and cuts in Central Government funding. Government initially provided funding to mitigate the shortfall in local authority income between 2011/12 and 2015/16.

6.1.2. The Council has the capacity to vary Council Tax levels, following the abolition of capping. However the Council's ability to increase Council Tax by more than 1.99% is subject to referendum. In 2017/18 the Council raised the Council Tax applying a 1.9% increase.

6.1.3. At this stage it is assumed the Authority will increase its share of Council Tax by 1.9% in each year of the 4 years covered by this Plan.

6.1.4. Provision for tax base growth remains unchanged from the levels assumed in February. A provisional figure has been included for Year 4. Further work will be carried out in the course of the next few months to recalculate likely changes in the tax base. Updated figures will be included in the February iteration of the MTFP.

6.1.5. The table below sets out the additional yield from Council Tax as assumed in the Medium Term Financial Plan:

Increased Council Tax Income	2018/19	2019/20	2020/21	2021/22
	£	£	£	£
Revenue from increased Council Tax	(103,200)	(106,210)	(109,410)	(112,580)
Revenue from Tax Base growth	(55,370)	(62,060)	(57,490)	(58,000)
<b>Total</b>	<b>(158,570)</b>	<b>(168,270)</b>	<b>(166,900)</b>	<b>(170,580)</b>

## **6.2. Business Rates Retention**

- 6.2.1. The 2013/14 Local Government Finance Settlement saw the introduction of the new business rates retention system, replacing the previous system of financing with a system based on the retention of business rates.
- 6.2.2. Under the current system, the Authority retains 40% of Business Rates less a tariff that is payable in to a pool of Derbyshire Authorities. This amount is then compared to a Funding Baseline (estimated at £2,274,700 for 2018/19): any amount in excess of this Baseline is subject to levy, or conversely if the amount of retained Business Rates is below this Baseline, the loss is capped by a safety net payment. The MTFP does not anticipate the Council falling below the Baseline.
- 6.2.3. As part of the Derbyshire Pool, the levy is made to the Pool instead of Central Government. If the Council was not in the Derbyshire Pool it would have to pay 50p in the £1 to the Government as a levy, effectively limiting the income the Council can gain from business rates growth. However, as part of the Pool, the Council is able to retain some of this levy. Under the Pool agreement, this amount will depend on the amount all members of the Pool pay in at the end of the year, and the proportional success of the Council against its own baseline.
- 6.2.4. The benefit to the Council of being part of the Pool arrangement is estimated to be approximately £200,000 in 2018/19.
- 6.2.5. In October 2015, the Government announced a forthcoming package of reforms to the Business Rates Retention System including a move to local government retaining 100% of the rates that they received with an end to RSG.
- 6.2.6. In outline the proposals for reform are as follows:
- Local authorities will retain 100% of BR to fund local spending on services;
  - The new system will be in place by the end of the current Parliament
  - Local authorities will be able to retain income from growth – i.e. there will be no levy;
  - The reform will be fiscally neutral and local authorities will have new responsibilities and / or central government grants will be phased out;
  - Local authorities will have the ability to reduce rates – there will be the ability to increase for combined authority mayors; and
  - The new system will retain a system of tariffs and top ups subject to a fundamental review of needs.
- 6.2.7. In July 2016 the Department for Communities and Local Government (DCLG) published two consultation papers:
- Self-sufficient local government: 100% BR Retention; and
  - BR Reform - Fair Funding Review: Call for evidence on Needs and Redistribution.

- 6.2.8. The Council responded to the consultation documents, detail of which was reported to Executive on 22nd September 2016.
- 6.2.9. There remains uncertainty surrounding how the new system will be phased in and in what form. Following invitation from DCLG, Derbyshire Authorities have made an application to become a pilot area for 100% Business Rates Retention. Further updates on this and the progress of 100% retention schemes generally will be presented as more information is released. For the purpose of the MTFP, no financial assumptions have been included based on the proposed new system or potential pilots, these will be fed into the plans once we have more certainty around how the new system will operate.
- 6.2.10. The MTFP anticipates that Business Rates retention will be above the baseline. Net NDR income is somewhat suppressed due to the award of reliefs including increased small business rate relief, multiplier cap, supporting small businesses and local discretionary relief. To compensate for the loss of business rates income resulting from the reliefs, funding has to date been made available to Councils under Section 31 of the Local Government Act 2003. The MTFP assumes both the extension of reliefs and Section 31 grants will continue.
- 6.2.11. The forecast level of Business Rates retention has reduced since the previous iteration of the MTFP in February 2017 following a review of the appeals provision methodology on the 2017 list. The impact of the reduction on the life of the plan is partially offset from the resulting decrease in levies payable and the prudent assumption that funding would not increase as a result of the 2017 revaluation.
- 6.2.12. Overall reduced levels of retention are seen most significantly in year 1 of the plan. This is a result of reductions in net income from successful appeals and new reliefs awarded as a result of the Chancellor's budget which were not known at the time of budget setting. The reliefs are funded by S31 grants as described above – this creates a surplus on business rates retention in the current year on the general fund, but a collection fund deficit in year 1 of the plan. Therefore it is appropriate to ring fence the surpluses being forecast in the current year to fund the distribution of the deficit being created in year 1.
- 6.2.13. Changes in the level of the Council's business rates will be impacted by a range of factors, including business growth in the area. At this stage, predicted levels of business rates income are based on known and expected changes to the business rates listing.

<b>Business Rates Retention</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
	£	£	£	£
In year:				
Baseline Funding	(2,274,700)	(2,347,400)	(2,422,430)	(2,499,850)
Achievement against Baseline	272,010	223,570	213,310	225,150
Section 31 Grant	(890,450)	(867,190)	(866,530)	(888,760)
	<b>(2,893,140)</b>	<b>(2,991,020)</b>	<b>(3,075,650)</b>	<b>(3,163,460)</b>
Change between years:				
Business Rates retained	68,160	(121,140)	(85,290)	(65,580)
Section 31 Grant	89,210	23,260	660	(22,230)
	<b>157,370</b>	<b>(97,880)</b>	<b>(84,630)</b>	<b>(87,810)</b>

### 6.3. Collection Fund

6.3.1. The Council maintains a Collection Fund to record the receipt of Council Tax and Business Rates and their distribution to precepting authorities. Any surplus or deficit generated is distributed or recovered from the preceptors in subsequent years.

6.3.2. The collection fund assumptions regarding Council Tax remain unaltered from the previous version of the MTFP presented in February 2017. Further work will be carried out over the next few months to update these assumptions and revised figures will be included in the February 2018 MTFP. At this stage, it is expected that the High Peak's share of a surplus, in respect of Council Tax, will be £64,460 in 2018/19.

6.3.3. It is assumed that a deficit, after providing for appeals, of £2,365,600 will be distributed in 2018/19 in respect of retained Business Rates generated in the current and previous years. High Peak's share of this deficit will be £946,240. It is assumed the Business Rates element of the collection fund will break even in future years, leaving no surplus or deficit for distribution.

6.3.4. These and future year movements are set out in the table below:

<b>Changes in Collection Fund Income</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
	£	£	£	£
Council Tax	240	(1,550)	(1,630)	-
Business Rates	1,026,650	(946,240)	-	-
<b>Total</b>	<b>1,026,890</b>	<b>(947,790)</b>	<b>(1,630)</b>	<b>-</b>

## **6.4. Income from Government Grants**

### **Revenue Support Grant**

- 6.4.1. The current MTFP, reported to Council in February 2016, includes the phased elimination of Revenue Support Grant (RSG) announced by the Government in October 2015.
- 6.4.2. This revision of the MTFP maintains the profile of RSG reduction proposed by the Government as part of the 4 year settlement in February 2016. Reductions of £544,480 (33%), £334,340 (21%) and £245,760 (15%) in 2017/18, 2018/19 and 2019/20 respectively are included. This results in no RSG being included in the Authority's funding by 2019/20.
- 6.4.3. Local Authorities were required to submit an efficiency plan to Government by 14th October 2016 if they wanted to accept the 4 year settlement. The plan should set out what the Council intends to do in order to address the challenge of financial sustainability. If the four-year offer is not accepted the Council would be subject to the existing annual process for determining the local government finance settlement. Allocations could be subject to additional reductions dependent on the fiscal climate and the need to make further savings to reduce the deficit.
- 6.4.4. The Council accepted the 4 year settlement and submitted an efficiency plan In November 2016 (this was attached to the November 2016 MTFP update).

### **New Homes Bonus**

- 6.4.5. New Homes Bonus (NHB) is aimed at encouraging local authorities to grant planning permission for the building of new houses, in return for additional revenue.
- 6.4.6. Consultation on the future format of New Homes Bonus was carried out in 2016 with the outcome being included in the settlement details released in December 2016. The main changes to the scheme, which will come into effect on 1st April 2017, were incorporated into the February 2017 MTFP. These were:-
- The reduction in the number of years for which the Bonus is paid from the current 6 years to 5 years in 2017/18; to be followed by a further reduction to 4 years in 2018/19;
  - The removal of New Homes Bonus paid on development below a 0.4% baseline; representing the percentage of housing that would have been built anyway.
- 6.4.7. Further changes, proposed in the consultation, have been put on hold to be considered for implementation in 2018/19 (no further update on this has been received as yet). These include:
- Withholding the Bonus from areas where an authority does not have a Local Plan in place; and

- Abating the Bonus in circumstances where planning permission for a new development has only been granted on appeal.
- 6.4.8. Under the new rules; the Council expects to receive New Homes Bonus of £115,960 in respect of 2018/19. This has been incorporated into the MTFP together with anticipated receipts of £169,890 in respect of 2019/20; £264,280 in respect of 2020/2; and £129,440 in respect of 2021/22. These amounts assume no detrimental increase in the Government's (0.4%) baseline.
- 6.4.9. The total New Homes Bonus included in the MTFP over the 4 year period is £2.41 million. This is on a diminishing trend as the more generous early years awards drop off over the medium term. The MTFP anticipates £537,460 in 2018/19; £548,000 in 2019/20; £649,280 in 2020/21; and £675,580 in 2021/22.
- 6.4.10. The Efficiency and Rationalisation Programme includes £120,000 in additional New Homes Bonus over the next 4 years, arising out of stimulated housing growth. The year-on-year growth anticipated in 6.4.9 will be applied against this element of the Efficiency Plan.
- 6.4.11. The Council's commitment to encouraging the building of new homes also has the effect of generating additional revenue from an increase in the council tax base. However, increased costs are potentially incurred in servicing the needs of the additional properties.

#### **Local Council Tax Support Scheme**

- 6.4.12. The Council operates a scheme whereby funding received from central Government in respect of Local Council Tax Support is passed onto the parishes by means of an annual grant. The allocation of this grant is based on the eligibility of parish residents for council tax discounts.
- 6.4.13. The level of resources made available for this grant has remained constant in spite of reductions in overall Government funding. The MTFP assumes that this approach will continue. This comes at a cost to the Council, which in 2018/19 equates to £29,580.

## Summary of Income from Government Grants

6.4.14. The table below summarises the assumed level of and movement in Government funding:

Government Grant (gain) / loss of funding	2016/17 (baseline)	2017/18 (actual)	2018/19 (forecast)	2019/20 (forecast)	2020/21 (forecast)	2021/22 (forecast)
	£	£	£	£	£	£
Revenue Support Grant	(1,124,580)	544,480	334,340	245,760	-	-
New Homes Bonus	(773,320)	48,260	187,590	(10,540)	(101,280)	(30,300)
<b>Change in Govt Funding</b>	<b>(1,897,900)</b>	<b>592,740</b>	<b>521,930</b>	<b>235,220</b>	<b>(101,280)</b>	<b>(30,300)</b>

6.4.15. The changes shown in the table above mean that the Government grant funding received by the Council will have reduced to £679,590 by 2021/22 compared to the £1,897,900 received in 2016/17.

## 6.5. Fees and Charges

### General Fees and Charges

6.5.1. Charging for local services makes a significant contribution to the Council's finances. The Council also uses charging to influence individual choices and behaviour, and to bring other benefits to local communities. The Council's Charging Policy sets out the following principles for establishing the level of fees and charges:

- The cost of providing services should be fully met by income
- There is a standard approach to concessions for those on low incomes
- Where a subsidy is agreed, this should be used to support the development of Council services in accordance with priorities
- Subsidies should be reconfirmed annually

6.5.2. The annual revision of the Council's fees and charges will take place over the next few months, which will also incorporate some of the work undertaken as part of the Income Generation project. The outcome of which will be reported in February.

6.5.3. The Medium Term Financial Plan currently projects that the Council will increase fees and charges (and other income) broadly in line with inflation. However, it is also recognised that certain income streams (such as car parking, planning receipts) may not increase each year and that other income streams (such as grants and rental income) are fixed or subject to periodic review. The annual total expected from this source has been reduced from £100,000 recognising the overlap in income generation included in the Efficiency and Rationalisation Programme (see 4.4 above).

6.5.4. The projected revenue from increased fees and charges (and other income) is summarised in the table below:

<b>Increased Fees and Changes</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
	£	£	£	£
Revenue from increased Fees and Charges	(80,000)	(75,000)	(70,000)	(65,000)
<b>Total</b>	<b>(80,000)</b>	<b>(75,000)</b>	<b>(70,000)</b>	<b>(65,000)</b>

### **Housing Revenue Account – Rent Charges**

6.5.5. As detailed in section 4.3, the Government announced in July 2015 far reaching legislative and financial changes for the social housing sector, the most significant financially being the announcement to reduce by 1% per annum from April 2016 for 4 years.

6.5.6. The Government announced in October 2017 that after the four year 1% rent reduction ends in 2019/20, Authorities will be able to increase rents from 2020/21 by CPI +1%.

6.5.7. Therefore, the current HRA Plan projects an average rent decrease on dwellings 1.0% in 2018/19 – 2019/20, with a 1.5% increase assumed from 2020/21. It also assumes that 'Other Charges', including garages and sheltered housing service, will increase in 2018/19.

<b>Reduced Rental Income</b>	<b>2018/19</b>	<b>2019/20*</b>	<b>2020/21</b>	<b>2021/22</b>
	£	£	£	
Reduced revenue from Rental Income and Other Charges	222,770	(56,310)	131,930	(30,800)

*\*53 week rent year*

6.5.8. As part of the HRA review, a draft rent policy has been presented to the HRA working group, the outcome of which if implemented, will potentially increase income targets (and partially offset the HRA Financial Improvement Plan savings targets). This is subject to consultation and formal approval in February 2018.

## **7. RISKS, CONTINGENCIES & USE OF RESERVES**

### **7.1. Risks and Contingencies**

7.1.1. The early identification and management of risks is critical to the Medium Term Financial Planning process. Risks to the MTFP are assessed, mitigated and actively managed to ensure that the Council delivers its services effectively within the funding at its disposal. The principal risks to the Medium Term Financial Plan are summarised in ANNEX C.

7.1.2. The table below highlights specific financial risks that are embedded within this Medium Term Financial Plan:

Revenue Risks	Capital Risks
<ul style="list-style-type: none"> <li>• Inflationary assumptions</li> <li>• Interest rates</li> <li>• Housing benefits</li> <li>• Fees and charges</li> <li>• Universal Credit</li> <li>• Business Rates</li> <li>• Council Tax collection</li> <li>• Housing Rent levels (HRA affordability)</li> <li>• Government grants</li> <li>• Financial benefits from partnerships / shared services</li> <li>• Pension costs</li> <li>• Outsourced waste contract</li> <li>• Outsourced leisure contract</li> </ul>	<ul style="list-style-type: none"> <li>• Interest rates</li> <li>• External funding</li> <li>• Capital receipts</li> <li>• Capacity to deliver capital programme</li> <li>• Project overspend</li> <li>• Project overrun</li> <li>• External factors (e.g. planning objections, judicial reviews etc. leading to project delay)</li> <li>• Housing finance</li> <li>• Weather</li> </ul>

## 7.2. Contingencies

7.2.1. The Medium Term Financial Plan is underpinned by a number of assumptions. These assumptions have been made in the light of currently available information. New information, when it emerges, may require the Council to alter its assumptions with a consequential effect on the Council's financial position.

7.2.2. Key risk areas will be closely monitored and reviewed on an ongoing basis and remedial action taken. Members will receive quarterly updates on performance against the budget. The Council will carry adequate reserves as a contingency against risks that cannot be fully mitigated.

7.2.3. The Council carries reserves as a contingency for situations where risks cannot be fully mitigated. Section 25 of the Local Government Act 2003 requires the Chief Finance Officer (CFO) to report on the robustness of the estimates included in the budget and the adequacy of the reserves that the budget provides. The Council is currently required to hold a general (contingency) reserve of £1,300,000 to meet unforeseen expenditure.

### 7.3. Use of Reserves and Balances

#### General Fund Reserves and Balances

- 7.3.1. The February 2017 Medium Term Financial Plan included a £6,550 contribution from General Fund Reserves in 2017/18 in respect of Section 106 (Commuted Sum). The level of Section 106 reserve usage has been revised to £2,090 in 2018/19, £1,870 in 2019/20 and £1,640 pa thereafter.
- 7.3.2. The February 2017 MTFP also included the use of General Fund contingency reserves in 2017/18, 2018/19 and 2019/20 necessary to smooth timing differences in the delivery of the Efficiency Programme.
- 7.3.3. The Quarter Two report forecasts that there will be a surplus against budget of approximately £1079,710, in which case, there will be a net contribution to reserves of £532,690 in 2017/18. The improved reserve position at the end of 2017/18 will need to be ring-fenced to account for the increased use of reserve required in 2018/19 as a result of business rate accounting (for appeals and reliefs as discussed in section 6.2).
- 7.3.4. Financial assumptions have been updated as part of this plan, but at this stage, no movement to or from reserves have been included (apart from the planned £7,240 draw from the S106 reserve over the 4 years), so the plan remains unbalanced – this will be updated as part of the February 2018 MTFP update. However, based on the deficit/surplus position (as per ANNEX D) the required use of reserves would be some £147,680 more than reported in February 2017:-

Reserve / Balance	2017/18	2018/19	2019/20	2020/21	2021/22	TOTAL
	£	£	£	£	£	£
General Fund (use)/contribution to reserves – February 2017	(547,020)	(833,420)	(715,350)	-	-	(2,095,790)
General Fund (use)/contribution to reserves – November 2017	532,690	(1,957,390)	(775,890)	(16,400)	(26,480)	(2,243,470)
<b>Change in use of reserves</b>	<b>1,079,710</b>	<b>(1,123,970)</b>	<b>(60,540)</b>	<b>(16,400)</b>	<b>(26,480)</b>	<b>(147,680)</b>

#### HRA Reserves and Balances

- 7.3.5. The HRA balance is made up of surpluses that have accumulated over a number of years. The Council retains a minimum of £1 million (approximately £250 per property) in order to cover unexpected events that could - if realised – trigger financial pressures.

7.3.6. Due to the strict ring-fencing rules that apply to the HRA, any funds set aside form part of HRA reserves. The table below summarises the projected HRA reserves position for the duration of this MTFP.

- HRA Working Balance – this reserve is the excess of income after expenditure in any given year and is set aside to provide for capital expenditure demands in the future and to provide a contingency against unforeseen costs.
- Housing Reform / contingency reserve – this reserve was set aside to fund potential additional unforeseen costs of housing reform and self-financing.
- Stock Condition Reserve – this reserve has been set aside to fund the cost of providing a stock condition survey.
- Major Void Reserve – this reserve is a contingency against the costs of Void properties requiring external or structural major works.
- Capital Investment Fund – this reserve is used to smooth the cost of borrowing required to fund any capital expenditure

	2017/18	2018/19	2019/20	2020/21	2021/22
	£	£	£	£	£
HRA Reserves Brought Forward	9,448,832	10,073,832	10,565,752	11,013,652	11,531,782
Surplus/(Loss) for the year*	625,000	491,920	447,900	518,130	469,620
Transfers to / from reserves	-	-	-	-	-
<b>HRA Working Balance</b>	<b>10,073,832</b>	<b>10,565,752</b>	<b>11,013,652</b>	<b>11,531,782</b>	<b>12,001,402</b>
Housing Reform / Contingency Reserves	457,560	457,560	457,560	457,560	457,560
Stock Condition Reserve	300,000	300,000	300,000	300,000	300,000
Major Void Reserve	100,000	100,000	100,000	100,000	100,000
Total Working Balance carried forward	<b>10,931,392</b>	<b>11,423,312</b>	<b>11,871,212</b>	<b>12,389,342</b>	<b>12,858,962</b>
Capital Investment Fund carried forward	446,872	446,872	446,872	446,872	446,872
<b>Total HRA Reserves carried forward</b>	<b>11,378,264</b>	<b>11,870,184</b>	<b>12,318,084</b>	<b>12,836,214</b>	<b>13,305,834</b>

*\*subject to stock condition survey results*

7.3.7. It can be seen from the table above that the HRA balance is projected to exceed its £1 million contingency minimum over the next four years.

## 8. MTFP REVENUE POSITION

### 8.1. General Fund Revenue Position

8.1.1. The medium term General Fund revenue position is as set out in the table below:

Summary Revenue Position	2018/19	2019/20	2020/21	2021/22
	£	£	£	£
Revenue Consequences of Capital Spend (section 4.2)	128,440	157,950	189,290	174,990
Interest Rate Changes (section 5.1)	(74,320)	(75,380)	(101,330)	(43,930)
Borrowing Costs (section 5.1)	118,370	(53,700)	(55,640)	(125,140)
Inflation Pressures (section 5.2)	420,240	348,750	363,910	350,050
Increased / (Reduced) Budget Demand (section 5.3)	(111,780)	(85,900)	(22,900)	(22,500)
Budget Growth (section 5.4)	15,200	-	-	-
Increased Council Tax Income (section 6.1)	(158,570)	(168,270)	(166,900)	(170,580)
Business Rates Retention (section 6.2)	157,370	(97,880)	(84,630)	(87,810)
Changes in Collection Fund (section 6.3)	1,026,890	(947,790)	(1,630)	-
Reduction in Government Grant (section 6.4)	521,930	235,220	(101,280)	(30,300)
Additional Fees and Charges (section 6.5)	(80,000)	(75,000)	(70,000)	(65,000)
Contribution to Reserves & Balances (section 7)	547,020	-	-	-
<b>In Year Change in Position</b>	<b>2,510,790</b>	<b>(762,000)</b>	<b>(51,110)</b>	<b>(20,220)</b>
Efficiency & Rationalisation Plan (section 4.4)	(581,000)	(430,000)	(809,680)	-
Growth efficiencies realised	27,600	10,500	101,300	30,300
<b>Budget (Surplus) / Deficit</b>	<b>1,957,390</b>	<b>(1,181,500)</b>	<b>(759,490)</b>	<b>10,080</b>
<b>Cumulative (Surplus) / Deficit</b>	<b>1,957,390</b>	<b>775,890</b>	<b>16,400</b>	<b>26,480</b>

8.1.2. Annex D shows the projected General Fund revenue position in detail.

## 8.2. Housing Revenue Account Revenue Position

8.2.1. The medium term Housing Revenue Account revenue position is as set out in the table below.

Summary Revenue Position	2018/19	2019/20	2020/21	2021/22
	£	£	£	£
Budget surplus brought forward	(57,000)	(491,920)	(447,900)	(518,130)
Revenue consequence of Capital spend (section 4.2)	(467,390)	246,360	61,000	-
Interest Rate Changes (section 5.1)	(66,400)	(42,340)	(45,000)	(31,810)
Borrowing Costs (section 5.1)	(141,180)	(73,550)	(20,090)	(15,230)
Inflation Pressures (Section 5.2)	110,080	105,900	108,850	106,040
Increased / reduced budget demand (section 5.3)	148,000	(100,000)	-	-
Increased / reduced budget growth (section 5.4)	-	-	-	-
Increase in Other Operating Expenditure (section 5.6)	569,200	23,960	23,080	20,310
Reduction in Rent and Other Charges (section 6.5)	222,770	(56,310)	131,930	(30,800)
<b>In Year Change in Position</b>	<b>318,080</b>	<b>(387,900)</b>	<b>(188,130)</b>	<b>(469,620)</b>
HRA Rationalisation Plan (section 4.4)	(810,000)	(60,000)	(330,000)	-
Budget (Surplus) / Deficit	(491,920)	(447,900)	(518,130)	(469,620)

8.2.2. Annex D shows the projected Housing Revenue Account revenue position in detail.

## 9. CONSULTATION

9.1. The Council is committed to consulting with residents and other stakeholders to help inform the budget setting process and spending priorities/non-priorities. A variety of techniques have been used and the approaches have been iterative, building year on year on what has gone before. The Council already holds comprehensive information gathered about residents' spending priorities. Much of this information was gathered in times of rising expenditure. The financial challenges for the Council are now very different.

9.2. The consultation process for 2018/19 will be undertaken via an online communication available on the Council's website, which summarises the financial challenges and invites comment on the plan. There will also be reference included within the December e-newsletter issued by Regeneration to local businesses which will include a brief narrative with links to on-line information.

- 9.3. It will be particularly important that the Council, as it makes difficult budgetary decisions, is able to evidence that it has considered the impact of its decisions on groups with 'protected characteristics'.
- 9.4. Going forward, the Council will be developing a timetable of consultation, which will focus on specific emerging issues that will potentially have a significant impact on the Council's finances over the medium term.

**ANNEX A**

**Proposed Capital Projections (2017/18 to 2021/22) – General Fund**

<b>Capital Schemes</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>Total</b>
	£	£	£	£	£	£
<b>Asset Management</b>						
Council Offices/Public Buildings	3,226,740	1,809,270	2,382,640	-	285,630	7,704,280
Car Parks	90,000	30,000	-	-	121,000	241,000
Infrastructure	215,330	224,000	130,000	455,000	100,000	1,124,330
Leisure Centres	100,000	144,460	-	-	1,691,170	1,935,630
	<b>3,632,070</b>	<b>2,207,730</b>	<b>2,512,640</b>	<b>455,000</b>	<b>2,197,800</b>	<b>11,005,240</b>
<b>Growth Fund</b>	-	-	-	-	-	-
<b>Affordable Housing</b>	-	-	-	-	-	-
<b>Housing(RTB 1 for 1)</b>	<b>142,000</b>	<b>301,050</b>	<b>597,000</b>	<b>340,000</b>	<b>340,000</b>	<b>1,720,050</b>
<b>Housing Grants</b>	<b>455,240</b>	<b>421,000</b>	<b>421,000</b>	<b>421,000</b>	<b>421,000</b>	<b>2,139,240</b>
<b>ICT</b>	<b>104,310</b>	<b>9,640</b>	<b>9,640</b>	<b>9,640</b>	<b>9,640</b>	<b>142,870</b>
<b>Other Schemes</b>						
Play Facilities	60,000	-	-	-	-	60,000
Country Parks	8,900	-	-	-	-	8,900
Cemeteries	-	-	-	-	-	-
Conservation/Heritage	58,610	45,000	45,000	45,000	45,000	238,610
Market Town Regeneration	244,330	144,000	-	-	-	388,330
New Projects Provision	-	90,000	200,000	-	-	290,000
	<b>371,840</b>	<b>279,000</b>	<b>245,000</b>	<b>45,000</b>	<b>45,000</b>	<b>985,840</b>
<b>Total Programme</b>	<b>4,705,460</b>	<b>3,218,420</b>	<b>3,785,280</b>	<b>1,270,640</b>	<b>3,013,440</b>	<b>15,993,240</b>
<b>Funding of Programme</b>						
External Contributions	520,720	421,000	421,000	421,000	421,000	2,204,720
Section 106 Obligations	10,000	-	-	-	-	10,000
Capital Receipts	642,000	491,050	1,407,000	620,000	340,000	3,500,050
Capital Reserves	-	-	-	-	-	-
Borrowing	3,532,740	2,306,370	1,957,280	229,640	2,252,440	10,278,470
	<b>4,705,460</b>	<b>3,218,420</b>	<b>3,785,280</b>	<b>1,270,640</b>	<b>3,013,440</b>	<b>15,993,240</b>

**ANNEX A**

**Proposed Capital Projections (2017/18 to 2021/22) – Council Dwellings (HRA)**

Scheme	Budget 2017/18	Budget 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22
	£	£	£	£	£
<b>ASSET MANAGEMENT WORKS:</b>					
Roofing & External Works	228,000	228,000	228,000	228,000	228,000
Kitchens	380,000	350,000	350,000	350,000	350,000
Bathrooms	100,000	100,000	100,000	100,000	100,000
Central Heating	1,160,000	1,180,000	1,180,000	1,180,000	1,180,000
Electrical Works	748,000	788,000	788,000	788,000	788,000
Health & Safety	55,000	125,000	125,000	125,000	125,000
Aids & Adaptations	350,000	350,000	350,000	350,000	350,000
Sheltered Schemes Lightning Protection	40,000	-	-	-	-
HRA Shop Works	10,000	-	-	-	-
Retaining Wall at ALMA	33,200	-	-	-	-
Gladstone Street External Repairs	40,000	-	-	-	-
Unity Walk & Quarry Close Railing	35,000	-	-	-	-
Cross Street Structural	55,000	-	-	-	-
Commercial Boiler Renewal	248,000	50,000	50,000	50,000	50,000
Corbar Road Roofing Works	40,000	-	-	-	-
Scooter Stores	75,000	-	-	-	-
Stock Condition Survey Works	55,000	270,000	270,000	270,000	270,000
	<b>3,652,200</b>	<b>3,441,000</b>	<b>3,441,000</b>	<b>3,441,000</b>	<b>3,441,000</b>
<b>REPAIRS TEAM CAPITAL WORKS</b>					
Major Voids	100,000	100,000	100,000	100,000	100,000
Void Rewires	35,000	35,000	35,000	35,000	35,000
Void Kitchens	200,000	200,000	200,000	200,000	200,000
Void Bathrooms	60,000	60,000	60,000	60,000	60,000
	<b>395,000</b>	<b>395,000</b>	<b>395,000</b>	<b>395,000</b>	<b>395,000</b>
<b>STAFFING</b>					
Staffing Recharges/ Commissioning Costs	100,000	100,000	100,000	100,000	100,000
	<b>100,000</b>	<b>100,000</b>	<b>100,000</b>	<b>100,000</b>	<b>100,000</b>
<b>TOTAL SPEND</b>	<b>4,147,200</b>	<b>3,936,000</b>	<b>3,936,000</b>	<b>3,936,000</b>	<b>3,936,000</b>

**ANNEX B****Efficiency and Rationalisation Programme (2017/18 – 2020/21)**

<b>Efficiency</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>TOTAL</b>
	£'000	£'000	£'000	£'000	£'000
<b>Major Procurements</b>					
Waste Collection etc.	100	200	100	100	500
Leisure Centres	-	-	-	400	400
Facilities Management	-	75	-	-	75
	<b>100</b>	<b>275</b>	<b>100</b>	<b>500</b>	<b>975</b>
<b>Asset Management</b>					
Asset Rationalisation	-	30	200	-	230
	-	<b>30</b>	<b>200</b>	-	<b>230</b>
<b>Growth</b>					
Housing Growth	-	40	40	40	120
Business Growth	-	-	-	150	150
	-	<b>40</b>	<b>40</b>	<b>190</b>	<b>270</b>
<b>Income Generation</b>					
Fees & Charges	-	120	-	120	240
Pavilion Gardens	40	60	70	-	170
Advertising / Sponsorship	50	10	-	-	60
Enhanced Trading	-	-	-	-	-
	<b>90</b>	<b>190</b>	<b>70</b>	<b>120</b>	<b>470</b>
<b>Rationalisation</b>					
Management Staffing	100	-	-	-	100
Channel Shift	-	-	-	-	-
Parish Grants	-	26	20	-	46
Service Rationalisation	20	20	-	-	40
	<b>120</b>	<b>46</b>	<b>20</b>	-	<b>186</b>
<b>TOTAL</b>	<b>310</b>	<b>581</b>	<b>430</b>	<b>810</b>	<b>2,131</b>

**HRA Financial Improvement Plan (2017/18 – 2021/22)**

<b>Budget Heading</b>	<b>Savings</b>	<b>Potential Annual Reduction</b>
		£
Capital Financing	Reduction in voluntary repayment of debt (currently £1.2 million per annum) – to be benchmarked – maximum annual reduction	500,000
Rent Income	Introduction of new rent policy	150,000
Repairs and Maintenance	Reduction in repairs and maintenance expenditure due to implementation of an alternative service delivery model and / or improvements in productivity	250,000
ICT Costs	Reduction in costs of ICT systems	50,000
Rent Income / Repairs & Maintenance Expenditure	Savings from improvements in voids turn around times	100,000
Various headings	Disposal of surplus stock after consideration of net present value assessment following completion of stock condition survey	150,000
<b>Total Annual Saving</b>		<b>1,200,000</b>

**Medium Term Financial Plan – Principal Risks**

<b>Risk Category</b>	<b>Risk</b>	<b>Mitigation and Controls</b>
Financial Implications	Robustness of financial assumptions within Efficiency and Rationalisation Strategy	Structured project management arrangements have been put in place with detailed business cases for each initiative – these will be strengthened in the service review process
Financial Implications	Additional financial pressures emerge – cost & income	The strategy is kept under constant review and adjustments will be made where necessary
Service Continuity	Interruptions to key services or performance standards	Resource implications and impact are identified as part of the business case process. Service continuity and maintenance of standards of service are key requirements of any new proposals
Corporate Governance	Maintaining stakeholder confidence; lack of clarity on accountability	Ongoing review of standards of internal control (e.g. Financial Procedure Rules reviewed and updated). Internal Audit Plan will be reviewed to account for the new approach proposed in the efficiency & Rationalisation Strategy
Management of Change	Management of corporate and local, cultural change; behavioural risks; residual effects of aggregation; proposed changes to organisational structure, roles & responsibilities	Progress with achievement of aims will be monitored through an effective performance management structure. Investment has been made in a new approach to Organisational Development.
People Risks	Impact of cultural changes; assessment of skills; recruitment & retention; capacity issues	Continuing communications process for the delivery of transformation programme
Key Projects & Partnerships	Managing changes to shared service delivery arrangements	The project management methodology provides for an adequate transition where there are changes in service delivery

Risk Category	Risk	Mitigation and Controls
Performance Management	Adequacy of framework to monitor transition	Risk management processes are embedded
Reputation and Relationship Risks	Maintaining existing partner confidence	Continuing communications process for the delivery of transformation programme
Programme Delivery	Delays in implementation of efficiency savings	<p>Effective governance arrangements in place to monitor plans.</p> <p>Executive Directors and Senior Managers own delivery of efficiencies.</p> <p>Executive Director (Transformation) appointed as programme director.</p>
Programme Delivery	A number of the efficiency / rationalisation initiatives are not achieved	<p>Structured project management approach is in place for delivery including effective exception reporting</p> <p>The strategy is kept under constant review</p> <p>Identification of further efficiency / rationalisation opportunities through benchmarking / effective member working groups</p>
Political Support	Lack of Members support for Plan.	Regular reporting and member briefings including effective scrutiny arrangements

**ANNEX D**

**Proposed Revenue Projections (2018/19 to 2021/22) – General Fund**

Budget Heading	2018/19 Projection	2019/20 Projection	2020/21 Projection	2021/22 Projection
	£	£	£	£
Employees	13,042,750	13,295,170	13,552,830	13,801,250
Premises	4,258,410	4,320,170	4,393,150	4,458,910
Transport	848,180	853,710	861,230	871,260
Supplies & Services	9,813,360	9,845,800	9,982,900	10,112,280
Benefits	82,460	82,460	82,460	82,460
Borrowing	1,672,040	1,776,290	1,909,940	1,959,790
Parish Grant re Council Tax Support	51,320	51,320	51,320	51,320
Financing Costs	191,000	191,000	191,000	191,000
<b>Total Expenditure</b>	<b>29,959,520</b>	<b>30,415,920</b>	<b>31,024,830</b>	<b>31,528,270</b>
Fees and Charges / Other Income	(10,375,720)	(10,509,720)	(10,579,720)	(10,644,720)
Interest Receipts	(139,040)	(214,420)	(315,750)	(359,680)
HRA Recharges	(8,311,500)	(8,341,800)	(8,476,050)	(8,602,090)
Capital Recharges	(231,240)	(231,240)	(231,240)	(231,240)
<b>Net Expenditure</b>	<b>10,902,020</b>	<b>11,118,740</b>	<b>11,422,070</b>	<b>11,690,540</b>
Council Tax	(5,590,090)	(5,758,360)	(5,925,260)	(6,095,840)
Revenue Support Grant	(245,760)	0	0	0
Business Rates Retention	(2,893,140)	(2,991,020)	(3,075,650)	(3,163,460)
New Homes Bonus	(537,470)	(548,010)	(649,290)	(679,590)
Contribution to / (use of) Reserves	(6,550)	(6,550)	(6,550)	(6,550)
Collection Fund	881,780	(66,010)	(67,640)	(67,640)
<b>Total Financing</b>	<b>(8,391,230)</b>	<b>(9,369,950)</b>	<b>(9,724,390)</b>	<b>(10,013,080)</b>
<b>Cumulative Deficit / (Surplus)</b>	<b>2,510,790</b>	<b>1,748,790</b>	<b>1,697,680</b>	<b>1,677,460</b>
Efficiency Requirement (cumulative)	(581,000)	(1,011,000)	(1,820,680)	(1,820,680)
Growth Efficiency realised (cumulative)	27,600	38,100	139,400	169,700
<b>Cumulative Deficit / (Surplus)</b>	<b>1,957,390</b>	<b>775,890</b>	<b>16,400</b>	<b>26,480</b>

**ANNEX D****Proposed Revenue Projections (2018/19 to 2021/22) – Housing Revenue Account**

<b>Budget Heading</b>	<b>2018/19 Projection</b>	<b>2019/20 Projection</b>	<b>2020/21 Projection</b>	<b>2021/22 Projection</b>
	£	£		£
Repairs & Maintenance	3,886,060	3,786,060	3,456,060	3,456,060
Supervision & Management	2,892,100	2,938,000	3,046,850	3,152,890
Rates, Rents, Taxes, Charges	105,200	105,200	105,200	105,200
Other Operating Expenditure	712,530	736,490	759,570	779,880
Depreciation & Impairment Charges	2,099,030	2,099,030	2,099,030	2,099,030
Interest & Debt Management Charges	3,174,050	3,058,160	2,993,070	2,946,030
HRA Contribution to Capital Programme	1,529,610	1,775,970	1,836,970	1,836,970
Total Expenditure	<b>14,398,580</b>	<b>14,498,910</b>	<b>14,296,750</b>	<b>14,376,060</b>
Dwellings Rents	(14,272,770)	(14,329,080)	(14,197,150)	(14,227,950)
Non - Dwelling Rents & Other Income	(617,730)	(617,730)	(617,730)	(617,730)
Total Income	<b>(14,890,500)</b>	<b>(14,946,810)</b>	<b>(14,814,880)</b>	<b>(14,845,680)</b>
(Surplus) / Deficit for year	<b>(491,920)</b>	<b>(447,900)</b>	<b>(518,130)</b>	<b>(469,620)</b>