



Medium Term Financial Plan

2024/25 to 2027/28

February 2024

INDEX

- 1. Introduction**
- 2. Capital Programmes**
- 3. Housing Revenue Account Review**
- 4. Efficiency Programme**
- 5. Financial Forecasts**
 - 5.1. Interest rates
 - 5.2. Inflationary projections
 - 5.3. Budgetary demand
- 6. Funding & Income Generation**
 - 6.1. Council Tax
 - 6.2. Business Rates Retention
 - 6.3. Collection Fund
 - 6.4. Income from Government Grants
 - 6.5. General Fees & Charges
 - 6.6. Housing Revenue Account rent charges
- 7. Risks, Contingencies & Use of Reserves**
- 8. MTFP Revenue Position & 2024/25 budget setting**
 - 8.1. General Fund
 - 8.2. HRA
 - 8.3. Council Tax and Rents
- Annex A Proposed Capital Programmes**
- Annex B Chief Finance Officer's Review of Contingencies/ Reserves**

1. Introduction

- 1.1. This purpose of the Medium Term Financial Plan (MTFP) document and the associated planning process is to ensure that the Council's resources are directed effectively and efficiently towards the delivery of the Borough Plan, and the Council's services and priorities. The planning process facilitates prudent management of the Council's finances, providing for the needs of resident and business over the long term, and building in resilience and management of the financial pressures the Council anticipates over the next four years.
- 1.2. The Council and its members are committed to consulting with residents, businesses, and other stakeholders to help inform the budget setting process and spending priorities through various forms of communication and engagement.
- 1.3. The MTFP builds on the current approved levels of spending on revenue services and capital expenditure, the financing, and the forecast reserves position. It incorporates financial forecasts of interest rates, inflation and budgetary demands, changes to funding & income generation, the refreshed capital programme, the efficiency programme, and the use of reserves.

2. Capital Programme

- 2.1. The Capital Programmes for both the general fund and the HRA, as presented to and approved by Members in February 2023, have now been reviewed, re-profiled and updated to reflect the latest capital projections to 31st March 2028. The general fund Capital Programme includes the carry forward from 2022/23 of £1,554,740 approved by The Executive as part of the Finance Quarter 1 report in October 2023. The programmes are summarised in these tables with more detail shown at Annex A.

| General Fund Capital Programme | 2023/24 £'000 | 2024/25 £'000 | 2025/26 £'000 | 2026/27 £'000 | 2027/28 £'000 | Total £'000 |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|------------------------|
| Expenditure: | | | | | | |
| Housing | 504,000 | 321,860 | 305,470 | 804,700 | 948,220 | 2,884,250 |
| Asset Management | 6,675,070 | 4,435,120 | 1,199,480 | 1,694,630 | 1,791,100 | 15,795,400 |
| Housing Grants | 582,150 | 555,000 | 555,000 | 555,000 | 555,000 | 2,802,150 |
| ICT Strategy | 50,000 | 72,800 | 113,480 | 50,000 | 50,000 | 336,280 |
| Fleet Management | 539,210 | 1,426,680 | 1,353,500 | 1,827,000 | 278,000 | 5,424,390 |
| Leisure | 2,265,050 | 3,413,710 | | 250,000 | | 5,928,760 |
| Regeneration | 821,570 | 700,000 | 1,512,680 | 1,186,150 | | 4,220,400 |
| Waste | | | 920,830 | | | 920,830 |
| Total Programme | 11,437,050 | 10,925,170 | 5,960,440 | 6,367,480 | 3,622,320 | 38,312,460 |
| Financed by: | | | | | | |

| General Fund Capital Programme | 2023/24 £'000 | 2024/25 £'000 | 2025/26 £'000 | 2026/27 £'000 | 2027/28 £'000 | Total £'000 |
|---------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|------------------------|
| External Contributions | 2,461,080 | 555,000 | 1,475,830 | 555,000 | 555,000 | 5,601,910 |
| Planning Obligations | 102,870 | 82,110 | | | | 184,980 |
| Capital Receipts (land) | 150,000 | 1,000,000 | 2,895,000 | 2,150,000 | 2,077,100 | 8,272,100 |
| Capital Receipts (one for one) | 504,000 | 321,860 | 305,470 | 804,700 | 948,220 | 2,884,250 |
| Capital Receipts (vehicles) | 79,500 | 25,750 | 53,000 | 36,000 | 42,000 | 236,250 |
| Earmarked Reserves | 460,000 | | | | | 460,000 |
| Borrowing | 7,679,600 | 8,940,450 | 1,231,140 | 2,821,780 | | 20,672,970 |
| Total Financing | 11,437,050 | 10,925,170 | 5,960,440 | 6,367,480 | 3,622,320 | 38,312,460 |

| HRA Capital Programme | 2023/24 £'000 | 2024/25 £'000 | 2025/26 £'000 | 2026/27 £'000 | 2027/28 £'000 | Total £'000 |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|------------------------|
| Expenditure | | | | | | |
| Asset Management Works | 6,722,520 | 7,438,950 | 6,534,480 | 4,773,380 | 4,773,380 | 30,242,710 |
| Commissioning/Decarbonisation | 100,000 | 683,000 | 100,000 | 100,000 | 100,000 | 1,083,000 |
| Vehicle replacement | | 51,110 | | | | 51,110 |
| Repurchase Dwellings | 291,410 | 200,000 | 200,000 | 200,000 | 200,000 | 1,091,410 |
| ICT Strategy | | 188,000 | | | | 188,000 |
| Housing for Refugees (match funded by LAHF) | 1,325,340 | 1,188,490 | | | | 2,513,830 |
| Total Programme | 8,439,270 | 9,749,550 | 6,834,480 | 5,073,380 | 5,073,380 | 35,170,060 |
| Financed by: | | | | | | |
| Major Repairs Reserve | 2,289,000 | 2,289,000 | 2,289,000 | 2,289,000 | 2,289,000 | 11,445,000 |
| HRA Contribution | 4,533,520 | 3,489,060 | 2,745,480 | 2,584,380 | 2,584,380 | 15,936,820 |
| Capital Receipts (one for one) | 116,570 | 80,000 | 80,000 | 80,000 | 80,000 | 436,570 |

| HRA Capital Programme | 2023/24 £'000 | 2024/25 £'000 | 2025/26 £'000 | 2026/27 £'000 | 2027/28 £'000 | Total £'000 |
|---|------------------|------------------|------------------|------------------|------------------|-------------------|
| Capital Receipts (other) | 174,840 | 120,000 | 120,000 | 120,000 | 120,000 | 654,840 |
| Capital Receipts (refugees) | 614,320 | 666,490 | | | | 1,280,810 |
| Local Housing Authority Fund (LAHF) | 711,020 | 522,000 | | | | 1,233,020 |
| Mayoral Devolution Fund (Decarbonisation) | | 583,000 | | | | 583,000 |
| Borrowing | | 2,000,000 | 1,600,000 | | | 3,600,000 |
| Total Financing | 8,439,270 | 9,749,550 | 6,834,480 | 5,073,380 | 5,073,380 | 35,170,060 |

2.2. The indicative capital programmes include the following major elements:

- **Asset Management Plan** (both general fund and HRA): it is essential that the Council maintains an asset base to facilitate provision of services and delivery of the Borough Plan. In order to monitor affordability, the Capital Strategy in the MTFP will set out the proposed outcomes and actions, and the consequent capital and revenue financial implications, both positive and negative, of maintaining the Council's current property assets over a 30 year period. This exercise is progressing based on the recent completion of condition survey works.
- **Housing Grants** (general fund): The Borough Council is the duty holder under the Housing Grants, Construction and Regeneration Act 1996 for the mandatory Disabled Facilities Grant (DFG). From 1st April 2023 the Council has engaged its partner, Alliance Norse Ltd, to deliver DFG services under the 'N-Able' brand.
- **ICT Strategy** (both general fund and HRA): An updated strategy is being developed currently, alongside an Organisational Development Strategy and Access to Services Strategy. The aim is to drive a change in culture and deliver the systems, processes and skills required in an environment where information is shared seamlessly through connected systems. This will potentially reduce the costs of services through optimisation, improving online services and enabling customers to self-serve. This will also reduce manual administrative tasks, removing paper processes and allowing Officers to focus on high-value tasks. The replacement of the ageing Housing Management (OHMS) system is included in the plan in 2024/25.

An earmarked reserve has been established specifically to support with the implementation of the ICT Strategy. The balance of this reserve at 1st April 2023 was £750,000.

- **Fleet Management** (both general fund and HRA): The Council has a forward plan of fleet replacement requirements based on estimates of the useful lives of the existing fleet and future business needs. Current assumptions are that new vehicles will be funded via direct capital purchase, but this will be subject to further funding options appraisals prior to purchase. In response to the climate emergency, the use of clean fuel and greater efficiency is a key consideration. Proceeds from the sale of vehicles will be used to fund future purchases through use of reserves and capital receipts to further reduce the overall cost of financing the vehicle fleet by reducing borrowing costs.
- **Leisure projects** (general fund): New Mills Leisure Centre refurbishment and reconfiguration pending further member approval, energy efficiency works at Buxton Pool via the Public Sector Decarbonisation Scheme (PSDS), Glossop Football development and community hub and Move More Sports grants fund.
- **Regeneration projects** (general fund): Revitalising Buxton project encompassing The Springs, and Fairfield Roundabout Housing projects.
- **Weekly food waste collections** (general fund): Weekly food recycling initiative, funded by Department for Environment Food and Rural Affairs (DEFRA). Capital elements of the programme include purchase of food bins and food collection vehicles. DEFRA has also indicated that there will be sources of funding under the 'Simpler Recycling' umbrella to resource the transition of implementing a weekly food waste collection service over 2024/25 and/or 20205/26 as well as the ongoing costs from April 2026. At this stage the assumption has been made that the costs of this initiative can be contained within the funding allocated by Central Government.

2.3. Financing the Capital Programme

- 2.3.1. The capital programme is funded from several streams, including external grants and contributions from third parties, 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.
- 2.3.2. Borrowing is undertaken to fund the shortfall after other capital resources have been used. The Council's estimated borrowing requirement for both the general fund and HRA capital programmes are shown in the table above. 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.
- 2.3.3. The capital receipts applied to the General Fund 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 40% of overall expenditure, with a further 60% being required to be allocated. The current strategy is to fund this via a third party where possible, i.e. a social housing landlord or developer, with the third party organisation providing the additional 60% expenditure. Direct property purchases are also being considered where there is a business case for doing so. The HRA can also

apply capital receipts which are not subject to the same restrictions as the one for one receipts to the overall capital programme.

- 2.3.4. It is proposed to utilise reserves allocated for capital spend (where possible) on the acquisition of short-life assets such as vehicles, plant and equipment, or similarly, increase the HRA contribution to capital, where it is best value to do so.

2.4. Capital Strategy

- 2.4.1. In accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code for Capital Finance in Local Authorities, a Capital Strategy has been updated for 2024/25.

- 2.4.2. The Strategy, which is being presented to members in Appendix B alongside this report, explains how capital expenditure and investment decisions are taken in line with the Council's Borough Plan and service objectives, taking account of stewardship, value for money, prudence, risk management, sustainability and affordability.

3. Housing Revenue Account (HRA) review

- 3.1. Work continues on a fundamental review of the HRA Business Plan to incorporate key issues and challenges such as rent setting, voluntary debt repayment, efficiency plans, welfare reforms, understanding tenant priorities, considering the outcomes of estate regeneration reviews, prioritising decent homes standard failures, meeting Health and Safety concerns, and development of new stock.

4. Efficiency Programme

- 4.1. The November 2023 MTFP update report included a £550,000 efficiency programme up to 2026/27. It had yet to be quantified whether further efficiency would be needed in 2027/28, though early indications suggested that the demand for efficiency was likely to increase. The report presented in Annex B of that report identified an achievable programme of £758,000. Therefore, the 2024/25 to 2027/28 Medium Term Financial Plan (MTFP) is balanced with the inclusion of an efficiency programme of £750,000:

| | 2024/25 £'000 | 2025/26 £'000 | 2026/27 £'000 | 2027/28 £'000 | Total £'000 |
|--|------------------|------------------|------------------|------------------|----------------|
| HPBC new efficiency requirement | 150 | 200 | 200 | 200 | 750 |
| Cumulative efficiency | 150 | 350 | 550 | 750 | |

- 4.2. The Authority also has a £200,000 reserve earmarked to support the implementation of the Efficiency Programme.

5. Financial Forecasts

5.1. Interest Rates

5.1.1. The current view of interest rates is that the Bank of England base rate will remain at the current level of 5.25% until the second half of 2024 when it will gradually start to decrease. This relatively high level will impact both increased income from investments as well as increased external borrowing costs.

5.1.2. The strategy for external borrowing will be to keep fixed term periods short until rates start to decrease and borrowing can be locked in at lower interest rates for longer periods to provide certainty of future costs. Internal borrowing will also be used where there is a net benefit from the reduction in the external borrowing cost, compared to the reduced investment income potential.

5.1.3. This table shows the net borrowing cost to the Council across the MTFP period:

| | 2023/24 £ | 2024/25 £ | 2025/26 £ | 2026/27 £ | 2027/28 £ |
|----------------------------|----------------|----------------|------------------|------------------|------------------|
| Investment income | (699,260) | (1,121,170) | (952,150) | (637,690) | (662,760) |
| Borrowing costs | 1,460,670 | 1,484,870 | 1,987,260 | 2,079,510 | 2,124,240 |
| Net borrowing costs | 761,410 | 363,700 | 1,035,110 | 1,441,820 | 1,461,480 |

5.2. Inflationary Projections

5.2.1. The Consumer Price Index (CPI), as at December 2023, stood at 4.0%. Current forecasts suggest this will be decreasing towards the Bank of England's target levels over the life of the MTFP. This informs the inflation forecasts applied to Council's expenditure and income.

5.2.2. There is an earmarked reserve of £250,000 available to support any unforeseen costs of inflation.

5.2.3. The MTFP presented to members in February 2023 has been updated to reflect the latest forecasts on inflation and to roll forward a further 12 months to include the 2027/28 financial year. The full costs to the Council arising from inflation are forecast in the table below.

| Increase/ (decreased) budget demand | 2024/25 £ | 2025/26 £ | 2026/27 £ | 2027/28 £ |
|-------------------------------------|------------------|----------------|----------------|----------------|
| Employee | 622,890 | 283,100 | 246,200 | 250,580 |
| Premises | 134,520 | 79,870 | 94,150 | 94,910 |
| Transport | 6,950 | 4,420 | 7,570 | 7,700 |
| Supplies & Services | 315,670 | 131,770 | 219,130 | 217,020 |
| Total inflation pressure | 1,080,030 | 499,160 | 567,050 | 570,210 |
| Made up of: | | | | |
| General Fund inflation pressure | 815,100 | 348,540 | 399,560 | 400,520 |

| Increase/ (decreased) budget demand | 2024/25 £ | 2025/26 £ | 2026/27 £ | 2027/28 £ |
|-------------------------------------|-----------|-----------|-----------|-----------|
| HRA inflation pressure | 264,930 | 150,620 | 167,490 | 169,690 |

5.3. Budgetary Demand

5.3.1. Changes in budgetary demand which have been identified since the MTFP was presented and approved to Council in February 2023, or are now anticipated during the four year MTFP period, are highlighted below:

| Increase/ (decreased) budget demand | 2024/25 £ | 2025/26 £ | 2026/27 £ | 2027/28 £ |
|--|-----------|-----------|-----------|-----------|
| Local Plan revision/ maintenance | 50,000 | (75,000) | | |
| Planning Appeal/ Enforcement costs | (25,000) | | | |
| Planning subscription | 3,400 | | | |
| Planning application income rebase budget | 195,000 | (100,000) | | |
| Planning Fee income increase to be reinvested in the service | (89,000) | | | |
| Planning service reinvestment funded by Fee increase | 44,500 | | | |
| Cost of Democracy - allowances | 110,160 | | | |
| Elections reserve contribution | 32,000 | | | |
| Leisure transformation | 193,490 | (314,420) | (38,670) | 12,600 |
| Parks Development Fund | 30,000 | | (10,000) | |
| Pond Desilting programme | 15,000 | 35,000 | (50,000) | |
| AES: including recycling income impact, tonnage changes and fuel costs | 492,170 | (101,010) | (79,010) | (79,010) |
| Water body risk management | 70,000 | | | (70,000) |
| Assets - reversals of previous year one off changes | (60,000) | | (20,000) | |
| D-Day Commemorations | 20,000 | (20,000) | | |
| Coronation | (20,000) | | | |
| Cultural Strategy | (20,000) | | | |
| Glossop Halls income | 123,700 | (33,300) | (16,100) | (7,000) |
| Buxton Crescent Hotel Car Park usage | (19,300) | | | |
| ICT systems and support costs | 115,970 | (14,440) | (4,980) | |

| Increase/ (decreased) budget demand | 2024/25 £ | 2025/26 £ | 2026/27 £ | 2027/28 £ |
|--|------------------|------------------|------------------|------------------|
| HR Support | | (50,000) | | |
| HRA pension past service deficit costs | (22,000) | (23,000) | (23,000) | (23,000) |
| Local Council Tax Support scheme wind up | (16,290) | | | |
| Total General Fund | 1,223,800 | (696,170) | (241,760) | (166,410) |
| | | | | |
| ICT systems and support costs | 9,310 | (2,300) | | |
| Rebasing repair costs | 650,000 | (50,000) | (50,000) | (50,000) |
| Condition Survey | 80,000 | (80,000) | | |
| PAS Energy efficiency survey | 25,000 | (25,000) | | |
| Total HRA | 764,310 | (157,300) | (50,000) | (50,000) |

6. Funding & Income Generation

6.1. Council Tax

6.1.1. The December 2023 provisional settlement confirmed that the Council could not increase Council Tax by more than 3% for 2024/25 without being subject to a referendum. An increase of 2.99% is included in the first two years of the MTFP, and 1.90% for subsequent years. Estimates of tax base growth are included based on the trend history:

| | 2024/25 £ | 2025/26 £ | 2026/27 £ | 2027/28 £ |
|---|------------------|------------------|------------------|------------------|
| Revenue from increased Council Tax charge | (198,370) | (206,940) | (137,320) | (141,850) |
| Revenue from tax base growth | (88,290) | (99,150) | (101,040) | (102,960) |
| Total | (286,660) | (306,090) | (238,360) | (244,810) |

6.2. Business Rates Retention

6.2.1. The multiplier used to set Business Rates charges is set by central government. In 2024/25 the multiplier has been decoupled to allow central government to set the small business and standard multipliers independently.

6.2.2. Other changes in business rates retention may come from growth or an improvement in income from the Business Rates Pool.

6.2.3. For 2024.25, the small business multiplier has been frozen, the standard multiplier has been uprated by September 2023 CPI (6.7%), and Retail,

Hospitality and Leisure scheme has been extended for a fifth year into 2024/25, providing eligible properties with 75% relief, up to a cap. Where freezes to a multiplier are applied or relief schemes extended, central government currently provides section 31 grant funding to local authorities to compensate for the loss in business rates income.

6.2.4. Forecasts for CPI, continuation of applicable funding, the trend history of growth and the Pool savings have been applied to this MTFP:

| | 2023/24 £ | 2024/25 £ | 2025/26 £ | 2026/27 £ | 2027/28 £ |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| Total Business Rates Retention | (2,807,820) | (2,942,330) | (3,113,810) | (3,239,930) | (3,448,560) |
| (Increase)/ decrease in retention | | (134,510) | (171,480) | (126,120) | (208,630) |
| Owing to: | | | | | |
| Growth/ Pool improvements | | (758,600) | (101,720) | (91,810) | (95,690) |
| Section 31 grant funding (increase)/ reduction | | 624,090 | (69,760) | (34,310) | (112,940) |

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:

| | 2023/24 £ | 2024/25 £ | 2025/26 £ | 2026/27 £ | 2027/28 £ |
|--|------------------|------------------|------------------|------------------|------------------|
| Council tax (surplus)/ deficit | (80,560) | (10,140) | (130,250) | (131,190) | (132,150) |
| Business Rates (surplus)/ deficit | (531,920) | (136,570) | | | |
| Total (surplus)/ deficit | (612,480) | (146,710) | (130,250) | (131,190) | (132,150) |
| Change from previous year | | 465,770 | 16,460 | (940) | (960) |

6.4. Income from Government Grants

6.4.1. Government Grants to support the Council's expenditure were announced in the December 2023 Provisional Local Government Settlement for the 2024/25 financial year. The MTFP includes estimates of funding for subsequent years.

| | 2023/24 £ | 2024/25 £ | 2025/26 £ | 2026/27 £ | 2027/28 £ |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| Formula Grant - Baseline Funding | (2,456,310) | (2,553,800) | (2,579,340) | (2,618,030) | (2,670,390) |
| Funding Guarantee Grant | (446,120) | (860,690) | (430,340) | (344,280) | (258,210) |
| Services Grant | (91,970) | (15,070) | (15,070) | (15,070) | (15,070) |
| Revenue Support Grant | (107,780) | (114,920) | (114,920) | (114,920) | (114,920) |
| New Homes Bonus | (368,950) | (125,960) | (275,000) | (250,000) | (225,000) |
| Total | (3,471,130) | (3,670,440) | (3,414,670) | (3,342,300) | (3,283,590) |
| (Increase)/ decrease in government funding | | (199,310) | 255,770 | 72,370 | 58,710 |

6.4.2. The table above details the funding being received in the current year and that allocated for next year. The assumptions on grant funding for years 2-4 of the MTFP are also outlined. These assumptions represent a mid-way position between the best case (all funding streams maintained at highest level) of £3.9million by year 4 and the worst case (all funding streams maintained at lowest level), i.e. £2.8million by year 4. It reflects a prudent yet realistic assessment of where funding might land in the later years of the Plan.

6.4.3. On the 24th January the Government announced an extra £600million in local government support in addition to the funding contained in the provisional settlement and outlined in the table above. This is primarily aimed at upper tier authorities with social care responsibilities, but includes an increase to the core funding guarantee, which will benefit High Peak Borough Council. At the time of writing, no details are available as to how much additional funding will be allocated. For the purposes of the MTFP this additional funding will serve to underwrite some of the risks attached to the assumptions contained within the Plan.

6.5. 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. Charges are set according to the category they fall into:

| Charging Policy | Policy Objective |
|------------------------|---|
| Full commercial | Service is promoted to maximise revenue within an overall objective of generating a surplus from the service |
| Fair charging | Service is promoted to maximise income but subject to defined policy constraints including commitments made to potential customers on an appropriate fee structure. |

| Charging Policy | Policy Objective |
|----------------------|---|
| Cost recovery | Service generally available to all but without a subsidy |
| Subsidised | Service is widely accessible, but users of the service should make some contribution from their own resources |
| Nominal | Service to be fully available and a charge is made to discourage frivolous usage |
| Free | Service fully available at no cost |
| Statutory | Charges are set in line with legal obligations |

6.5.2. The proposed fees and charges for 2024/25 are presented in Appendix C alongside this report. The MTFP assumes an overall increase in income from fees & charges from inflation, increased charges, or increased demand as applicable:

| | 2024/25 £ | 2025/26 £ | 2026/27 £ | 2027/28 £ |
|---|-------------|-------------|-------------|-------------|
| Additional income from increased fees & charges | (100,390) | (65,310) | (40,200) | (40,200) |
| Total Income from fees & charges | (7,442,180) | (7,507,490) | (7,547,690) | (7,587,890) |

6.5.3. Income from the 'Income and Charges' theme in the Efficiency Programme will add to the existing fees & charges income streams.

6.6. Housing Revenue Account Rent Charges

6.6.1. The formula rent increases each year by CPI+1% in the preceding September. CPI was 6.7% at September 2023, therefore an increase of 7.7% is included in 2024/25. An increase of 2.5% is included in subsequent years. An increase of 5% is included for 'Other Charges' (including garages and service charges) throughout the plan. Residents in sheltered blocks are also recharged for utilities usage:

| | 2024/25* £ | 2025/26 £ | 2026/27 £ | 2027/28 £ |
|---|-------------|-----------|-----------|-----------|
| Additional income from increased rent and other charges | (1,374,540) | (15,580) | (381,980) | (437,780) |

*53 week rent year

7. Risks, Contingencies & Use of Reserves

7.1. Risk identification and management

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 as:

| Revenue risks | Capital risks |
|---|--|
| Inflationary assumptions Interest rates Housing benefits Fees and charges Universal Credit Business Rates Council Tax collection Housing Rent levels (HRA affordability) Government grants Financial benefits from partnerships/ shared services Pension costs Contract management | Interest rates External funding Capital receipts Capacity to deliver capital programme Project overspend Project overrun External factors (e.g. planning objections, judicial reviews etc. leading to project delay) Housing finance Weather |

7.1.2. Risk areas will be monitored closely and reviewed on an on-going basis and remedial action taken as appropriate. Risks associated with specific projects will be identified within the project methodology documents and reviewed monthly by the Transformation Board.

7.2. Contingencies

7.2.1. The Council will carry adequate reserves as a contingency against risks that 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 required to hold a general (contingency) reserve to meet unforeseen expenditure. While there is no detailed guidance on calculating the level of general reserves the Council is encouraged to take into account the strategic, operational and financial risks facing the Council. These amounts are then moderated to acknowledge the likelihood of all risk events occurring together. The table below reflects the approach taken in calculating the minimum level of general reserve required, which was previously set at £1,542,600 in the February 2023 MTFP, and is proposed here for approval to be increased to £1,576,800.

| Item | Calculation Factor | Value £m | Amount of Reserve £ |
|-------------------------------|------------------------------------|---------------------|--|
| Gross expenditure – Employees | 3% increase in costs | 8.7 | 261,000 |
| Gross expenditure – Other | 2% increase in costs | 10.3 | 206,000 |
| New Budget Growth | 2% increase in costs | 1.2 | 24,000 |
| Fees and Charges | 2% shortfall on income | 7.5 | 150,000 |
| Net interest | 2% impact of interest rate changes | 1.5 | 30,000 |

| Item | Calculation Factor | Value £m | Amount of Reserve £ |
|------------------------------|------------------------------|-------------|------------------------------|
| Efficiency Provisions | 10% shortfall on achievement | 0.2 | 15,000 |
| Council Tax Collection | 1.5% loss of income | 6.9 | 104,000 |
| Business Rates Retention | 1.5% loss of income | 2.9 | 44,000 |
| Government Funding | 25% fall in funding | 3.7 | 918,000 |
| Total Requirement all events | | | 1,752,000 |
| Moderation | 10% reduction | | (175,200) |
| Total Requirement | | | 1,576,800 |

7.2.2. The HRA working balance is made up of surpluses that have accumulated over a number of years. The Council retains a minimum of £1million (approximately £250 per property) in order to cover unexpected events that could - if realised – trigger financial pressures. This has been calculated based on the below:

| Item | Calculation Factor | Value £m | Amount of Reserve £ |
|-------------------------------------|------------------------------------|-------------|------------------------------|
| Gross expenditure – Employees | 3% increase in costs | 2.2 | 65,000 |
| Gross expenditure – Other | 2% increase in costs | 16.3 | 326,000 |
| Borrowing Costs (net) | 2% impact of interest rate changes | 2.6 | 52,000 |
| Dwelling Rents | 4% loss of income | 16.7 | 668,000 |
| Non Dwelling Rents | 3% loss of income | 0.6 | 19,000 |
| Total Requirement all events | | | 1,130,000 |
| Moderation | 10% reduction | | (113,000) |
| Total Requirement | | | 1,017,000 |

7.2.3. The level and utilisation of reserves is determined formally by the Council, having received the advice and judgement of the Chief Financial Officer (CFO). The Chief Financial Officer's advice is:

7.2.4. “In the view of the Executive Director & Chief Finance Officer (Section 151 Officer), the budget includes estimates which take into account circumstances and events which are reasonably foreseeable at the time of preparing the budget. The view is therefore held, that the level of reserves

are adequate for the Council based on this budget and the circumstances in place at the time of preparing it.” [Note: A formal record of the Chief Finance Officer’s advice is recorded in the minutes of the Council meeting. In the unusual event that a Chief Finance Officer’s advice is not accepted by a Council, the rejection by a Council of the Chief Finance Officer’s advice must be recorded in the minutes].

7.2.5. Further detail of the CFO’s determination in regard to contingency balances and reserves is detailed in ANNEX B.

7.3. Use of Reserves and Balances

General Fund Reserves and Balances

7.3.1. The February 2023 Medium Term Financial Plan included a £1,640 contribution per annum from General Fund Reserves in respect of Section 106 (Commutated Sum), and a net contribution of £419,980 into the General Fund contingency over the lifetime of the plan.

7.3.2. Following the 2022/23 draft outturn position and a net contribution to reserves, the general fund contingency balance as at 31st March 2023 increased to £2.003million (£1.576million at 31st March 2022).

7.3.3. The updated MTFP shows a forecast cumulative deficit position of £45,830 over the four years – which represents the anticipated use of contingency reserves in maintaining a balanced 4-year plan. The annual changes in the contingency reserve as well as other earmarked reserves where it is planned to draw funding, are shown in the table below:

| | 2023/24 £ | 2024/25 £ | 2025/26 £ | 2026/27 £ | 2027/28 £ | Total £ |
|---|------------------|------------------|-----------------|-----------------|----------------|-----------------|
| Contingency Reserve | | (201,510) | (54,640) | (85,900) | 296,220 | (45,830) |
| Section 106 / Other Reserves | | (1,640) | (1,640) | (1,640) | (1,640) | (6,560) |
| Total (use of)/ contribution to reserves | 1,032,940 | (203,150) | (56,280) | (87,540) | 294,580 | |
| (Increased)/ decreased use of reserves | | (1,236,090) | 146,870 | (31,260) | 382,120 | |

7.3.4. Based on the working assumptions in this MTFP, at the end of the four year period there would be an estimated balance of £2.992million in the general fund contingency reserves, which would be £1.415million above the £1.577million minimum contingency balance:

| | 2023/24 £ | 2024/25 £ | 2025/26 £ | 2026/27 £ | 2027/28 £ |
|------------------------|--------------|--------------|--------------|--------------|--------------|
| Opening balance | 2,003,000 | 3,037,580 | 2,836,070 | 2,781,430 | 2,695,530 |
| (Use of)/ contribution | 1,034,580 | (201,510) | (54,640) | (85,900) | 296,220 |

| | 2023/24 £ | 2024/25 £ | 2025/26 £ | 2026/27 £ | 2027/28 £ |
|-------------------------------------|------------------|------------------|------------------|------------------|------------------|
| to reserve | | | | | |
| Closing balance | 3,037,580 | 2,836,070 | 2,781,430 | 2,695,530 | 2,991,750 |
| Minimum requirement (paragraph 7.2) | 1,576,800 | 1,576,800 | 1,576,800 | 1,576,800 | 1,576,800 |
| Headroom | 1,460,780 | 1,259,270 | 1,204,630 | 1,118,730 | 1,414,950 |

HRA Reserves and Balances

- 7.3.5. The HRA balance is made up of surpluses that have accumulated over several years. The Council retains a minimum of £1million (approximately £250 per property) to cover unexpected events triggering financial pressures.
- 7.3.6. The HRA (draft) reserves at the 31st March 2023 stood at £15.1million. The impact of the profile of HRA surpluses or deficits will increase or decrease this reserve position over the life of the MTFP, with an overall draw on reserves of £1.042million.

| | 2023/24 £ | 2024/25 £ | 2025/26 £ | 2026/27 £ | 2027/28 £ | Total £ |
|------------------------------------|-------------|-------------|------------|------------|------------|--------------------|
| (Deficit)/ surplus on the HRA | | (1,121,050) | (285,770) | 49,150 | 315,980 | (1,041,690) |
| Opening balance | 15,100,000 | 13,491,690 | 12,370,640 | 12,084,870 | 12,134,020 | |
| (Use of)/ contribution to reserves | (1,608,310) | (1,121,050) | (285,770) | 49,150 | 315,980 | |
| Closing balance | 13,491,690 | 12,370,640 | 12,084,870 | 12,134,020 | 12,450,000 | |

8. MTFP Revenue position & 2024/25 budget setting

8.1. General Fund

- 8.1.1. The medium term General Fund proposed revenue position is as set out in the table below, including a balanced 2024/25 budget position with a £201,510 use of reserves:

| | 2023/24 £ | 2024/25 £ | 2025/26 £ | 2026/27 £ | 2027/28 £ |
|-----------|--------------------------|-------------------------------------|------------|------------|------------|
| | Budget set February 2023 | Budget setting February 2024 | | | |
| Employees | 10,239,140 | 10,862,030 | 11,145,130 | 11,391,330 | 11,641,910 |

| | 2023/24 £ | 2024/25 £ | 2025/26 £ | 2026/27 £ | 2027/28 £ |
|-------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Premises | 4,774,080 | 5,558,600 | 5,588,470 | 5,632,620 | 5,677,530 |
| Transport | 434,290 | 441,240 | 445,660 | 453,230 | 460,930 |
| Supplies & Services | 12,431,670 | 13,957,450 | 13,108,750 | 12,909,120 | 12,782,730 |
| Benefits | 82,460 | 82,460 | 82,460 | 82,460 | 82,460 |
| Borrowing | 1,460,670 | 1,484,870 | 1,987,260 | 2,079,510 | 2,124,240 |
| Total Expenditure | 29,422,310 | 32,386,650 | 32,357,730 | 32,548,270 | 32,769,800 |
| Fees and Charges / Other Income | (8,922,710) | (9,045,100) | (9,133,410) | (9,196,610) | (9,259,810) |
| Interest Receipts | (699,260) | (1,121,170) | (952,150) | (637,690) | (662,760) |
| HRA Recharges | (7,307,370) | (8,336,610) | (8,329,930) | (8,447,420) | (8,567,110) |
| Net Expenditure | 12,492,970 | 13,883,770 | 13,942,240 | 14,266,550 | 14,280,120 |
| Council Tax | (6,634,480) | (6,921,140) | (7,227,230) | (7,465,590) | (7,710,400) |
| Business Rates Retention | (2,807,820) | (2,942,330) | (3,113,810) | (3,239,930) | (3,448,560) |
| Government Grants | (3,471,130) | (3,670,440) | (3,414,670) | (3,342,300) | (3,283,590) |
| Contribution to / (use of) Reserves | (1,640) | (1,640) | (1,640) | (1,640) | (1,640) |
| Contribution to / (use of) Balances | 1,034,580 | (201,510) | (54,640) | (85,900) | 296,220 |
| Collection Fund | (612,480) | (146,710) | (130,250) | (131,190) | (132,150) |
| Total Financing | (12,492,970) | (13,883,770) | (13,942,240) | (14,266,550) | (14,280,120) |
| (Surplus)/ Deficit | 0 | 0 | 0 | 0 | 0 |

8.2. Housing Revenue Account

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

| | 2023/24 £'000 | 2024/25 £'000 | 2025/26 £'000 | 2026/27 £'000 | 2027/28 £'000 |
|-----------------------|-----------------------------|---|------------------|------------------|------------------|
| | Budget set February 2023 | Budget setting February 2024 | | | |
| Repairs & Maintenance | 5,243,690 | 6,230,930 | 6,182,250 | 6,257,740 | 6,335,430 |
| Supervision & | 2,806,230 | 2,848,230 | 2,890,230 | 2,932,230 | 2,974,230 |

| | 2023/24 £'000 | 2024/25 £'000 | 2025/26 £'000 | 2026/27 £'000 | 2027/28 £'000 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| Management | | | | | |
| Rates, Rents, Taxes, Charges | 109,130 | 109,130 | 109,130 | 109,130 | 109,130 |
| Other operating expenditure | 827,290 | 868,470 | 893,160 | 921,590 | 950,680 |
| Depreciation & impairment charges | 2,182,000 | 2,289,000 | 2,289,000 | 2,289,000 | 2,289,000 |
| Interest & debt management charges | 2,579,580 | 2,622,520 | 2,528,390 | 2,590,630 | 2,612,800 |
| HRA contribution to Capital Programme | 3,842,000 | 3,489,060 | 2,745,480 | 2,584,380 | 2,584,380 |
| Total Expenditure | 17,589,920 | 18,457,340 | 17,637,640 | 17,684,700 | 17,855,650 |
| Dwelling Rent income | (15,322,760) | (16,687,660) | (16,693,120) | (17,064,470) | (17,491,090) |
| Other income | (658,750) | (648,630) | (658,750) | (669,380) | (680,540) |
| Total income | (15,981,510) | (17,336,290) | (17,351,870) | (17,733,850) | (18,171,630) |
| (Surplus)/ Deficit for year | 1,608,410 | 1,121,050 | 285,770 | (49,150) | (315,980) |
| (Use of) / contribution to reserves | (1,608,410) | (1,121,050) | (285,770) | 49,150 | 315,980 |
| Cumulative Surplus/ Deficit | 0 | 0 | 0 | 0 | 0 |

8.3. Council Tax and Rent Setting Requirement 2024/25

8.3.1. The table below illustrates the Council Tax requirement for 2024/25:

| Council Tax | 2024/25 Budget £ |
|--|-------------------|
| Net Cost of Services | 13,883,770 |
| Business Rates Retention | (2,942,330) |
| Government Grants | (3,670,440) |
| Use of Reserves | (203,150) |
| Collection Fund | (146,710) |
| Net Requirement for Council Tax | 6,921,140 |

8.3.2. The overall Council Tax requirement contained within these proposals is summarised in the table below:

| | Budget Requirement | Tax base | Band D Council Tax | Increase/ (decrease) |
|-------------------------------|--------------------|----------|--------------------|----------------------|
| High Peak Borough Council Tax | £6,921,140 | 31,795 | £217.68 | £6.32 2.99% |

8.3.3. The table below illustrates the Housing Rent requirement for 2024/25:

| Rents | 2024/25 Budget £ |
|--|-------------------|
| Net Cost of Services (including contribution from balances) | 15,834,820 |
| Borrowing Costs | 2,622,520 |
| Net Expenditure | 18,457,340 |
| Non-dwelling rents & other income | (648,630) |
| Net requirement from Housing Rents | 16,687,660 |

8.3.4. The rent increase for existing tenants has been capped at 7.7% for 2024/25. The effect of this is to increase the average weekly rent by 8.01% overall once the impact of new tenancies (at formula rent) let during 2023/24 are taken into account. The average rent increase compared with the previous year is set out in the table below:

| | Average weekly rents 2023/24 | Average weekly rents 2024/25 | Increase/ (decrease) | Increase/ (decrease) |
|----------------------------------|------------------------------|------------------------------|----------------------|----------------------|
| HRA Rents (over 52 weeks) | £77.78 | £84.09 | £6.31 | 8.01%* |
| HRA Garage Rents (over 52 weeks) | £8.26 | £8.68 | £0.42 | 5.00% |

**includes increase where new tenancies have transferred to 'formula rent*

8.3.5. Charges made to recover fuel costs at various blocks have been reviewed and are charged on an individual block basis. The charges for 2024/25 are shown below and based on the previous year's usage and estimated costs.

| | Anticipated Fuel Cost 2024/25£ | Weekly charge per unit (over 53 weeks) £ | | | | |
|--------------------|--------------------------------|--|-------|-------|-------|----------------|
| Charge category | | A | B | C | D | Communal Areas |
| Alma Square | 49,480 | 21.97 | 32.95 | 0 | 54.92 | 14.33 |
| Cromford Court | 22,700 | 0 | 0 | 0 | 0 | 10.20 |
| Eccles Fold | 54,904 | 0 | 20.86 | 0 | 0 | 6.40 |
| Hartington Gardens | 105,790 | 16.77 | 25.16 | 33.55 | 0 | 3.99 |
| Marian Court | 64,364 | 24.53 | 36.80 | 0 | 61.33 | 12.69 |
| Milton Court | 80,149 | 25.63 | 38.45 | 51.26 | 0 | 10.68 |
| Queens Court | 91,298 | 0 | 33.34 | 0 | 55.57 | 8.13 |
| Northlands | 41,320 | 0 | 25.42 | 33.90 | 0 | 14.95 |
| Grangeside | 4,779 | 0 | 0 | 0 | 0 | 8.20 |
| Fieldhead House | 4,901 | 0 | 0 | 0 | 0 | 13.21 |
| Watford Lodge | 1,537 | 0 | 0 | 0 | 0 | 3.63 |

Proposed General Fund Capital Programme

| | 2023/24 £ | 2024/25 £ | 2025/26 £ | 2026/27 £ | 2027/28 £ | Total £ |
|-------------------------------------|-------------------|-------------------|------------------|------------------|------------------|-------------------|
| <i>Asset Management:</i> | | | | | | |
| <i>Public Bldgs</i> | 6,375,070 | 2,213,550 | 476,430 | 777,860 | 1,035,930 | 10,878,840 |
| <i>Car Parks</i> | 200,000 | | | 377,680 | 57,840 | 635,520 |
| <i>Public Conveniences</i> | | 545,900 | 7,100 | 6,230 | 294,440 | 853,670 |
| <i>Waterways Infrastructure</i> | 50,000 | 1,255,570 | | | | 1,305,570 |
| <i>Leisure Centres</i> | | 276,500 | 564,610 | 468,250 | 270,660 | 1,580,020 |
| <i>Depots & Park Buildings</i> | 50,000 | 143,600 | 151,340 | 64,610 | 132,230 | 541,780 |
| Asset Management | 6,675,070 | 4,435,120 | 1,199,480 | 1,694,630 | 1,791,100 | 15,795,400 |
| Housing (RTB 1 for 1) | 504,000 | 321,860 | 305,470 | 804,700 | 948,220 | 2,884,250 |
| Housing Grants (DFG) | 582,150 | 555,000 | 555,000 | 555,000 | 555,000 | 2,802,150 |
| ICT Strategy | 50,000 | 72,800 | 113,480 | 50,000 | 50,000 | 336,280 |
| Fleet Management | 539,210 | 1,426,680 | 1,353,500 | 1,827,000 | 278,000 | 5,424,390 |
| <i>Leisure:</i> | | | | | | |
| <i>Move More grant fund</i> | 27,000 | 139,100 | | 100,000 | | 266,100 |
| <i>Glossop Football - community</i> | 438,870 | | | | | 438,870 |
| <i>Leisure centres</i> | 1,697,180 | 2,867,610 | | | | 4,564,790 |
| <i>Play facilities</i> | 102,000 | 407,000 | | 150,000 | | 659,000 |
| Leisure | 2,265,050 | 3,413,710 | | 250,000 | | 5,928,760 |
| <i>Regeneration:</i> | | | | | | |
| <i>Fairfield roundabout</i> | 121,570 | | | | | 121,570 |
| <i>Buxton Town centre</i> | 700,000 | 700,000 | 1,512,680 | 1,186,150 | | 4,098,830 |
| Regeneration | 821,570 | 700,000 | 1,512,680 | 1,186,150 | 0 | 4,220,400 |
| Food Waste Collection | | | 920,830 | | | 920,830 |
| Total Programme | 11,437,050 | 10,925,170 | 5,960,440 | 6,367,480 | 3,622,320 | 38,312,460 |

Proposed Housing Revenue Account Capital Programme

| | 2023/24 £ | 2024/25 £ | 2025/26 £ | 2026/27 £ | 2027/28 £ | Total £ |
|---|-----------|-----------|-----------|-----------|-----------|-----------|
| <i>Asset Management</i> | | | | | | |
| <i>Structural Works</i> | | 99,900 | 99,900 | 99,900 | 99,900 | 399,600 |
| <i>Heat Pumps (4 annually)</i> | | 74,250 | 74,250 | 74,250 | 74,250 | 297,000 |
| <i>Winster Mews(Roof/ Balcony/Walk ways)</i> | | 436,720 | | | | 436,720 |
| <i>Roofing Works (Inc rain water/chimneys)</i> | 198,720 | 436,720 | 436,720 | 436,720 | 436,720 | 1,945,600 |
| <i>Lift Replacements</i> | 755,930 | | | | | 755,930 |
| <i>Bathroom Programme</i> | 674,880 | 246,780 | 246,800 | 246,800 | 246,800 | 1,662,060 |
| <i>Kitchen Programme</i> | 251,810 | 669,640 | 669,640 | 669,640 | 669,640 | 2,930,370 |
| <i>Electrical Works (complete rewire)</i> | 496,760 | 109,180 | 496,270 | 496,270 | 496,270 | 2,094,750 |
| <i>Aids & Adaptations</i> | 295,000 | 294,710 | 294,710 | 294,710 | 294,710 | 1,473,840 |
| <i>Windows & Doors Programme</i> | 778,150 | 1,030,070 | 1,030,090 | 906,690 | 906,690 | 4,651,690 |
| <i>External Walls Insulation & Rendering</i> | 600,000 | 499,500 | 499,500 | 499,500 | 499,500 | 2,598,000 |
| <i>Gas Heating & Distribution (Radiators)</i> | 627,800 | 730,060 | 730,060 | 730,060 | 730,060 | 3,548,040 |
| <i>Communal Boiler Replacements</i> | 450,000 | | | | | 450,000 |
| <i>Communal Areas Externals</i> | 200,000 | 199,800 | | | | 399,800 |
| <i>Fire Compartmentation Works</i> | | 272,950 | 272,950 | | | 545,900 |
| <i>Fire Doors - Replace all</i> | | 1,364,750 | 1,364,750 | | | 2,729,500 |
| <i>Fire Alarm -Communal Blocks</i> | 250,000 | | | | | 250,000 |
| <i>CCTV & Aerials</i> | 45,000 | | | | | 45,000 |
| <i>Major Void Retrofit to decarbonise</i> | 100,000 | 43,680 | 43,680 | 43,680 | 43,680 | 274,720 |
| <i>Decarbonisation (ASHP SUPPORT)</i> | 50,000 | | | | | 50,000 |
| <i>Gamesley</i> | 300,000 | 382,130 | | | | 682,130 |

| | 2023/24 £ | 2024/25 £ | 2025/26 £ | 2026/27 £ | 2027/28 £ | Total £ |
|--|------------------|------------------|------------------|------------------|------------------|-------------------|
| <i>Carpark/Externals</i> | | | | | | |
| <i>Void Rewires</i> | 25,000 | 25,120 | 25,120 | 25,120 | 25,120 | 125,480 |
| <i>Void Kitchens</i> | 25,000 | 25,120 | 25,120 | 25,120 | 25,120 | 125,480 |
| <i>Void Bathrooms</i> | 25,000 | 25,120 | 25,120 | 25,120 | 25,120 | 125,480 |
| <i>Insulation (Lofts & Walls)</i> | 100,000 | | | | | 100,000 |
| <i>External Works (Walls/Paths/Outbuildings)</i> | 150,000 | 149,850 | 149,850 | 149,850 | 149,850 | 749,400 |
| <i>Other Capital sums for Fire action</i> | 50,000 | | | | | 50,000 |
| <i>Radon Fans</i> | 50,000 | 49,950 | 49,950 | 49,950 | 49,950 | 249,800 |
| <i>Hartington Gardens Footbridge & Walkway</i> | | 272,950 | | | | 272,950 |
| <i>Unallocated/ Contingency</i> | 223,470 | | | | | 223,470 |
| Asset Management Works | 6,722,520 | 7,438,950 | 6,534,480 | 4,773,380 | 4,773,380 | 30,242,710 |
| <i>Decarbonisation (Mayoral - Devolution Fund)</i> | | 583,000 | | | | 583,000 |
| <i>Staffing /Commissioning</i> | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 500,000 |
| Commissioning / Decarbonisation | 100,000 | 683,000 | 100,000 | 100,000 | 100,000 | 1,083,000 |
| Vehicle Replacement | | 51,110 | | | | 51,110 |
| Re-Purchase Dwellings | 291,410 | 200,000 | 200,000 | 200,000 | 200,000 | 1,091,410 |
| ICT Housing System | | 188,000 | | | | 188,000 |
| Housing Refugees | 1,325,340 | 1,188,490 | | | | 2,513,830 |
| Total Programme | 8,439,270 | 9,749,550 | 6,834,480 | 5,073,380 | 5,073,380 | 35,170,060 |

ANNEX B

Chief Finance Officer's Review of Contingencies / Reserves

Chief Finance Officer's Section 25 Review

The purpose of this statement is to provide councillors with information on the robustness of the estimates and the adequacy of reserves in the Medium Term Financial Plan (MTFP).

Background

The Council sets its budget in February each year. In setting the budget the level of Council Tax and other fees and charges are established. Decisions are based on a budget that sets out estimates of what the Council plans to spend on each of its services in the forthcoming year.

The decision on the level of the income is taken before the financial year begins and it cannot be changed during the year, so allowance for risks and uncertainties that might increase service expenditure above that planned, must be made by:

- Making prudent allowance in the estimates for each of the services; and
- Ensuring that there are adequate reserves to draw on if the service estimates turn out to be insufficient.

Section 25 of the Local Government Act 2003 requires that the Council's Chief Finance Officer reports to Full Council when it is considering its Budget for the forthcoming financial year. The report must deal with the robustness of the estimates and the adequacy of the reserves allowed for in the budget proposals, so that councillors have professional, authoritative advice available to them when they make their decisions. Section 25 also requires members to have regard to this report in making their decisions.

Robustness of Spending Forecasts

Heads of Service in conjunction with the Council's Head of Finance monitor detailed budgets throughout the year. This enables additional service pressures to be identified on an on-going basis.

Reports are presented on a quarterly basis to the Corporate Select Scrutiny Committee and Executive. These reports highlight all variances between spending and budgets.

The proposal for the Budget for the forthcoming year and updated MTFP are based on analysis and assurances from Heads of Service and their finance support staff. Executive Portfolio Holders have worked with their respective Executive Directors throughout the process. Corporate Select members scrutinised the progress of spending throughout the year and received a report on the draft MTFP in the preceding November.

Extensive work has also been carried out to produce the MTFP. A range of broad assumptions have been utilised and robustly challenged as part of the process.

Forecasts take account of the financial commitments that emerge from the Council's Borough Plan.

The Council has taken all reasonable and practical steps to identify and make provision for the Council's commitments for the forthcoming years in order to achieve a balanced budget.

Robustness of Income Forecasts

The level of Council Tax has been established with reference to the maximum increase allowed without requiring a referendum. The forecasts of the business rates that will be retained by the Council have been calculated in line with the current Business Rates Retention Scheme. The forecasts taken account of the following:

- The baseline income set by government;
- Prudent forecast of the financial benefits of being a member of the Derbyshire pool arrangements;
- The award of reliefs and the receipt of Section 31 grants to compensate;
- Adequate provision to meet the impact of successful appeals; and
- Predicted levels of business rates income are based on known and expected changes to the business rates listing.

The level of fees and charges has been assessed in conjunction with Heads of Service. The proposed levels for the forthcoming year take account of the following factors in line with the Council's Charging Policy:

- 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; and
- Subsidies should be reconfirmed annually.

Key Budget Risks

Any changes by central government to local authority core funding and the Business Rates Retention Scheme, including resetting the baseline income, may have significant impact on the Council's finances. The provisional settlement only provides confirmation of the Council's funding for the first year of the MTFP.

The volatility of the national economic situation remains challenging and unpredictable. The potential impact of interest rates and inflation continues to be monitored.

Adequacy of Reserves

The Chartered Institute of Public Finance and Accountancy's (CIPFA) Local Authority Accounting Panel (LAAP) has a guidance note on Local Authority Reserves and Balances (LAAP Bulletin 77) to assist local authorities in this process. This guidance is not statutory, but compliance is recommended in CIPFA's Statement on the Role of the Finance Director in Local Government. It is best practice to follow this guidance.

The guidance however states that no case has yet been made to set a statutory minimum level of reserves, either as an absolute amount or a percentage of budget. Each Local Authority should take advice from its Chief Finance Officer and base its judgement on local circumstances.

Reserves should be held for three main purposes:

- A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of general reserves;
- A contingency to cushion the impact of unexpected events or emergencies – this also forms part of general reserves;
- A means of building up funds known as ‘earmarked reserves’, to meet known or predicted funding requirements.

The CIPFA Guidance highlights a range of factors, in addition to cash flow requirements, that Councils should consider including:

- The treatment of inflation;
- The treatment of demand led pressures;
- Efficiency savings;
- Partnerships; and
- The general financial climate, including the impact on investment income.

The guidance also refers to reserves being deployed to fund recurring expenditure and indicates that this is not a long-term option. If the Council chooses to use reserves as recommended within the Budget, appropriate action will need to be factored into the MTFP to ensure that this is addressed over time.

The risk assessment process has identified a number of key risks which could impact on the Council’s resources. The Council continues to face significant funding reductions and on-going budget pressures.

With these risks in mind, it is recommended that the Council adopts a policy for reserves as follows:

- Set aside sufficient sums in earmarked reserves that it considers prudent. These reserves are established as are required and are reviewed regularly for both adequacy and purpose and levels are reporting appropriately in line with the established reporting processes; and
- General Reserves are maintained to be at least at the level of the contingency requirement calculated with reference to LAAP Bulletin 77 and reported to Council as part of the approved MTFP.

Earmarked reserves have been established to provide resources for specific purposes.

Opinion

In my professional view, if the Council were to accept the current MTFP then the level of risks identified in the budget process, alongside the Council's financial management arrangements suggest that the level of reserves is adequate.

Martin Owen FCCA

Executive Director (Finance & Customer Services (S151 Officer))