

**COMMUNITY POLICY DEVELOPMENT GROUP  
16TH NOVEMBER 2021**

**MEDIUM TERM FINANCIAL PLAN – General Fund (GF), Housing Revenue Account (HRA) and Capital Programme**

**Cabinet Member** Cllr Andrew Moore, Cabinet Member for Finance  
**Responsible Officer** Andrew Jarrett – Deputy Chief Executive (S151)

**Reason for Report:** To present to Members the updated Medium Term Financial Plan (MTFP) which covers the period 2022/23 to 2026/27 and options available in order for the Council to set a balanced budget.

**RECOMMENDATION:** Members note the updated MTFP's and feedback to Cabinet their recommendations for resolving the forecast budget shortfall.

**Relationship to Corporate Plan:** The Medium Term Financial Plan (MTFP) sets out the financial resources available to deliver the Council's ongoing Corporate Plan priorities.

**Financial Implications:** The implications of the revised budget gap are set out within the paper. Many areas require greater clarity, therefore a number of key assumptions underpin the reported position, which will be refined as greater clarity is received through the budget setting process.

**Budget and Policy Framework:** The Council has an annual legal requirement to set a balanced budget. The MTFP provides an overarching steer of what the Council can afford to deliver over a rolling five year period and is instrumental in setting the budgetary context for next year's budget setting process.

**Legal Implications:** None directly arising from this report, although there is a legal obligation to balance the budget. There are legal implications arising from any future consequential decisions to change service provision, but these would be assessed at the time.

**Risk Assessment:** The MTFP makes a number of financial assumptions based on a sensible/prudent approach. The Council must ensure that the budget proposals are robust and achievable.

**Equality Impact Assessment:** No implications arising from this report.

**Climate Change Assessment:** Some provision has already been included in the base budget and further evaluation/consideration will be made as the draft budget process progresses. Significant investment is currently forecast within the Capital Programme, however this will be dependent upon full options appraisals and levels of Grant funding available.

- 1.1 The main purpose of the MTFP is to show how the Council will strategically manage its finances across the five year period 2022/23 to 2026/27 in order to support the delivery of the priorities detailed in the Corporate Plan. It collectively covers the General Fund, the Capital Programme and the Housing Revenue Account.
- 1.2 Members are referred to the MTFP report to 26 October 2021 Cabinet for greater detail. This report assumes that Members have read that report.
- 2.1 The starting base for the MTFP is the 2021/22 approved budget, which is then adjusted for any supplementary estimates approved by the Council or any significant budget variances identified in the monthly budget monitoring report to the Cabinet.
- 2.2 This base then has to be adjusted for unavoidable costs, such as, pay increases, inflation, service pressures associated with new legislation, a growing residential or business property base or improving performance, etc. The MTFP will also consider forecasts for investment receipts and income from fees and charges.
- 2.3 Finally the MTFP considers and makes assumptions regarding future levels of funding, in particular Council Tax including the potential growth in tax base, Business Rates again including any movement in the baseline as well as changes in the reliefs, multipliers and overall retention levels. Forecasts are also made for the likely level of future Central Government funding.
- 2.4 The key inflationary assumptions underpinning the General MTFP and an indication of their sensitivity to movements in the assumptions are:

<b>2022/23</b>	<b>Budget £k</b>	<b>Inflation Assumption %</b>	<b>2022/23 Forecast Financial Impact £k</b>	<b>1% Change £k</b>	<b>5% Change £k</b>
Staffing	12,660	3.75%*	475	127	633
NDR on Council Properties	703	1%	7	7	35
Gas	99	1%	1	1	5
Electric	293	1%	3	3	15
Water	148	1%	1	1	7
Members Allowances	323	3.75%*	12	3	16
Insurance	203	20%	41	2	10
Fuel	355	2%	7	4	18
Leisure Fees and Charges	(3,093)	3%	(93)	(31)	(155)
Support Service Recharge to HRA	(1,501)	3.75%*	(56)	(15)	(75)
<b>TOTAL</b>	<b>10,190</b>		<b>398</b>	<b>102</b>	<b>509</b>

2.5 The resulting forecast General Fund position is therefore:

2021/22		2022/23	2023/24	2024/25	2025/26	2026/27
£000		£000	£000	£000	£000	£000
11,870	<b>Expenditure</b>	11,651	11,612	11,909	12,041	12,335
(11,870)	<b>Funding</b>	(10,579)	(9,932)	(10,178)	(10,429)	(10,692)
0	<b>Annual Shortfall</b>	<b>1,072</b>	<b>607</b>	<b>52</b>	<b>(119)</b>	<b>30</b>
0	<b>Cumulative Shortfall</b>	<b>1,072</b>	<b>1,680</b>	<b>1,732</b>	<b>1,612</b>	<b>1,643</b>

2.6 There are still some fundamental issues that have not been resolved that may either improve or worsen the summary budget that can be summarised as follows:

- Impact of the Comprehensive Spending Review (SR21) and the Autumn Budget and their consequences for the Local Government Financial Settlement due in December;
- Changes to Central Government funding schemes including New Homes Bonus and Business Rate allocations/mechanics;
- Longer term implications of Covid-19
- Ongoing service reviews (including changes to fees and charges) as services look to improve the efficiency and effectiveness of their delivery.

2.7 The specific Service Units within the General Fund budget and the current projection of their 2022/23 budget is included within **Appendix 1**.

2.8 During the summer, Leadership Team and services have been reviewing a range of budget options that could be considered in order to help mitigate that remaining budget shortfall across the five years of this MTFP. This also includes some possible additional costs that could arise. These Budget Options can be found in **Appendix 2** and will form the basis of the Committee's discussions. In addition, the Committee is asked to identify further options to resolve the immediate budget gap for 2022/23 and future years.

3.1 The Capital Programme includes new bids for capital funding to support new programmes as well as 'rolling' items already highlighted in the current year's Capital Programme. In February, Members will be asked to approve the Year 1 programme and note the indicative future years.

3.2 The table below shows the capital funding position during the life of the MTFP:

## MTFP Capital Programme

2021/22		2022/23	2023/24	2024/25	2025/26	2026/27
£000		£000	£000	£000	£000	£000
	<b>General Fund:</b>					
<b>10,755</b>	<b>Capital Requirement</b>	<b>25,158</b>	<b>38,293</b>	<b>17,013</b>	<b>14,050</b>	<b>7,574</b>
	<b>Funded by:</b>					
2,094	Existing Funds	14,360	15,386	1,698	665	644
8,661	PWLB Borrowing	10,798	22,907	15,315	13,385	6,930
<b>10,755</b>	<b>Total Funding</b>	<b>25,158</b>	<b>38,293</b>	<b>17,013</b>	<b>14,050</b>	<b>7,574</b>
	<b>Housing Revenue Account:</b>					
<b>6,950</b>	<b>Capital Requirement</b>	<b>29,462</b>	<b>19,930</b>	<b>17,790</b>	<b>21,830</b>	<b>17,100</b>
	<b>Funded by:</b>					
3,733	Existing Funds	10,237	10,175	10,266	10,667	9,272
3,217	PWLB Borrowing	19,225	9,755	7,524	11,163	7,828
<b>6,950</b>	<b>Total Funding</b>	<b>29,462</b>	<b>19,930</b>	<b>17,790</b>	<b>21,830</b>	<b>17,100</b>
<b>17,705</b>	<b>Overall Capital Requirement</b>	<b>54,620</b>	<b>58,223</b>	<b>34,803</b>	<b>35,880</b>	<b>24,674</b>
<b>17,705</b>	<b>Overall Funding</b>	<b>54,620</b>	<b>58,223</b>	<b>34,803</b>	<b>35,880</b>	<b>24,674</b>

- 3.3 This forecast shows a marked increase in the borrowing requirement over the duration of the MTFP. This is largely due to a significant plan to increase the HRA Housing stock through the HRA and plans to fund housing developments through 3Rivers. Similarly, a number of bids are included that will help the Council deliver its commitment to climate change and reducing carbon emissions.
- 3.4 The specific schemes related to this committee are shown in **Appendix 3**.
- 3.5 The Committee is asked to review the bids and feedback to Cabinet any recommendations to increase/reduce them and any alternative options for Cabinet to consider.
- 4.1 The HRA is a ring-fenced account within Mid Devon's financial accounting system. This means that a balanced budget must be set each year including all income and expenditure pertinent to the Council's landlord function and excluding all other income and expenditure (since this would be captured as part of the General Fund budget).
- 4.2 Within the HRA MTFP assumptions have been included for inflation broadly in line with those included in the General Fund. In addition, funding is included to address costs arising from new legislation post Grenfell, the recommendations from the recent Fire Assessment Audit and Carbon reduction, the latter being offset by assumed external funding. A prudent assumption of a 3% rent increase has been applied in 2022/23 allowing for the ongoing impact of Covid-19 and economic constraints.

4.3 The draft HRA MTFP for 2022/23 to 2026/27 is summarised below:

2021/22		2022/23	2023/24	2024/25	2025/26	2026/27
£000		£000	£000	£000	£000	£000
7,059	Direct Expenditure	7,978	8,137	8,348	8,564	8,787
(13,218)	External Income	(13,576)	(14,247)	(14,824)	(15,692)	(16,273)
<b>(6,159)</b>	<b>Net Cost Of Services</b>	<b>(5,598)</b>	<b>(6,110)</b>	<b>(6,476)</b>	<b>(7,128)</b>	<b>(7,486)</b>
6,159	Indirect Expenditure	5,499	6,109	6,775	7,196	7,705
<b>0</b>	<b>Budget (Surplus) / Deficit</b>	<b>(99)</b>	<b>(1)</b>	<b>299</b>	<b>68</b>	<b>219</b>
<b>0</b>	<b>Cumulative (Surplus) / Deficit</b>	<b>(99)</b>	<b>(100)</b>	<b>199</b>	<b>267</b>	<b>486</b>

4.4 The full HRA HTFP can be found in **Appendix 4**.

4.5 There is a marked increase in the cost of Capital Financing reflecting the proposed investment in housing shown in the Capital Programme. Assumptions have been made on the opportunity to increase the number of units, the cost of these units, the timing of the build programme, and the impact on the HRA finances including debt financing and additional rental income generated based upon Social Rent.

4.6 Overall this shows that only the first two years of the forecast is able to generate a surplus and therefore contribute to the Housing Maintenance Fund (HMF). In the remaining years there is a deficit that needs to be addressed, rising to £486k if no remedial action is taken.

4.7 The Committee is asked to review the HRA MTFP and feedback to Cabinet any recommendations for Cabinet to consider.

5.1 Having a realistic financial plan for the next five years will enable the Council to ensure it is allocating its limited financial resources to its key priorities. The current Corporate Plan sets out the Council's goals/objectives and must clearly be matched by the financial resources that are available.

5.2 Members of the committee are invited to review the financial position and recommend to Cabinet ongoing options that might address the forecast budget shortfalls.

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