

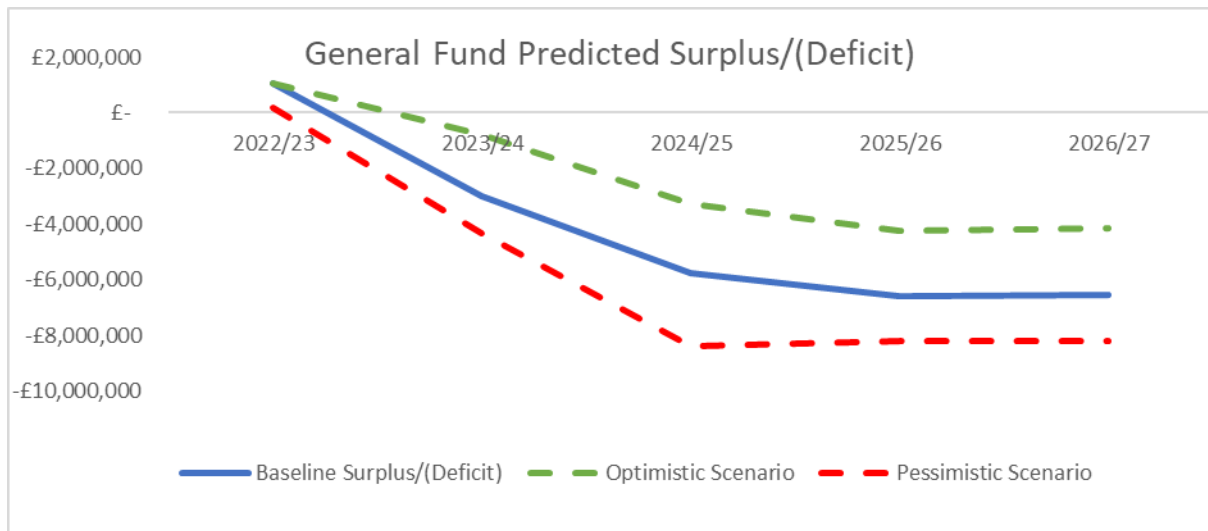
<b>Title of Report</b>	<b>2022 - 2027 MEDIUM TERM FINANCIAL PLANS</b>	
<b>Presented by</b>	Councillor Nicholas Rushton Corporate Portfolio Holder	
<b>Background Papers</b>	<a href="#">Review of Medium Term Financial Plan</a> – Cabinet – 21 September 2021	<b>Public Report:</b> Yes
		<b>Key Decision:</b> Yes
<b>Financial Implications</b>	<p>The report sets out the medium-term financial position for both the General Fund and Housing Revenue Account.</p> <p>The plans have been updated for the latest budget position and continue to show the significant uncertainty around the general fund’s medium term position – with structural deficits arising within the medium term overall both optimistic and pessimistic scenarios.</p> <p>The HRA, as a self-financing account, remains healthy with significant contributions to the capital programme and small surpluses expected each year.</p>	
	<b>Signed off by the Section 151 Officer:</b> Yes	
<b>Legal Implications</b>	There are no direct legal implications.	
	<b>Signed off by the Monitoring Officer:</b> Yes	
<b>Staffing and Corporate Implications</b>	There are no direct staffing implications, although the forecast financial position on the general fund will have significant corporate implications if the funding risks identified in the report materialise.	
	<b>Signed off by the Head of Paid Service:</b> Yes	
<b>Purpose of Report</b>	To present Members with a Medium Term Financial Plan that aligns to the proposed General Fund and Housing Revenue Account budgets for 2022/23 and beyond.	
<b>Reason for Decision</b>	For Members to be aware of the medium-term financial position when considering the 2022/23 final budgets.	
<b>Recommendations</b>	<b>THAT CABINET NOTE THE COUNCILS REVISED MEDIUM TERM FINANCIAL PLANS</b>	

## 1.0 BACKGROUND

- 1.1 The Council's Medium Term Financial Plans were last considered by Cabinet on 21 September 2021, when the underlying assumptions were updated to inform the approach to setting the 2022/23 budget. That report set out that the Council faces uncertainty in the medium-term, particularly with regards to the General Fund's funding position, and noted the importance of continuing preparations that give the Council agility to respond quickly if the risks identified do materialise.
- 1.2 This report provides Cabinet with medium term financial plans for both the General Fund and HRA, reflecting the changes arising from the Local Government Finance Settlement and the year's budget setting process.

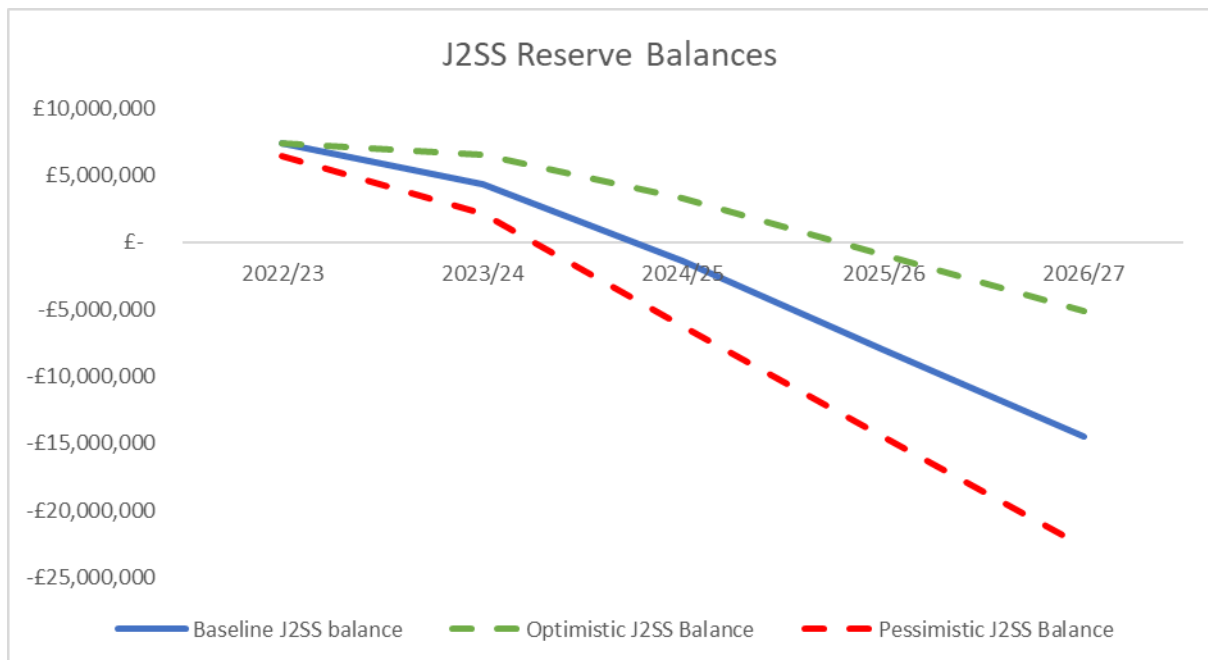
## 2.0 GENERAL FUND MEDIUM TERM FINANCIAL PLAN

- 2.1 The Local Government Finance Settlement was broadly as anticipated in the previous iteration of the medium term financial plan, with Government protecting local authority's spending powers in a one year settlement. This was achieved by continuing with the New Homes Bonus for another year and introducing a one-off Service Grant for 2022-23.
- 2.2 This settlement means the General Fund remains healthy for 2022-23, with a significant budget surplus expected. However, the short-term nature of the settlement suggests that Government will look to complete its review of local government funding in 2022, with the latest reports suggesting a consultation will start in spring this year. The outcome of this consultation will be critical to North West Leicestershire District Council's financial resilience, as the Council is particularly vulnerable to potential changes to the business rates baseline and New Homes Bonus.
- 2.3 The medium term financial plan looks to recognise the uncertainty caused by the pending government funding by setting out a range of potential scenarios. These are set out in the graph below, and are based on the following assumptions:
  - **Baseline scenario:** Council tax base growth at 1.26% a year with a council tax freeze. Business rates grow at 0.7% a year with the New Home Bonus ceasing in 2022/23. All Journey to self sufficiency savings are met and transitional support is provided by Government on 90% of losses.
  - **Optimistic scenario:** Council tax growth rate increases from 1.26% per year to 2.15%, with the Council increasing council tax by the maximum amount from the next election. Business rates grow at 2% a year and Government provides transitional support on 95% of losses. All Journey to self sufficiency savings are met, the new homes bonus continues for the 5 year period.
  - **Pessimistic scenario:** Council tax base grows at 1.26% a year and the council tax freeze remains, but collection rates drop by 1%. Business rates do not grow and there is no further New Homes Bonus. Journey to self sufficiency savings do not materialise, and the transitional support provided by Government only compensates the council for 80% of losses.



2.4 As was the case in the September 2021 review, there is a downward trajectory expected for the General Fund surpluses, with deficits expected in all scenarios over the medium term. The point at which deficits are expected to occur has come forward by a year, caused by increasing cost pressures identified through the budget setting process. The anticipated structural deficit is around £6.8 million.

2.5 The Journey to Self Sufficiency reserve, which is forecast to be £6.3 million at the end of March 2022, is set aside to fund deficits when they arise. The scale of the current forecast deficit would lead to these reserves being fully used in the 2024/25 financial year in the baseline scenario based on the Council's current plans if no further action is taken.



2.6 The Journey to Self Sufficiency Programme will address the structural deficit as highlighted in the above analysis. This Strategy will be updated and presented to Cabinet and Council over the next few months, alongside a revised Medium Term Financial Strategy which will take account of the Government's imminent fair funding review and its impact on the Council's future funding.

### 3.0 HOUSING REVENUE ACCOUNT MEDIUM TERM FINANCIAL PLAN

3.1 Since Cabinet last reviewed the HRA medium term financial plan in September 2021, the rent increase has been confirmed at 4.1%, which is 1.4 percentage points above the previously anticipated amount. This more favourable rent increase has been built into the HRA budget for 2022/23, and has the effect of increasing rents over the medium term, as a result of the higher rent compounding over the five years.

3.2 The table below sets out the revised medium term financial position for the HRA based on the latest budget figures, and it shows the HRA making modest surpluses in each year over the period and £21.1 million of contributions to the capital programme.

	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	TOTAL £'000
Surplus/(Deficit) before adjustments	3,290	3,792	3,817	3,913	3,867	<b>18,679</b>
Revenue contributions to capital outlay	(3,550)	(4,250)	(4,364)	(4,390)	(4,590)	<b>(21,144)</b>
Planned Journey to Self-Sufficiency Savings	325	575	625	900	900	<b>3,325</b>
<b>Predicted Surplus/(Deficit)</b>	65	117	78	423	177	<b>860</b>

3.3 The HRA capital programme now includes a £20.5 million five-year programme for reducing the carbon footprint of our council homes. This has put significant pressure on the medium term financial position, and the budget reports set out a need to borrow £9.1 million to fund the capital programme over the five years, although this may reduce if the Council received more funding from Government for this work. A potential new decent home standard and the social housing white paper are the remaining known emerging priorities that could have a significant impact on the HRA in the medium term.

<b>Policies and other considerations, as appropriate</b>	
Council Priorities:	The medium term financial plans seek to understand the amount of resources available to the Council to deliver its priorities in the future.
Policy Considerations:	Not applicable.
Safeguarding:	Not applicable.
Equalities/Diversity:	Not applicable.
Customer Impact:	Not applicable.
Economic and Social Impact:	Not applicable.
Environment and Climate Change:	The plans set out in this report do not fully reflect the potential effort required to make the Council zero carbon by 2030. A £1 million reserve was created to fund initial works, of which £409,000 remains unallocated, but there is likely to be further financial resources required in the run up to 2030 to meet this target.
Consultation/Community Engagement:	Not applicable.
Risks:	As part of its Corporate Governance arrangements, the Council must ensure that Risk management is considered and satisfactorily covered in any report put before elected Members for a decision or action.
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