

MEDIUM TERM FINANCIAL PLAN 2022 ONWARDS

1. Recommendations

- 1.1 Cabinet are asked to recommend to Council;
- a) That the revised MTFP forecasts, as outlined within the report and appendices be adopted;
 - b) That the options identified to close the budget gap for 2023/24 and through to 2026/27 are developed further;
 - c) That the Fees and Charges Policy set out in section 4e of the report be adopted; and
 - b) That the reporting timeline as set out in section 6 be agreed

2. Purpose of Report

- 2.1 To consider the initial development of the Medium-Term Financial Plan 2022 onwards for the General Fund and consider the factors that will influence its delivery and that of the annual budget strategy 2023/24.
- 2.2 To consider the initial development of the Housing Revenue Account Budget for 2023/24 and confirm the factors that will influence the delivery of the Housing Revenue Account over a longer-term period.

3. Background

- 3.1 The Council's financial strategy seeks to align available financial resources to corporate priorities and achieve a balanced budget through the crystallisation of efficiencies from all services, supported with the targeting of new and additional income generation. Financial stability over the medium-to-long term has underpinned the Council's financial strategy, with due consideration being given to the potential implications that the Fair Funding Review, Business Rate Reset, and national rent setting policy will have on this Council. The Council has understood the need to consider its overall organisational business model in order to ensure the future protection of its services and aligns the financial plan to ensure its delivery of key priorities as outlined in the Corporate Plan.
- 3.2 Actions need to commence on the development of future years' budgets. To support this work, it is necessary that an assessment is made of the likely financial scenario based upon latest available information. To help support the important work of Portfolio Holders and officers in developing future plans, the future outlook and the current uncertainties are set out within this report and a prudent forecast set out through the appendices.
- 3.3 The announcement of yet another 1-year General Fund funding settlement for 2022/23 did not come as a surprise considering pressures faced by the Government during 2021/22. It is unlikely that the long-awaited Fair Funding Review will come into effect

from 2022/23, and prior to his departure from the Department for Levelling Up, Housing and Communities, the then Secretary of State announced a 2-year finance settlement would be forthcoming, with an assumption that this would relate to 2023/24 and 2024/25. The Business Rate Retention Scheme is still under review within the context of the Fair Funding Review. The expectation is that this will still be based on a hard reset with partial redistribution of the national surplus, and a revised retention scheme (currently a 50% retention scheme, with the District Council retaining 40% of Business Rate growth).

3.4 Economic Commentary

3.4.1 UK CPI was 0.7% in March 2021 but thereafter began to steadily increase. Initially driven by energy price effects and by inflation in sectors such as retail and hospitality which were re-opening after the pandemic lockdowns, inflation then was believed to be temporary. Thereafter price rises slowly became more widespread, as a combination of rising global costs and strong demand was exacerbated by supply shortages and transport dislocations. The surge in wholesale gas and electricity prices as well as the concern about further supply chain disruption due to Russia's invasion of Ukraine and recent Covid-19 developments in China led to elevated inflation expectations and 12-month CPI inflation rose to 9.0% in April 2022.

3.4.2 In efforts to bring inflation down the Bank of England's Monetary Policy Committee (MPC) increased Bank Rate from 0.10% to 0.25% in December 2021, with further increases to 0.50% in February 2022, 0.75% in March, 1.00% in May, 1.25% in June and now 1.75% in August.

3.5 The significance of the National Employers Pay Award final offer for 2022/23 has been reflected in this Medium-Term Financial Plan, at an additional cost of £900,000 to the General Fund, and £300,000 to the Housing Revenue Account. Whilst it is hoped that additional government funding will be forthcoming to support this level of pay award, this is not currently assumed within the funding forecast.

3.6 The General Fund Medium Term Financial Plan has been populated using the most up to date information currently available covering the period to 2026/27. The effect of the Fair Funding Review and final design of the Business Rate Retention Scheme as outlined in 3.3, including the timing of the initial reset, and frequency thereafter of partial or full resets, and the ultimate proportion of rates to be retained by the District Council, has the potential to significantly amend the funding figures currently forecast.

3.7 The Housing Revenue Account section of the report sets out the specific and unique challenges faced by this ring-fenced account, and begins to introduce some of the key considerations, including rent levels, that need to be factored into the production of a balanced budget for 2023/24, and over the medium-long term.

3.8 The Council's overall financial planning needs to take into account inflation and the current cost of living faced by its residents and tenants when making difficult decisions on proposed Council Tax, Rent and Fees and Charges.

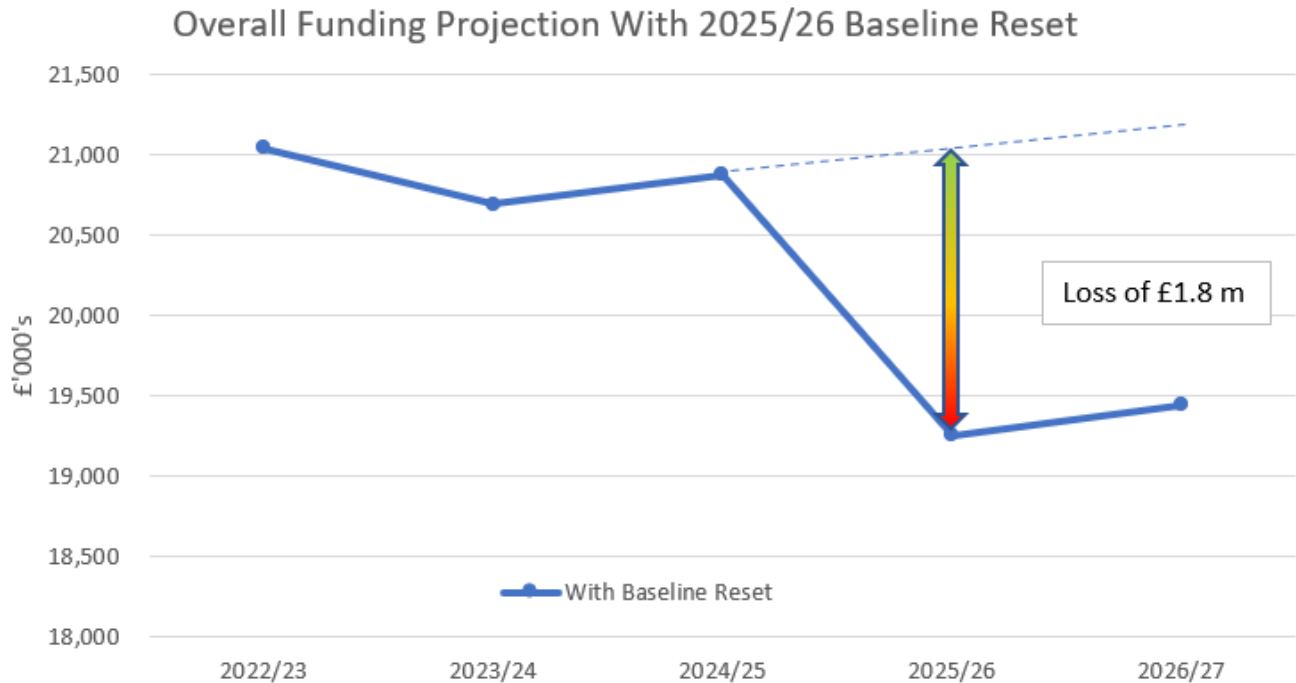
3.9 The report hereafter is split into 2 distinct sections before concluding as a single item. **Section 4 considers the General Fund**, and **Section 5 considers the Housing Revenue Account**.

Section 4: The General Fund

4a. Funding Assumptions over the Medium Term

- 4a.1 Ongoing annual funding support from Central Government, other than the Business Rate Retention scheme, is still uncertain. The 2022/23 settlement included a lower-tier services grant and a one-off services grant. The latter was in recognition of the additional burden placed on authority finances as a result of the increase in National Insurance from April 2022. The Council also received New Homes Bonus (NHB) in 2022/23, although the future of this funding stream is also uncertain. No further funding from NHB or services grants is currently included within the MTFP forecast.
- 4a.2 The assumptions on Business Rate funding will require updating as the ongoing work taking place at the DLUHC on the revisions to the Business Rate Retention Scheme continues. At present, the base scenario has been prepared on the basis that a hard baseline reset will take place in 2025/26 with the loss of c£2.2 million of accumulated growth, partially offset by a redistribution of £400,000 to this Council. In planning for this hard reset, and in recognition of how the Business Rate collection fund can fluctuate year-on-year, the Council established a Budget Equalisation Reserve and has utilised this reserve in addressing budget fluctuations since 2017/18. Although changes to the business rate system could be implemented in isolation of the spending review, this is considered unlikely.
- 4a.3 The results from the 2021 census is also likely to have an impact to the Settlement Funding Assessment (SFA) for the Council. The SFA essentially determines funding assumptions on a per head basis and is used within the core funding formulae used by the Treasury and DLUHC in determining finance settlements. The district saw a reduction in population of 0.38% in comparison to 2011. Whilst this might not appear significant, the overall increase in England was 6.56%. Whilst other areas then will see an increased funding need reflected in their SFA, the SFA for the district will decrease.
- 4a.4 It is almost certainly too early to reflect the 2021 census outcome in the SFA for 2023/24 and considering it's likely to be a 2-year settlement, this pushes the impact back a further year, to 2025/26.
- 4a.5 The Financial plan for 2023/24 is assuming the removal of the services grants and the removal of NHB as a funding settlement source from 2023/24. Financial support through these funding streams totalled £825,000 in 2022/23, so any form of continued funding from these streams built into the next funding settlement would be very welcome.

4a.6 The following graph demonstrates the base funding scenario:



4a.7 The Council's base budget for 2022/23 also includes Flexible Homelessness Support Grant and specific other homelessness prevention grants, totalling £974,000. For the time being, the base scenario assumes the grants will be static over the period, and the removal of one-off increased expenditure that was included within the 2022/23 budget.

4b. Budget Requirements over the Medium Term

4b.1 Pay & Price Increases

4b.1.1 Increases in costs are expected to total £3.625 million over the next 4 year period.

The assumptions include the following areas of pay and price increases;

- Annual Pay Award of 2% per annum
- An additional pay award allowance for 2022/23 to reflect the Employer offer made on 25th July 2022 (£900,000), with additional growth in 2023/24 to reflect the current cost of living and National Living Wage growth, potentially to £11.50.
- Incremental progression, including additional costs in 2023/24 and 2024/25 as a result of the impending pay spine review for bands 1-8.
- Fuel and Energy Cost Increases – one-off increase to 2023/24, with an assumption that prices resettle, and so price deflation in these areas negates the need for future increases over the MTFP period.
- As identified elsewhere on the Cabinet Agenda, particular pressures exist within Vehicles & Plant prices, which will result in an increased annual revenue cost as the assets are written down over their useful life.

4b.1.2 During 2022 the Pension Fund actuary will conduct their 3 yearly triennial review. The result of which will determine the primary and secondary employer contribution rates for this Council for 2023/24 – 2025/26. The Council has retained a budget of £1.25 million within its General Fund on the assumption that a secondary rate might be re-introduced by the actuary and approved by the scheme administrator when the 2022 triennial review is completed. Future MTFP updates will report on the implications of this 2022 valuation once known.

4b.2 Budget Adjustments Relating to one-off Items

4b.2.1 There are a few items included within the MTFP that are short-term / one-off items. Shown within appendix 1, these result in a decrease in budget requirement of £256,000 to 2023/24.

4b.3 Ongoing Savings

4b.3.1 The plan also includes assumptions as a result of decisions and reviews that have commenced in prior years or where work is currently underway. These adjustments contribute £425,000 towards the ultimate achievement of a balanced budget for 2023/24. Further assumptions are made in terms of additional contributions that will further support the 2023/24 budget preparation, and which extend over the life of the MTFP; these are covered in section 4c of this report. The savings already in play can be populated as follows and currently include:

Table 1

| Theme | Specific Item | 2023/24 Assumption |
|-----------------------|----------------------------------|--------------------|
| Delivery Model Review | Electoral Review of the District | 80,000 |
| Efficiency & Yield | Nil | Nil |
| Strategy Investment | Commercial Property | 170,000 |
| Payback | - Parking Clocks | 150,000 |
| | - Digital Services Business Case | 25,000 |
| Windfall | Nil | Nil |
| | | 425,000 |

4b.4 New Budget Requirements and Alignment of Budget to Priorities

4b.4.1 The 2022/23 budget included a one-off £200,000, to supplement the new on-going £250,000 sum to prioritise resources to the delivery of corporate plan priorities. The one-off sum is being removed from the 2023/24 budget. The on-going budget has been allocated as follows;

Table 2

| Investment in Delivery of Corporate Plan Objectives; ongoing funding | 2022/23 | 2023/24 |
|---|---------|---------|
| Communications and Digital Assistant | 24,000 | 32,000 |
| Climate and Nature Emergency Manager | tbc | 70,000 |
| Service Manager - Regeneration & Growth | tbc | 83,000 |
| Town Centre Regeneration Manager | tbc | 66,000 |
| | <hr/> | |
| | 24,000 | 251,000 |

4b.4.2 The Senior Leadership review confirmed tier 2 savings would be made at £80,000, but it was envisaged that additional investment in the wider leadership team may result in up to £200,000 being required within the establishment. The net impact of £120,000 is therefore included within the 23/24 assumptions with 50% to the GF, and 50% to the HRA (for the purposes of this initial high-level forecast).

Waste Collection

4b.4.3 Discussions have been ongoing with the County Council, and the Councils across Hampshire have all now signed up to a Joint Municipal Waste Management Strategy. The County Council are still proposing changes to long-standing arrangements, above the loss of recycling credit income that the Council lost (to the County) from April 2021. The proposals being outlined by the County would further reduce the Council's recycling income and would introduce contaminated waste charges. A financial impact of £400,000 has been allowed for within the MTFP, although updated forecasts will be presented within future MTFP updates pending ongoing discussions with the County Council.

4b.4.4 The newly adopted Waste Strategy included some key financial assumptions around new burdens funding, the Extended Producer Responsibility scheme and the Deposit Return Scheme, all of which will play a part in absorbing additional forecast costs, and potentially current costs of waste and recycling collection. No further information is known at this stage, so the working assumption of the strategy that new costs will be offset will be maintained within this initial MTFP. To re-confirm the expected key expenditure forecasts, as included within the Waste Strategy;

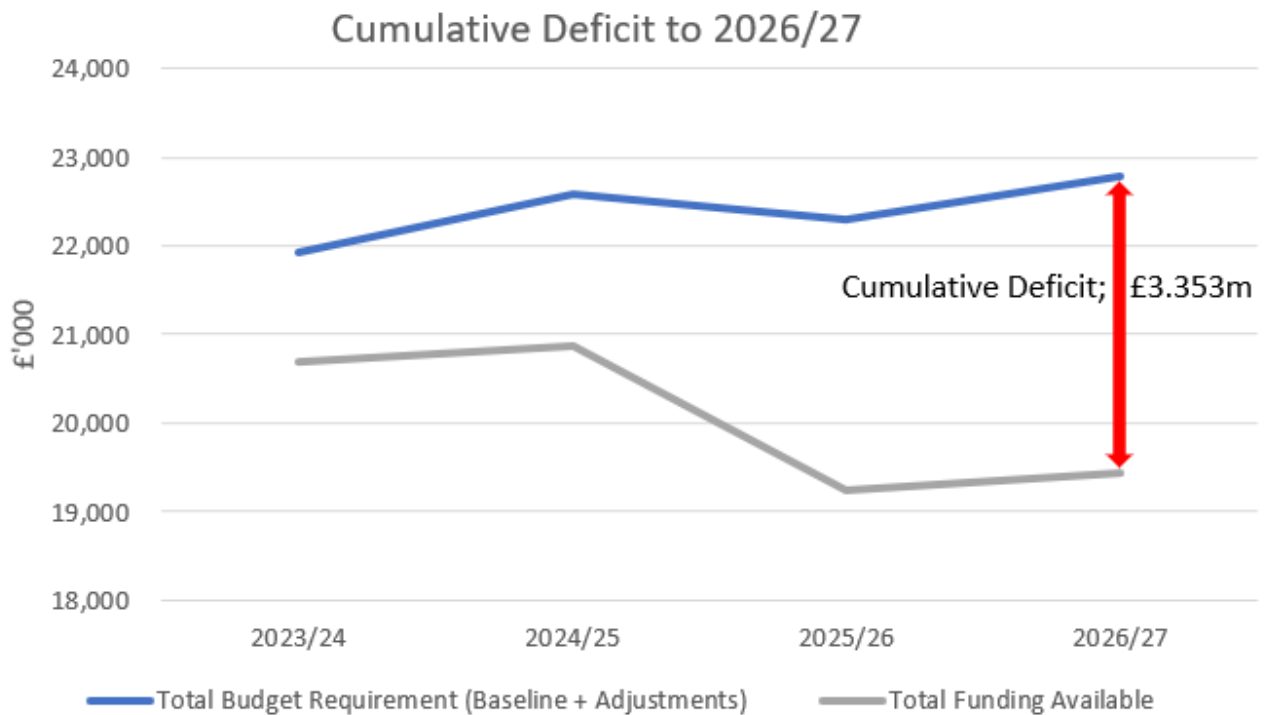
- The additional annual cost of separate food waste collection is forecast at £1.612m
- The reduced collection cost as a result of changing to an alternate weekly collection cycle is forecast at £342,000.

4b.4.5 Resourcing is becoming more difficult within the Waste Collection service as competition for HGV drivers continues. The Council's Medium Term Financial Plan may need to take account of additional market forces in order to support a sustained and consistent waste service. The new waste strategy will help, as the manual loading requirement reduces, but the delivery of the new service is too far away not to have some interim measures in place. These measures will be explored over the summer, with financial implications picked up in further Medium-Term Financial Plan reporting.

4b.5 Income Recovery

4b.5.1 The income at the leisure centres is projected to improve back to pre-covid level over the next couple of years. This is reflected in the management fee arrangements the Council has with Freedom Leisure.

4b.6 **The overall forecast deficit taking into the account the funding assumptions and necessary budget movements totals £1.229 million for 2023/24, increasing to a cumulative £3.353 million by 2026/27.** For valuable context, the General Fund budget set for 2021/22 was £20.674 million, so the deficit represents a gap equivalent to 16%. It is vitally important that the Council continues to pro-actively address this funding deficit which will undoubtedly include difficult decisions on service delivery, Council Tax and Fees and Charges yield over the period.



4c. Financial Strategy and Options Identified to Address the Budget Deficit

4c.1 In order to address the forecast deficit to 2026/27, the Council's financial strategy over the medium-term period extends to:

- The development and delivery of a structured approach to Council wide Transformation for the purposes of delivering a more cost-efficient Council (covered in more detail in para 4c.4). This will include, for example;
 - The identification and delivery of service reviews ensuring a commitment towards efficient and effective delivery of Council Services, placing less reliance on government support and funding from the taxpayer
 - Identifying new partnering and collaboration opportunities with others to transform service delivery
 - The alignment of the budget to the Council's Corporate Plan and essential services
 - Getting best value from Council assets and considering the impact of new ways of working in refreshed people and accommodation strategies.
- The release of accrued short-term reserve balances to assist in the damping of the Fair Funding Review (and impact this has specifically to retained business rates) as necessary,
- The utilisation of reserve balances (and when necessary external borrowing) to invest in assets and assist in supporting a vibrant and robust New Forest Economy, whilst targeting valuable additional income,
- Ensuring strategies developed through the corporate framework appropriately feed into the Council's financial strategy; and
- Invest in a Cleaner Greener approach to financial planning and spending.

4c.2 **The options identified** as shown within table 3 (and Appendix 3) include:

- The Generation of additional net income through the delivery of the Property Strategies. As well as having significant economic and social benefits, the Commercial and Residential Property Strategies are also targeted to generate further net income of £650,000 by the commencement of 2025/26.
- An efficiency / fees and charges yield programme, targeted at £1.2 million over the MTFP period, with £300,000 included within annual options assumptions.
- The continuation of Council Tax increases over the period has the potential to generate an additional annual income of £1.470 million by 2026/27.
- The Budget Equalisation Reserve balance of £2.699 million is available to plug short term budget gaps. Use of this reserve is only a short-term fix however, as reserves can only be used once, they do not represent a long-term fix to the deficit over the period.

Table 3

| Theme | Specific Item | 2023/24 Potential | Further MTFP Assumption |
|--------------------------|----------------------|-------------------|-------------------------|
| Strategy Investment | Comm & Resi Property | 150,000 | 500,000 |
| Efficiency & F&C's Yield | | 300,000 | 900,000 |
| Council Tax - 23/24 | £5 or x% | 363,000 | |
| Council Tax - 24/25 | £5 or x% | | 366,000 |
| Council Tax - 25/26 | £5 or x% | | 369,000 |
| Council Tax - 26/27 | £5 or x% | | 372,000 |
| | | 813,000 | 2,507,000 |

4c.3 **It will be a significant challenge to deliver the sum of options currently identified at £3.230 million.** There is plenty to be done, and difficult choices to be made to crystallise the options that will ultimately support the delivery of a balanced budget over the Medium Term. It is likely that the budget equalisation bridging reserve will be required over the Medium-Term period.

4c.4 Transformation Framework

4c.4.1 To deliver the options required to support the Council in achieving the Medium-Term Financial Strategy and to ensure the Council remains lean, adaptable to change and an employer of choice, there are several individual workstreams being developed that will be brought together under an umbrella Transformation Framework. The workstreams include;

- Community Insight
- People
- Accommodation
- Digital
- Business and Service Reviews
- Delivery

4c.4.2 The framework and its objectives, **including an assessment on upfront costs** to achieve the desired outcomes and drive the future efficiency savings, will be fully introduced in a separate report to the Cabinet later in 2022.

4d. Council Tax Premiums

4d.1 As part of the draft Levelling Up and Regeneration Bill announced by Government as part of the May 2022 Queens Speech, the Government set out two significant changes in respect of council tax. 1) To reinforce the incentive for owners to bring empty properties back into use, to reduce the qualifying period for the 100% empty homes' premium from two-years to one-year from 1 April 2024 onwards. 2) To support councils in addressing the impact of second homes, to provide authorities the power to levy a council tax premium of up to 100% on dwellings occupied periodically (there is no resident of the dwelling, and the dwelling is substantially furnished). To levy the premium an authority will need first to make a determination at least one-year before the beginning of the financial year to which it relates. Therefore, the financial year 2024/25 is the first year it could be applied from provided the determination is made by 31 March 2023. To enact the determination the authority must publish a notice in at least one local newspaper 21 days before the determination date.

4d.2 The MTFP assumes that the Council will look favourably on revenue raising powers made available to it by Central Government and will seek to include the positive financial impact of any legislative changes within future iterations. At this time, acknowledging that the Levelling Up and Regeneration Bill is yet to be passed by Government, and may change with the new administration, so no tangible financial assumption has been included, instead this matter is included within the 'Potential Impacts' under the Options Identified to close the budget shortfall (appendix 3).

4d.3 The current estimate is that, if endorsed, the council will generate an extra £8,500 from the empty home's premium and £272,000 from the second homes premium. The estimate has been arrived at by taking 75% of the current assumed position and allowing for extra administration costs.

- 4d.4 This estimate will be subject to significant further due diligence especially in respect of the interpretation of what will be classified as a second home and how the categorisation is determined. The forecast has been constructed based on local knowledge around homes that according to our records are unoccupied but furnished. There is currently no incentive for homeowners to make the council aware that a property is a second homes as they pay the same council tax rate as if it was their main residence.

4e. Fees and Charges Policy 2023

- 4e.1 Fees and Charges have a significant role to play in assisting the Council achieve a balanced budget, and in providing the necessary finance for service enhancements. The Council aspires to continually develop and improve front line service delivery and continue to offer more to the residents and visitors of the New Forest.
- 4e.2 All Portfolio Holders will be asked to review their discretionary fees and charges annually to ensure they remain competitive, and to ensure they provide income growth to account for increased costs in running and delivering services.
- 4e.3 Fee decisions **for 2023** (an in-year decision), up to the most recently published CPI rate of inflation, will be taken as a Portfolio Holder Decision. Any proposals outside of this rate will be referred to the Council for a decision.
- 4e.4 Fee decisions **for 2023/24** for implementation from 1 April 2023 will be included within the February 2023 Budget setting report, with a decision on charges being made by the Council.
- 4e.5 Fee decisions **for 2023/24** for implementation after 1 April 2023 (an in-year decision), up to the most recently published CPI rate of inflation, will be taken as a Portfolio Holder Decision. Any proposals outside of this rate will be referred to the Council for a decision. The decisions taken by Portfolio Holder will be reported to the Council at the earliest opportunity.

4f. Budget Consultation

- 4f.1 The Corporate Affairs and Local Economy Overview and Scrutiny Panel established a Financial Strategy Task and Finish group when the panel met in July. The group is set to run between September and October. Feedback from the Group will be given to panel at its meeting in November.
- 4f.2 The Corporate Affairs and Local Economy Overview and Scrutiny Panel will also receive a budget report in September. The report will be designed to ensure the panel can provide scrutiny on the assumptions included within the MTFP and provide commentary on the financial strategy and planning adopted by the Council. In keeping with prior years, prior to the adoption of the budget by Council in February, the panel will also receive an overview of a few specific and key variable elements within the budget, namely the asset maintenance and replacement programme, and Capital programme.
- 4f.3 The Council is required to run an annual budget consultation with business rate payers. An approach will be developed over the summer, with a view to running a consultation around October / November. The Financial Strategy Task and Finish group will help to shape the content of the consultation exercise.
- 4f.4 The Council is going to conduct a 'Resident insight' survey in early Autumn. The insight

data will be extremely valuable in terms of future alignment of Council resources to priority services.

Section 5: The Housing Revenue Account

5a. Budget Requirements over the Medium and Long Term (Appendix 4)

5a.1 Pay & Price Increases (Medium Term)

5a.1.1 Increases in costs are expected to total £2.075 million over the next 4-year period.

The assumptions include the following areas of pay and price increases;

- Annual Pay Award of 2% per annum
- An additional pay award allowance for 2022/23 to reflect the Employer offer made on 25th July 2022 (£300,000), with additional growth in 2023/24 to reflect the current cost of living and National Living Wage growth, potentially to £11.50.
- Incremental progression, including additional costs in 2023/24 and 2024/25 as a result of the impending pay spine review for bands 1-8.
- Fuel and Energy Cost Increases – one-off increase to 2023/24, with an assumption that prices resettle, and so price deflation in these areas negates the need for future increases over the MTFP period.
- A 10% increase in materials and hired services costs in 2023/24 relating to increases already experienced this year and circa 3% thereafter.

5a.1.2 The HRA budget will reflect on the result of the 2022 triennial pension valuation, as necessary.

5a.2 Greener Housing (Long Term)

5a.2.1 The Greener Housing Strategy 2022-2032 was adopted by the Council on 11 July 2022. While costs are still uncertain, assuming an average £40,000 cost per property **the total bill could be upwards of £200 million through to 2050**. Funding for this programme of works has not yet been factored into the HRA.

5a.3 Housing Delivery Plan (Medium - Long Term)

5a.3.1 The Council has a target to deliver 600 new affordable homes by March 2026, 254 of which have been delivered to date. External / Internal financing of this programme has been factored into the medium-term forecast, with the rent largely offset through property maintenance and management requirements.

5a.4 Other New Budget Requirements (Medium Term)

5a.4.1 The Senior Leadership review confirmed tier 2 savings would be made at £80,000, but it was envisaged that additional investment in the wider leadership team may result in up to £200,000 being required within the establishment. The net impact of £120,000 is therefore included within the 23/24 assumptions, with 50% to the GF, and 50% to the HRA (for the purposes of this initial high-level forecast).

5a.4.2 Clauses of the Social Housing Regulation Bill are currently being taken through

parliament ahead of a phased rollout of the Social Housing Residents' Charter from April 2023. A report highlighting the key actions required by the Housing Service to comply with the new Charter and likely financial implications is currently being prepared and will be progressed through the decision-making process in September 2022. Funding for this programme has not yet been allocated to the HRA.

5b. Income Assumptions over the Medium Term and their Longer-Term impact

- 5b.1 Current guidelines allow for rent increases of CPI (September) + 1%. This was re-introduced in 2020/21, following 4 years of annual 1% rent reductions. Current predictions are that CPI could be c10.25% in September, leading to a potential 11.25% increase in rents in 2023/24 if current guidelines are followed. Future years increases are currently assumed at 3%.
- 5b.2 The level of proposed rent for the 2023/24 financial year will ultimately be a Council decision in February 2023, to take effect from 1st April 2023 but Government intervention may be received beforehand that amends the current guidelines. At present, the application of the national Policy of CPI +1% has been reflected in these forecasts.
- 5b.3 As the budget preparation cycle progresses, factors such as the number of tenants in receipt of Housing Benefits and Universal Credit, which ultimately seek to cover the cost of accommodation, as against tenant numbers who do not, will be carefully considered. At present, approximately 73% of all housing tenants receive index linked state support.
- 5b.4 External factors, such as rent levels currently applied across the District within the private rental market will also be considered as social and affordable rent should fundamentally be set in the context of the wider housing market.

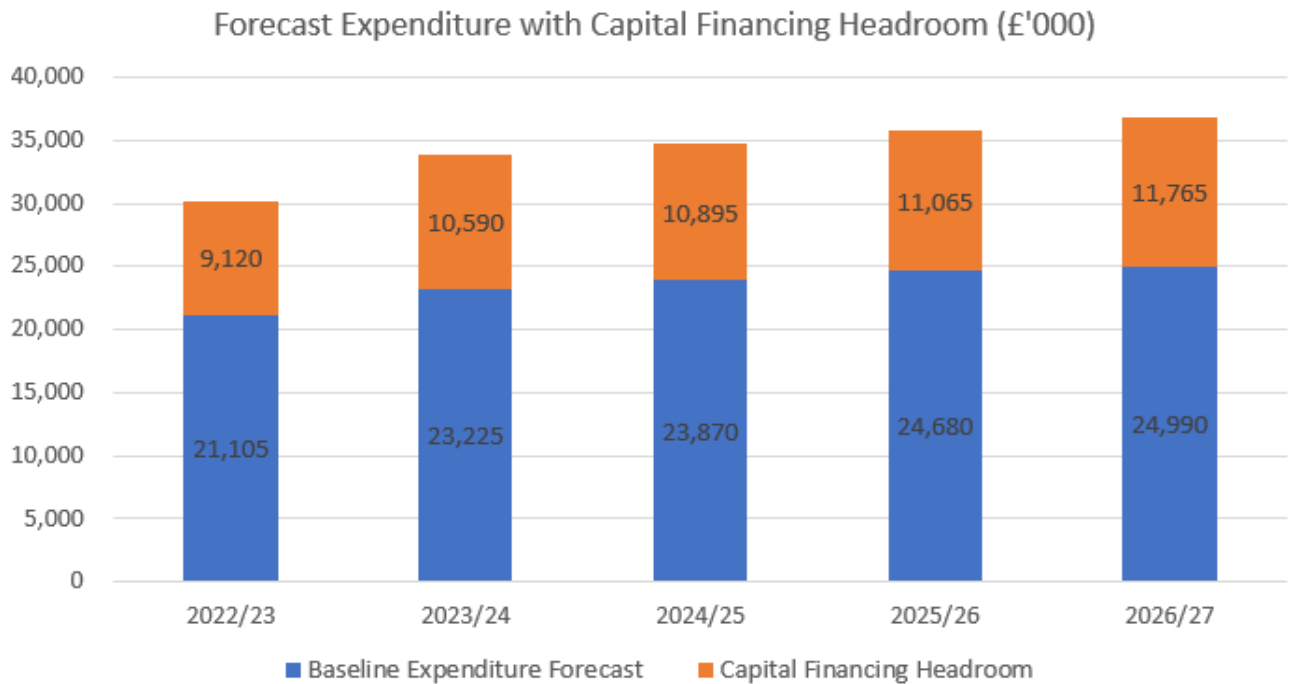
Table 4

| Number of Bedrooms | NFDC Average Weekly Social Rent | NFDC Average potential Weekly Social Rent | Weekly Difference in Rent | Indicative Weekly Market Rent | NFDC potential social rent as a percentage of Weekly Market Rent |
|--------------------|---------------------------------|---|---------------------------|-------------------------------|--|
| | 2022/23 | 2023/24 | 2023/24 | 2022/23 | 2022/23 |
| 1 | £89.76 | £99.86 | £10.10 | £169.32 | 59% |
| 2 | £105.40 | £117.26 | £11.86 | £238.02 | 49% |
| 3 | £118.46 | £131.79 | £13.33 | £303.30 | 43% |
| 4 | £128.36 | £142.80 | £14.44 | £402.20 | 36% |
| 5 | £133.47 | £148.49 | £15.02 | £715.00 | 21% |

- 5b.5 Energy costs incurred within the HRA are generally largely recovered by service charges to individual tenants. Detailed work has now begun to review all establishments where utility charges are incurred, with a view to a 2022/23 mid-year increase in service charges. This should recover c£390k of increased energy costs in 2023/24.

5c. Overall Summary and the 30 Year Business Plan

5c.1 The forecast budget adjustments as outlined above create additional Capital Financing Headroom within the HRA, equivalent to circa £2.6 million a year by 2026/27. Although significant, this headroom will still fall considerably short of the necessary capital financing required to accommodate the Capital Programme, including greener housing through to 2050.



5c.2 The Council has recently engaged an external consultant to assist with the preparation of its 30-year HRA business plan. This 30-year business plan will help shape the budget proposals through to February 2023. Work is currently at early stages.

5d. Budget Consultation

5d.1 New legislation regarding social housing reform is not likely to significantly impact consultation processes for 2023/24. However, future years spending and budgeting for the HRA will likely need wider scrutiny and consultation with tenants as part of commitments in a future Tenant Engagement Strategy.

5d.2 The Housing and Homelessness Overview and Scrutiny Panel will consider the HRA Medium Term Financial Plan in September and the detailed 2023/24 HRA budget in January 2023.

5d.3 The Tenant Involvement Group will consider the HRA Medium Term Financial Plan in September and the detailed 2023/24 HRA budget in January 2023.

6. Reporting Timeline

6.1 It is important that the Medium-Term Financial Planning of both the General Fund and HRA supports the ambition of the Council and remains driven by the objectives set out in the Corporate Plan. The organisation must be able to support both and must remain vigilant and susceptible to change. A timeline is set out below for Overview and Scrutiny and Cabinet which supports the development of the MTFP, through to the final setting of the 2023/24 budget:

Table 5

| Item Number | Month | Meeting | Report |
|-------------|----------------|---------------|--|
| 1 | September | Corporate O&S | General Fund – Balancing the Budget; Part 1 |
| | | Housing O&S | Housing Revenue Account – Balancing the Budget |
| 2 | December | Cabinet | Setting the Council Tax Base |
| | | | MTFP Update |
| 3 | January | Corporate O&S | AMR and Capital Programme 2023/24 |
| | | | Capital Strategy 2023/24 |
| | | Housing O&S | General Fund – Balancing the Budget; Part 2 Proposed HRA Budget 2023/24 |
| 3 | Early February | Cabinet | AMR and Capital Programme |
| | | | Capital Strategy 2023/24 |
| | | | Community Grants 2023/24 |
| 4 | Mid-February | Cabinet | MTFP and setting of 2022/23 GF and HRA budgets |

7. Crime and Disorder / Equality and Diversity / Environmental Implications

7.1 There are no direct implications as a result of this report.

8. Environmental Implications

8.1 The Council has invested in a new officer position to lead on the delivery of the Climate and Nature Action Plan. The development of future budgets will need to have increased regard for environmental impact, and it is probable that this will require a financial commitment within the Medium-Term Financial Plan period, beyond the Sustainability budget allowed for within the 2022/23 Capital Programme.

9. Portfolio Holder Comments

Finance, Investment and Corporate Services

9.1 In an uncertain economy, with high levels of inflation along with the potential for a reduction in funding through central government grants, setting a medium term financial

plan becomes challenging.

Within the report we have taken a cautious approach on both rising costs and the reduction in funding which result in a cumulative deficit, by 2026/27, of over £3.35 million. The Council will look to address the deficit over the coming four years but without additional support this will require us to make some hard decisions.

In the short term the Council remains well placed to deliver a balanced budget for 2023/24 and to fund any changes that are necessary.

Housing and Homelessness Services

- 9.2 There are clear challenges that lie ahead for the Council's Housing Revenue Account. We will carefully work through these in the short, medium and long term. With the preparation of our 30 year Business Plan, we will be in a position to plan well ahead to ensure that we maintain our stock in good and sustainable condition and to provide quality services and homes to our tenants.

For Further Information Please Contact:

Alan Bethune
Executive Head of Financial & Corporate Services
Section 151 Officer
Telephone: (023) 8028 5001
E-mail: Alan.Bethune@nfdc.gov.uk

MEDIUM TERM FINANCIAL PLAN 2022 - 2026

SUMMARY OF RESOURCES 2022/23 - 2026/27

| | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
|--|---------------|---------------|---------------|---------------|---------------|
| | Original | | | | |
| | Budget | Forecast | Forecast | Forecast | Forecast |
| | £'000's | £'000's | £'000's | £'000's | £'000's |
| Total Government Determined Resources | 7,003 | 6,604 | 6,685 | 4,969 | 5,053 |
| Total Council Tax (Tax Base growth only) | 13,585 | 13,685 | 13,785 | 13,885 | 13,985 |
| Total Collection Funds | 452 | 400 | 400 | 400 | 400 |
| TOTAL FUNDING | 21,040 | 20,689 | 20,870 | 19,254 | 19,438 |
| Cumulative Change from Original 2022/23 | | -351 | -170 | -1,786 | -1,602 |
| %age change | | -1.7% | -0.8% | -8.5% | -7.6% |

MEDIUM TERM FINANCIAL PLAN 2022 - 2026

SUMMARY OF BUDGET REQUIREMENT 2023/24 - 2026/27

| | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
|---|---------------|---------------|---------------|---------------|
| | Forecast | Forecast | Forecast | Forecast |
| | £'000's | £'000's | £'000's | £'000's |
| Baseline Funding 2022/23 | 21,040 | 21,040 | 21,040 | 21,040 |
| Budget Adjustments 2023/24 - 2026/27 | | | | |
| Pay & Price Increases | 2,000 | 600 | 525 | 500 |
| Budget adjustments relating to one-off items | -256 | -20 | -7 | 0 |
| Ongoing Savings and Income Generation | -425 | -25 | 0 | 0 |
| New Budget Requirements and Alignment of Budget to Priorities | -101 | 300 | -800 | 0 |
| COVID-19 Recovery | -340 | -200 | 0 | 0 |
| Cumulative effect of Known Budget Adjustments | 878 | 1,533 | 1,251 | 1,751 |
| Total Budget Requirement (Baseline + Adjustments) | 21,918 | 22,573 | 22,291 | 22,791 |
| Total Funding Available (as Appendix 1) | 20,689 | 20,870 | 19,254 | 19,438 |
| Estimated Cumulative Surplus / Shortfall (-) | -1,229 | -1,703 | -3,037 | -3,353 |

MEDIUM TERM FINANCIAL PLAN 2022 - 2026

OPTIONS IDENTIFIED TO CLOSE BUDGET SHORTFALL

Cumulative Property Investment Income
 Cumulative Targeted Efficiency / Income Yield Programme
 Cumulative Council Tax Increase

| | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
|---|-------------|--------------|--------------|--------------|
| | Forecast | Forecast | Forecast | Forecast |
| | £'000's | £'000's | £'000's | £'000's |
| | | | | |
| Cumulative Property Investment Income | 150 | 400 | 650 | 650 |
| Cumulative Targeted Efficiency / Income Yield Programme | 300 | 600 | 900 | 1,200 |
| Cumulative Council Tax Increase | 363 | 729 | 1,098 | 1,470 |
| | | | | |
| MTFP 26/27 Potential Impacts.... | | | | |
| Potential: Business Rate Changes | +/- ? | +/- ? | +/- ? | +/- ? |
| Potential: Fair Funding Review | +/- ? | +/- ? | +/- ? | +/- ? |
| Potential: Waste Strategy | +/- ? | +/- ? | +/- ? | +/- ? |
| Potential: Triennial Pension Valuation 2022 | +/- ? | +/- ? | +/- ? | +/- ? |
| Potential: Asset Review | +/- ? | +/- ? | +/- ? | +/- ? |
| Potential: Government Manadted Revenue Raising Powers | +? | +? | +? | +? |
| | | | | |
| Total of the Options Identified | 813 | 1,729 | 2,648 | 3,320 |
| | | | | |
| Use of Equalisation Reserves (-) / Headroom + | -416 | 26 | -389 | -33 |
| | | | | |

Reserves Supporting the MTFP

| | | | | | |
|-----------------------------|-------|-------|-------|-------|-------|
| General Fund Balance | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 |
| Budget Equilisation Reserve | 2,699 | 2,283 | 2,283 | 1,894 | 1,861 |

HOUSING REVENUE ACCOUNT MEDIUM TERM FINANCIAL PLAN 2022 - 2026

SUMMARY OF BUDGET REQUIREMENT 2023/24 - 2026/27

| | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
|---|---------------|---------------|---------------|---------------|
| | Forecast | Forecast | Forecast | Forecast |
| | £'000's | £'000's | £'000's | £'000's |
| Pay & Price Increases | | | | |
| Pay Award (assumed 2%) | 150 | 150 | 150 | 150 |
| Pay Award (2022/23) | 300 | 80 | | |
| Increments | 90 | 75 | 60 | 60 |
| Materials | 250 | 100 | 100 | 100 |
| Prices (Utilities & Fuel) | 520 | -260 | | |
| Total Pay & Price Increases | 1,310 | 145 | 310 | 310 |
| Other Budget adjustments | | | | |
| Internal/External Financing Costs of Capital Programme | 750 | 500 | 500 | |
| Senior Management Review | 60 | | | |
| Total Other Budget adjustments | 810 | 500 | 500 | 0 |
| Cumulative Impact of Expenditure Increases and Adjustments | 2,120 | 2,765 | 3,575 | 3,885 |
| Ongoing Savings and Income Generation | | | | |
| Rent Increases @ CPI +1% | -3,200 | -950 | -980 | -1,010 |
| Service Charge Increases re Utilities | -390 | | | |
| Total Ongoing Savings and Income Generation | -3,590 | -950 | -980 | -1,010 |
| Cumulative effect of Savings and Income Generation | -3,590 | -4,540 | -5,520 | -6,530 |
| Additional(-)/Reduced Resources available to support Capital Programme | -1,470 | -1,775 | -1,945 | -2,645 |