



**Policy, Finance and
Development
Committee**

**Tuesday, 11
February 2020**

**Matter for Information and
Decision**

**Report Title: DRAFT Budget 2020/21 (including approval of Council Tax)
& the Medium Term Financial Strategy (2021/22 to 2024/25)**

***"Committed to Financial Sustainability & Resilience to enable
Community Investment"***

Report Author(s): Clive Mason (Chief Financial Officer)

Purpose of Report:	<p>The primary purpose of the report is to advise the Committee of the draft:</p> <ul style="list-style-type: none">i. General Fund budget for 2020/21, including the planned Council Tax (Band D),ii. General Fund Medium Term Financial Strategy 2021/22 to 2024/25, and theiii. Capital Programme for 2020/21.iv. Housing Revenue Account and proposed Rent for 2020/21, and the HRA plan over the Medium Term to 2024/25. <p>As well as advising on Fees & Charges, Treasury Management Strategy (and other associated policies) and consideration of the statutory S.25 report by the Chief Financial Officer.</p>
Report Summary:	<p>This report brings together all the constituent parts of the Councils Revenue Budget (including Reserves), Capital Programme, Housing Revenue Account and Treasury Management activity. These items have to be considered together because each is interdependent on the other so no one part can be agreed separately. This report also includes the statutory commentary (S.25, Local Government Act 2003) by your Chief Financial Officer on the 'robustness of the 2020/21 budget and MTFS'.</p> <p>1. Revenue Budget 2020/21 and Medium Term Financial Strategy (2021/22 to 2024/25)</p> <p>The report outlines the draft revenue budget for 2020/21. This includes:</p> <ul style="list-style-type: none">i. savings, income and growth proposals included in the budget,ii. the provisional financial settlement, andiii. the planned Council Tax (Band D) for 2020/21. <p>Further, the report will outline the impact of (i) and to (ii) above over the medium term through to 2024/25 and the Council's Revenue Reserves.</p> <p>The 2020/21 budget currently has a budget deficit of £101k, members are requested to approve the use of General Fund Reserves to meet this gap.</p> <p>2. Capital Programme</p> <p>The report outlines the draft capital programme for 2020/21 and for the period through to 2022/23.</p>

	<p>3. Housing Revenue Account 2020/21 and its own Medium Term Financial Strategy (2021/22 to 2024/25) The report will outline the 2020/21 gross income and expenditure for the HRA and the HRA reserves and then extrapolate over the medium term through to 2024/25. The report will also include the rent levels for 2020/21.</p> <p>4. Fees & Charges The report will outline the Fees & Charges for 2020/21, indicating where significant changes have occurred compared to 2019/20.</p> <p>5. Treasury Management (and other related) strategies 2020/21 The report will outline the Treasury Management (and other related) strategies. These strategies are a key component of effective cash management; capital, investment and borrowing decisions and minimum revenue provisioning.</p> <p>6. Robustness of the 2020/21 Budget and Medium Term Financial Strategy The report outlines the key risks associated with the budget as required by Section 25 of the Local Government Act 2003</p> <p>Items 1 to 6 are discussed in detail in Appendix 1.</p>
<p>Recommendation(s):</p>	<p>A. That members recommend to Full Council (*):</p> <ul style="list-style-type: none"> • the savings, income and growth proposals (para 3.1 – 3.7), • the Consolidated 2020/21 Budget and Medium Term Financial Strategy (2020/21 to 2024/25); including a 2020/21 Council Tax of £229.50 (Band D equivalent; reflecting an increase of £5) (para 3.8 – 3.11, and Table 6 & 7). • the Revenue Reserves position and the use of Reserves to meet the estimated budget deficit of £100,951. (section 4, and Table 8) • the Capital Programme for 2020/21 (and 2021/22 to 2024/25) for both the General Fund and Housing Revenue Account (section 5). • the Housing Revenue Account, including <ul style="list-style-type: none"> ○ 2020/21 rent increase of 2.7%, giving an average weekly rent of £77.44 ○ other 2020/21 specific charges increase of 2.7%. (section 6) • the Fees & Charges for 2020/21 (section 7) • the Treasury Management Strategy and other related Treasury plans, strategies and statements (section 8) • the development of a Commercial Investment Strategy, that will include the potential to acquire and dispose of assets within a commercial operating environment. Such

	<p>commercial activity may include commercial property and Private Rented Sector (residential) property both inside and outside of the Borough boundary, and to develop options on the Councils housing stock (para 3.4).</p> <p>* these items have to be agreed collectively because they are interdependent on each other.</p> <p>B. That members note the work to date on the redevelopment of the Bushloe House site and the relocation of the Council's Civic and Administrative Offices to the Depot, and comment as necessary. (para 3.4)</p> <p>C. That members note the commentary given by the Chief Financial Officer in respect of the Robustness of the 2020/21 Budget and Medium Term Financial Strategy, and comment as necessary. (section 9)</p>
Senior Leadership, Head of Service, Manager, Officer and Other Contact(s):	<p>Clive Mason (Chief Financial Officer) (0116) 257 2736 clive.mason@oadby-wigston.gov.uk</p> <p>Chris Raymakers (Financial Services Manager) (0116) 257 2891 chris.raymakers@oadby-wigston.gov.uk</p>
Corporate Objectives:	Providing Excellent Services (CO3)
Vision and Values:	"A Stronger Borough Together" (Vision) Accountability (V1)
Report Implications:-	
Legal:	There are no implications arising from this report.
Financial:	The implications are as set out throughout this report
Corporate Risk Management:	Decreasing Financial Resources / Increasing Financial Pressures (CR1) Reputation Damage (CR4) Economy / Regeneration (CR9)
Equalities and Equalities Assessment (EA):	There are no implications directly arising from this report. EA not applicable
Human Rights:	There are no implications directly arising from this report.
Health and Safety:	There are no implications directly arising from this report.
Statutory Officers' Comments:-	
Head of Paid Service:	The report is satisfactory.
Chief Finance Officer:	As the author, the report is satisfactory.

Monitoring Officer:	The report is satisfactory.
Consultees:	None.
Background Papers:	<ul style="list-style-type: none"> • Various documents within Finance.
Appendices:	1. DRAFT Budget 2020/21 and Medium Term Financial Strategy 2021/22 - 2024/25

1. Introduction

- 1.1 In February 2018, the Council approved a balanced budget for 2019/20 that had a net 'service' expenditure of £6.5m and a Council Tax (Band D) of £224.50. This budget did not require a contribution from revenue reserves to balance and maintained a forecast General Fund Unallocated Reserve (GFR) of £615k; which was in line with the Council's stated objective of maintaining the GFR at 10% of net expenditure.
- 1.2 Since the summer of 2019, members, the senior leadership team and the wider officer cohort have been considering various savings & invest to save, income generation and growth proposals with the aim of developing a budget for 2020/21 and a Medium Term Financial Strategy (MTFS) that achieves:
- Financial resilience,
 - Financial self-sustainability, which will enable members to embark on a programme of
 - Community Investment.
- 1.3 These proposals will inevitably introduce new ways of working but will aim to ensure that the Council's agreed Corporate priorities and outcomes are achieved. Further, these proposals will seek to ensure that over the medium term the Council is setting a balanced budget and where there may be planned deficits, that reserves, or other efficiency plans are in place to meet those deficits.

2. Reflections on the 2019/20 Forecast Outturn

- 2.1 As reported elsewhere on the agenda, the Quarter 3 Forecast Outturn for 2019/20 is showing an overspend of £53k. This is £38k less than Quarter 2, but it still shows that the Council is facing a financial challenge that it must address if it wishes to meet its ambitions of financial sustainability and resilience.

3. REVENUE BUDGET

- 3.1 As noted at para 1.3 above, the Council has been developing various budget proposals and for 2020/21 the net saving from these proposals is £736k. The proposals are discussed in detail in **Appendix 1** (para 1.1 to 1.4) and are summarised in **Table 1** and paragraphs 3.2 to 3.6 below.

Service Revenue Budget Changes	2020/21					Table 1			
	Growth in Expenditure £000	Savings in Expenditure £000	Income Generation £000	Invest 2 Save £000	Total £000	Net Savings, Income and Growth			
						2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Senior Leadership Team	0	(193)	0	0	(193)	(193)	(193)	(193)	(193)
Finance & Resources	150	(39)	(87)	1	25	(84)	(82)	(68)	(73)
Law & Governance	80	(7)	(653)	0	(580)	(145)	(150)	(86)	(158)
The Built Environment	126	(143)	(27)	0	(44)	(14)	(430)	(422)	(505)
Community & Wellbeing	25	(127)	(41)	(136)	(279)	(396)	(508)	(530)	(463)
Customer Services & Transformation	0	(100)	0	0	(100)	(105)	(105)	(105)	(105)
Corporate Budgets	435	0	0	0	435	316	252	207	113
TOTAL BUDGET PROPOSALS	816	(609)	(808)	(135)	(736)	(621)	(1,216)	(1,197)	(1,384)

Savings and Invest to Save

- 3.2 Following the audit of the 2018/19 accounts, the Council again received an unqualified ["Value of Money" conclusion](#), this reflects the Councils continuous efforts to manage its ongoing service pressures and their impact over the medium term. However, as noted in paragraph 2 above, the Council is forecasting its first overspend for a number of years; it is therefore fair to conclude that the Council continues to face not insignificant financial pressures. Consequently, the Council needs to identify a substantial package of savings to help it to achieve its financial ambitions.
- 3.3 In respect of savings and invest to save proposals, the Council has identified savings totalling £744k for next year, increasing to £1.0m by 2024/25, a cumulative saving of £4.9m over the MTFS period. The detail savings and invest to save proposals are shown in **Appendix 1 (paragraph 1.3)** and are summarised in **Table 2** below. The following are the significant savings items that have been included:
- **Facing the Future 2**, this is the second significant management restructure following on from the 'Facing the Future' proposals that were included in the 2019/20 budget (approx. £400k). Facing the Future 2 is expected to secure savings of £193k.
 - **Operational Service Restructures**, several services (Customer Services, Depot, Corporate Assets, Development Control, Community & Well-Being) have identified operational savings proposals. Individually these are relatively small service restructures but together have identified savings of £159k.
 - **Closure of Public Conveniences**, at the Service Committee in January 2020, the committee agreed to close the Councils public conveniences except for the toilet in Peace Memorial Park (PMP). On a full year basis this will generate a saving of £16k. If all public conveniences had been closed the saving would have been £26k; the cost of the toilet at PMP is approximately £9k per annum, the difference of £1k represents an amount to be included in the Public Conveniences budget to fund a Community Toilet Scheme.
 - **Cleaning Contract**, with immediate efficiencies from the recent onboarding of the Cleaning contract and subsequent service efficiency following the settling in period, it is expected that savings of £66k can be achieved.
 - **Channel-Shift for Letterbox**, by changing the method of distributing the Councils magazine a saving of £30k will be achieved.
 - **Zero Based Budgeting (ZBB)**, during 2020/21 a comprehensive ZBB exercise will be followed that will review current service standards, benchmark services against other councils and determine an optimum service configuration. An estimated saving has been included of £56k from 2021/22 onwards and this is based on 1% of net expenditure in 2019/20.

Services Savings & Invest to Save Proposals				Table 3				
Service		Team		2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Senior Management Team	Individual Items > £15,000	All services review	Facing the Future 2	(193)	(193)	(193)	(193)	(193)
				(193)	(193)	(193)	(193)	(193)
Finance, Revenues & Benefits (incl Recharge to HRA)	Individual Items > £15,000	Corporate Assets	Review (potentially combine) GM & Cemeta	(17)	(35)	(35)	(35)	(35)
	Individual Items < £15,000	Public Conveniences	Toilets Closure	(5)	(16)	(16)	(16)	(16)
				(17)	(19)	(19)	(19)	(19)
				(39)	(70)	(70)	(70)	(70)
Law & Governance	Individual Items < £15,000			(7)	(7)	(7)	(7)	(7)
				(7)	(7)	(7)	(7)	(7)
The Built Environment	Individual Items > £15,000	Building	Cleaning Contract	(25)	(25)	(25)	(25)	(25)
		Cleaning	Reduction of Cleaning Service	(41)	(41)	(41)	(41)	(41)
		Cleaning	Private Sector Cleaning Company	0	0	(12)	(19)	(25)
		Development Control	Deletion of one Career Graded Development	(37)	(37)	(37)	(37)	(37)
	Individual Items < £15,000	Planning Policy	Development of a Joint Local Plan & Strategy	(13)	(28)	(22)	(2)	0
				(27)	(27)	(27)	(27)	(27)
				(143)	(158)	(164)	(151)	(155)
Community & Wellbeing (including Depot)	Individual Items > £15,000	Children & Young Persons	Area Youth Games: Action will continue, via	(23)	(23)	(23)	(23)	(23)
		Depot	Lease of this vehicle comes to an end on 31	(35)	(35)	(35)	(35)	(35)
		Refuse & Recycling	Reduce Winter Garden Waste Collection	0	(16)	(16)	(16)	(16)
		Community & Well-Being	Restructure with Community & Well-Being	(34)	(42)	(42)	(42)	(42)
	Individual Items < £15,000	Leisure Centre Contract	(136)	(225)	(337)	(359)	(292)	
				(34)	(34)	(34)	(34)	(34)
				(262)	(375)	(487)	(509)	(442)
Customer Services & Transformation	Individual Items > £15,000	Customer Services	Service Restructure	(70)	(70)	(70)	(70)	(70)
		Marketing & Insights	Removal of Letterbox	(30)	(30)	(30)	(30)	(30)
	Individual Items < £15,000			0	(5)	(5)	(5)	(5)
				(100)	(105)	(105)	(105)	(105)
Corporate Budgets	Individual Items > £15,000	All Services	Zero Based Budgeting Review	0	(56)	(56)	(56)	(56)
				0	(56)	(56)	(56)	(56)
Total Savings				(744)	(964)	(1,082)	(1,091)	(1,028)

Income

3.4 In respect of income generation, the Council expects to generate an additional £808k (*) in income in 2020/21 which reduces to £755k by 2024/25, a cumulative income of £3.4m over the MTFS period. The detailed income generation proposals are shown in **Appendix 1 (paragraph 1.4)** and are summarised in **Table 4** below. The following are the significant income items that have been included:

- **Selective Licensing**, is expected to generate £800k over the 5-year life of the scheme. £500k is expected to be generated in the first year, with a further £50k per annum from in-year licenses. To enable a smoothing of this income, a new Earmarked Reserve is to be established where the £500k will be allocated, with a £100k release per annum.
() it should be noted that the £808k noted above includes the £500k selective licensing income, when this is removed the additional income generated in 2020/21 will be £308k.*
- **Property Fund Investment**, it is essential that the Council starts to use its cash balances more effectively. It is proposed to make a £2.5m investment into a Property Fund; current market rates indicate a gross return of 4.5% can be achieved that will generate a gross yield of £93k. However, the net increase in income for 2020/21 and the MTFS will be an additional £83k as £10k was included in the 2019/20 budget.
- **Licensing**, some of the Licensing budgets do not reflect actual demand (i.e. income has continually exceeded budget). Consequently, the income budgets have been increased to reflect current income streams (e.g. Taxi Licensing, budget increased by £82k).
- **Refuse & Recycling**, an additional £41k is included for Green Waste Collection. Members will recall that this was discussed at the November 2019 Policy, Development and Finance Committee. Although the proposal to increase charges was accepted by Committee it was subject to the receipt of further information. Unfortunately this delay in approval would have meant that there would have been insufficient time to undertake the necessary work in preparing the 2020/21 customer bills so the income

would not have been included in the 2020/21 budget setting process. However, under the powers awarded to the Leader by the Constitution, the Leader has mandated to increase the annual charge for Garden Waste Collection by £5, to be implemented from 2020/21.

- **Commercialisation**, the budget includes two significant proposals to develop commercial propositions in 2022/23 in respect of Commercial Property and Private Rented Sector (Housing). These two proposals are key to delivering the Council a financially sustainable and resilient budget. However, it is essential that the Council progresses urgently with the development of a Commercial Investment Strategy and associated Business Plan to enable the income generation opportunities to be achieved as early as possible.

In addition, members should note that continued progress must be made in developing propositions in respect of a new Civic Administrative building and the future of Bushloe House. Both propositions are in the early stages of development, with potential costs and liabilities being evaluated. It is well known that Bushloe House costs in excess of £150k per annum to maintain and when the current estimates for redevelopment are considered, even to the lowest standard of a modern office accommodation, this in itself is several millions of pounds. However, it is anticipated that the potential development of new purpose built office accommodation is likely to generate the Council a considerable net capital receipt which it could chose to invest and generate further opportunities for community investment.

Services Income Proposals				Table 4				
Service	Team			2020/21	2021/22	2022/23	2023/24	2024/25
				£000	£000	£000	£000	£000
Finance, Revenues & Benefits (incl Recharge to HRA)	Individual Items > £15,000	Finance	Invest in Property Fund	(83)	(83)	(83)	(83)	(83)
			Individual Items < £15,000	(5)	(6)	(6)	(6)	(7)
				(88)	(89)	(89)	(89)	(90)
Law & Governance	Individual Items > £15,000	Selective Licensing	Income from SL, then a Contribution to Earmarked Reserve to spread income over term of Licence.	(500)	0	0	0	0
			Contribution from Earmarked Reserve. Realigning Private Hire Vehicles budget to reflect actual demand.	(50)	(50)	(50)	(50)	(50)
		Taxi Licences	(82)	(82)	(82)	(82)	(82)	
	Individual Items < £15,000	Environmental Health	Environmental Health Shared Service	0	(11)	(16)	(24)	(24)
			(22)	(32)	(32)	(32)	(32)	
				(654)	(175)	(180)	(188)	(188)
The Built Environment	Individual Items > £15,000	Development Control	To establish a Planning Consultancy to compete with the private sector	0	0	(29)	(29)	(48)
			Investment in Commercial Property	0	0	(201)	(201)	(201)
		Economic Development	Investment in Private Rented Sector (Housing)	0	0	(160)	(160)	(160)
	Individual Items < £15,000			(27)	(27)	(27)	(27)	(27)
				(27)	(27)	(417)	(417)	(436)
Community & Wellbeing (including Depot)	Individual Items > £15,000	Refuse & Recycling	Green Waste	(41)	(41)	(41)	(41)	(41)
				(41)	(41)	(41)	(41)	(41)
Total Income				(810)	(332)	(727)	(735)	(755)

- 3.5 Members will note that at the aforementioned PDF committee, the committee also agreed a 'subject too....' decision in respect of inflationary increases for other general service fees and charges. This delay in approval has meant that there has been insufficient time to include these increases in the 2020/21 budget process due to the extensive comparison and usage information that it would have been necessary to compile. By not including this inflationary income, it is estimated that £25k of income has been lost for 2020/21; over the MTFS this is a structural loss totalling £125k.

Growth (Non-Staff)

3.6 As noted in paragraph 2.1, the pressure on services continues at pace with some specific service issues coming to the fore over the next year. In respect of expenditure growth (non-pay), the Council expects to incur growth of £816k in 2020/21, although this reduces to £398k by 2024/25, cumulative growth of £3.0m over the MTFS period. The detailed growth proposals are shown in **Appendix 1 (paragraph 1.5)** and are summarised in **Table 5** below. The following are the significant income items that have been included:

- **Salary Savings Provision**, the Council has included for a number of years a Salary Savings Provision. There has been significant underachievement of this provision over the past few years due to reduced turnover in staff; consequently, it is considered prudent to reduce the provision to a more reflective level of £25k; this entails a growth increase of £262k.
- **Minimum Revenue Provision (MRP)**, as per accounting regulation, where a Council incurs capital expenditure that is not financed from other sources (reserves/grant etc) any net capital cost has to attract a revenue contribution (effectively internal debt financing). Consequently, the MRP cost for the updated Capital Programme results in an additional cost of £173k for 2020/21; dropping to a net saving of £93k in 2024/25 as MRP financing for previous years capital projects falls away.
- **Local Elections (OWBC) and Local Plan**, both these expenditure items are known and regular events, so it is best practice is to spread the cost of these events over the life cycle of each event. Previous practice has been to meet these costs when they occur which means that when this expenditure is incurred there is a spike in cost that can only be financed by an unplanned draw on reserves or a reduction in other services.

To smooth this spike in expenditure an annual contribution to an Earmarked Reserve will be made which then will be drawn down to meet the cost of the event when it occurs. With regard to the:

- **Local Elections**, the total cost of a local election is estimated to be £72k; therefore, an annual revenue contribution to reserves of £18k is to be made. When the election is held, the total cost will then be met by a reversing contribution from reserves (*).
- **Local Plan**, the total cost of the local plan is estimated to be £250k (£40k, 2020/21; £85k, 2021/22; £65k, 2022/23; £60k, 2023/24); therefore, an annual revenue contribution to reserves of £63k is to be made. When the local plan preparation starts, the cost will then be met by a reversing contribution from reserves (*).

* The reversing contributions are shown in **Table 7**, between "Net Expenditure" and "Budget Requirement".

Services Growth Proposals				Table 5				
Service				2020/21	2021/22	2022/23	2023/24	2024/25
				£000	£000	£000	£000	£000
Finance, Revenues & Benefits (incl Recharge to HRA)	Individual Items > £15,000	Finance	Bad Debts Provision Increase + Provision for Commercial Investment Development	85	18	20	25	30
	Individual Items < £15,000			65	56	56	65	56
				150	74	76	90	86
Law & Governance	Individual Items > £15,000	Elections	Spreading of Cost of Local (OWBC) Elections; contribution to Earmarked Reserve	18	18	18	18	18
		Elections	Cost of Local (OWBC) Elections, financed from Earmarked Reserve	0	0	0	72	0
	Individual Items < £15,000	Environmental Health	Temp Environmental Health Officer - 12 Mths	44	0	0	0	0
				19	19	19	19	19
				81	37	37	109	37
The Built Environment	Individual Items > £15,000	Local Plan	Spreading of Cost of Local Plan; contribution to Earmarked Reserve	63	63	63	63	63
		Local Plan	Cost of Local Plan, financed from Earmarked Reserve	40	85	65	60	0
	Individual Items < £15,000			23	23	23	23	23
				126	171	151	146	86
Community & Wellbeing (including Depot)	Individual Items > £15,000	Refuse	On-Board Software Licence	20	20	20	20	20
	Individual Items < £15,000			4	0	0	0	0
				24	20	20	20	20
Corporate Budgets	Individual Items > £15,000	Salary Savings Provision	Reversal of SSP to reflect past and current vacancies.	262	262	262	262	262
		Minimum Revenue Provision	Additional MRP for updated capital programme.	173	110	46	1	(93)
				435	372	308	263	169
Total Growth				816	674	592	628	398

3.7 As part of the budget setting process, there are several expenditure related assumptions included in the budget, these are mainly around items of expenditure where the Council has little choice in not meeting them (further detail is shown in **Appendix 1**, paragraph 1.6):

- **Employee pay**, this is included at 2% per annum for 2020/21 and for each year of the MTFS; the estimated cost of 2020/21 is £92k.
- **Employer oncosts**, the prevailing rates for employers National Insurance (13.8%) and Superannuation (33%) are applied for 2020/21 and for each year of the MTFS.
- **OWBC 'Payable' Business Rates**, for the various buildings that the Council owns and/or operates, Business Rates inflation of 2% has been included and for 2020/21 the cost of business rates is £198k.
- **Contractual Inflation**, the Council has several service and goods related contracts i.e. ICT services/fuel etc which have inbuilt inflation into their terms and conditions; these rates have been applied for 2020/21 and for each year of the MTFS.
- **Non-Contractual Inflation**, for all other expenditure no inflation has been applied to the 2020/21 budget and for each year of the MTFS.

Consolidated 2020/21 Budget and Medium Term Financial Strategy (2020/21 to 2024/25)

3.8 For the Consolidated 2020/21 Budget, the following base assumptions in respect of financing etc have been included:

3.8.1 Government Grant

The provisional local government settlement for 2020/21 was released by the government on the 20th December 2019 and was broadly in line with expectations. This is discussed in detail in **Appendix 1**, paragraph 1.8 to 1.10 and is summarised below:

- **New Homes Bonus (NHB)**, the 2020/21 allocation for the Council is £135k. However, the government have indicated that this funding stream will no longer receive future legacy payments and it is therefore expected to reduce to nil by 2022/23. Previously, the Council has included NHB in its base, this is a high-risk strategy due to it being a 'housing growth' performance related income stream. It is therefore recommended that this fortuitous income is removed from the base and used

to finance future investment opportunities. A phased reduction is included over the next two years of the MTFS.

- **Revenue Support Grant (RSG)**, the government have confirmed that the Council will not receive RSG for 2020/21.
- **Other General Fund Grants (OGFG)**, the Council expects to receive a minimum grant allocation of £110k in respect of Universal Credit New Burdens, Flexible Homelessness Support and Homelessness Reduction grant.
- **Fair Funding (FF)**, the government has delayed the introduction of its new FF regime for a further year until 2021/22. However, current modelling is indicating that the Council will see a net reduction in government support (via the National Business Rates regime) of £86k in 2021/22, increasing to £343k by 2024/25. These net reductions have been included.

3.8.2 Corporate Funding Proposal

Certain elements of the Councils funding are controlled by the Council, these are summarised below (for a detailed commentary, see **Appendix 1** paragraph 1.11 to 1.16:

- Council Tax Base (CTB)**, this is approved via officer delegation to the Chief Financial Officer. Modelling of future housing growth indicates a 0.6% increase in Band D housing for 2020/21, giving a CTB of 17,520.5 (2019/20: 17,423.2). A similar increase has been projected over the MTFS period.
- Council Tax (CT)**, in the provisional local government settlement for 2020/21, the government announced a reduction in the 'referendum thresholds'. However, for District Councils they are permitting an increase in CT of 1.99% or £5 (whichever is the higher). It is recommended that members increase their CT for 2020/21 by £5. A similar increase is projected over the MTFS period.
For comparison purposes, based on the new 2020/21 CTB, the additional CT generated by increasing by £5 rather than 1.99% is £9k.
- Non-Domestic Rates (NDR)**, in the provisional local government settlement for 2020/21 there was a marginal increase in thresholds of 1%, this has been included in the budget for 2020/21. However, for 2021/22, because of the risk associated with FF and the fact that a revaluation is expected to be implemented, no increase has been included for that year; thereafter a 1% increase has again been applied.
- Collection Fund Surplus/Deficit (CFSD)**, the Council is forecasting a deficit of £7k for 2019/20; this is £83k less than the deficit included in the 2019/20. This reduction is due to the benefit that has been accrued to the Council as a participant in the local one-year NDR Pilot Scheme – consequently, this 'saving' should be viewed as a one-off fortuitous benefit. Unfortunately, it is expected that the deficit will increase back to pre-pilot levels from 2021/22 onwards.

Conclusion of Consolidated Revenue Budget 2020/21 and MTFS (2021/22 to 2024/25)

3.9 The consolidated revenue budget 2020/21 (funding statement) is shown at **Table 6 & 7** and in detail in **Appendix 1**, Section 2; the key conclusions are:

- **Net Expenditure of £6.1m**
- **Forecast deficit budget of £101k**
to be financed by a £270k net contribution to reserves (contributions to: £601k/from: £331k)
- **Government support of £2.4m**
- **Net Council Tax Requirement of £4.0m**

3.10 However, over The MTFS (2021/22 to 2024/25) the net annual position improves from a deficit budget for 2021/22 of £43k increasing to a surplus budget of £246k by 2024/25., it should be noted the Council achieves this favourable position if members agree to the:

- savings & invest to save, income generation and growth proposals included in this budget. The proposals reflect the consultations with the majority group in late-January 2020, which included :
 - A reduced Public Convenience closure programme.
 - Use of Forum earmarked reserves (the Council Priority Earmarked Reserve) to fund the Borough Floral Display scheme.
 - Accelerate the pace of commercial investment.
 - Use earmarked reserves to fund the estimated budget gaps in 2020/21 and 2021/22.
- acquisition of commercial property and the development of Private Rented Sector residential property.

3.11 Further, there is some risk in the budget proposals contained within this report; therefore, members should:

- support the continued development of a financially sustainable business case for the development of a new Council Civic Building, potentially at the Council's Depot site.
- support the continued development of a financially sustainable business case for the sale and redevelopment of Bushloe House; ensuring that its historic importance is maintained.
- once the cost of all statutory minimum enhancements are known for the current HRA housing stock, support the development of a financially sustainable business case for the Housing Revenue Account or to commence the process of development of a business case for a Large Scale Voluntary Transfer.

Budget 2020/21 & MTFS (2020/21 to 2024/25) - to be approved February 2020							Table 6	
	2019/20		Budget 2020/21	Budget 2021/22	Budget 2022/23	Budget 2023/24	Budget 2024/25	
	Budget	Q3 Forecast Outturn						
	£000	£000						
Senior Leadership Team	477,000	519,000	484,695	494,077	503,647	513,408	523,364	
Finance & Resources (including Corporate Budgets)	2,851,000	3,011,000	2,997,860	2,911,946	2,994,076	3,033,920	3,056,184	
Law & Governance	780,000	737,000	185,812	632,904	633,962	709,853	649,949	
The Built Environment	842,000	761,000	782,231	822,849	416,945	436,812	365,152	
Community & Wellbeing	1,491,000	1,584,000	1,398,566	1,315,464	1,236,048	1,248,850	1,344,725	
Customer Services & Transformation	617,000	554,000	437,304	438,238	444,291	450,464	456,762	
Salary Saving Provision	(287,000)	(287,000)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)	
HRA Recharge	(1,195,000)	(1,150,000)	(1,195,600)	(1,195,600)	(1,195,600)	(1,195,600)	(1,195,600)	
Capital Financing	880,000	905,500	1,053,000	1,080,000	1,065,000	1,071,000	1,031,000	
Net Expenditure	6,456,000	6,634,500	6,118,868	6,474,879	6,073,369	6,243,708	6,206,536	

Budget 2020/21 & MTFS (2020/21 to 2024/25) - to be approved February 2020							Table 7	
	2019/20		Budget 2020/21	Budget 2021/22	Budget 2022/23	Budget 2023/24	Budget 2024/25	
	Budget	Q3 Forecast Outturn						
	£000	£000						
Net Expenditure	6,456,000	6,634,500	6,118,868	6,474,879	6,073,369	6,243,708	6,206,536	
Cont to/(from) Reserves								
- General Fund to/(from) - planned	(144,305)	(138,978)	(100,951)	(42,827)	378,039	316,302	246,356	
- General Fund to/(from) - unplanned	0	(53,340)	0	0	0	0	0	
- EarR: to CIR	0	0	101,250	94,000	0	0	0	
- EarR: to Risks & Projects (Select Lic)	0	0	500,000	0	0	0	0	
- EarR: from Projects & Risks (Select Lic)	0	0	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	
- EarR: from Projects & Risks (Local Plan Reserve)	0	0	(40,000)	(85,000)	(65,000)	(60,000)	0	
- EarR: from Projects & Risks (Local Election Reserve)	0	0	0	0	0	(72,000)	0	
- EarR: from Council Priority Reserve (Forums Reserve)	0	0	(17,000)	(17,000)	(17,000)	(17,000)	0	
- EarR: from Ground Maintenance Reserve	0	0	(35,000)	(35,000)	(35,000)	(35,000)	(35,000)	
- EarR: from Health & Wellbeing Reserve	0	0	(38,722)	0	0	0	0	
Budget Requirement	6,311,695	6,442,182	6,388,445	6,289,052	6,234,408	6,276,010	6,317,892	
NDR	(1,349,000)	(1,439,000)	(1,362,490)	(1,362,490)	(1,376,115)	(1,389,876)	(1,403,775)	
S31 Grant	(767,000)	(767,000)	(767,000)	(767,000)	(767,000)	(767,000)	(767,000)	
Revenue Support Grant	0	0	0	0	0	0	0	
Other General Fund Grants	(110,000)	(150,487)	(110,000)	(110,000)	(110,000)	(110,000)	(110,000)	
Fair Funding Review Adj	0	0	0	86,000	172,000	257,000	343,000	
New Homes Bonus - to base @ 100%	(263,800)	(263,800)	0	0	0	0	0	
New Homes Bonus - to base @ 25%	0	0	(33,750)	0	0	0	0	
New Homes Bonus - to reserves @ 75%	0	0	(101,250)	0	0	0	0	
New Homes Bonus - to reserves @ 100%	0	0	0	(94,000)	0	0	0	
Collection Fund (Surplus)/Deficit	89,612	89,612	7,000	90,000	90,000	90,000	90,000	
Total Grant	(2,400,188)	(2,530,675)	(2,367,490)	(2,157,490)	(1,991,115)	(1,919,876)	(1,847,775)	
Council Tax Requirement	3,911,507	3,911,507	4,020,955	4,131,562	4,243,293	4,356,134	4,470,117	
- Council Tax Base	17,423.2	17,423.2	17,520.5	17,618.6	17,717.3	17,816.5	17,916.3	
- % Increase in Council Tax Base:			0.56%	0.56%	0.56%	0.56%	0.56%	
- Per Band D (preferred option):	224.50	224.50	£ 229.50	£ 234.50	£ 239.50	£ 244.50	£ 249.50	
- % Increase in Band D Council Tax:			2.23%	2.18%	2.13%	2.09%	2.04%	
- £ Increase per Band D:			£ 5.00	£ 5.00	£ 5.00	£ 5.00	£ 5.00	
- £ Increase in total Council Tax Debit:			£ 109,448	£ 110,607	£ 111,731	£ 112,841	£ 113,983	
<u>Council Tax key comparator information</u>								
- a 1% increase in Council Tax, based on 2019/20 Base equates to:			£ 39,116					
- a 1% increase in Council Tax, based on new 2020/21 Base equates to:			£ 61,179					
- additional Council Tax, based on new 2020/21 Base equates to:			£ 109,446					

4. Revenue Reserves

4.1 There is extensive commentary on the Councils General Fund (Unallocated) Reserve position in **Appendix 1**, paragraph 1.20 to 1.29 and it is summarised in **Table 8** below and the following commentary.

4.2.1 **General Fund (Unallocated) Reserve (GFR)**, the Council must maintain by law a GFR; however, the level of reserve can be set by each local authority and the Council has chosen a reserve that represents 10% of Net Expenditure. As shown in **Table 8**, the following conclusions can be drawn in respect of the GFR, the GFR:

- remains positive throughout the MTFS.
- maintains its 10% threshold throughout the MTFS

This means that over the medium term, the Council:

- has a **sustainable budget**, however it must take action to mitigate the potential reduction in reserves because of the estimated service deficit budgets forecast for 2020/21 and 2021/22.

- is **financially resilient** as the GFR position remains positive over the MTF5 period. This position is only achieved by the Council committing to generating new, and significant, income generation opportunities from commercial investment from 2022/23 onwards.

4.2.2 **Earmarked Reserves (ER), Table 8** shows that the Council will drawdown from its ER's in 2020/21, with a further drawdown from reserves in 2021/22. However, as a consequence of the setting aside of New Homes Bonus, the amount of drawdown does not drop below the April 2020 forecast opening balance - this demonstrates that the budget is sustainable over the medium term. However, these drawdowns from the Commercial Investment Earmarked Reserve may mean that the commencement of commercial investment is delayed.

General Fund + Budget Surplus/Other Earmarked Reserves				Table 8		
	2019/20 Q3 Forecast Outturn £000	Budget 2020/21 £000	Budget 2021/22 £000	Budget 2022/23 £000	Budget 2023/24 £000	Budget 2024/25 £000
General Fund (Unallocated) Reserve						
b/f	599,902	663,450	611,887	647,488	607,337	624,371
Cont from/(to) Services	(53,340)	(100,951)	(42,827)	378,039	316,302	246,356
Cont from/(to) Budget Surplus Reserve	116,888	49,388	78,428	(418,190)	(299,268)	(250,073)
c/f	663,450	611,887	647,488	607,337	624,371	620,654
Net Expenditure	6,634,500	6,118,868	6,474,879	6,073,369	6,243,708	6,206,536
Minimum Level of Reserves @ 10%	663,450	611,887	647,488	607,337	624,371	620,654
Variance of GFR to Minimum Level of Reserves (10%)		0	0	0	0	0

Budget Surplus Reserve						
b/f	0	1,000	1,000	1,000	1,000	1,000
Cont from/(to) BS Reserve	0	0	0	0	0	0
Cont from/(to) General Fund	(116,888)	(49,388)	(78,428)	418,190	299,268	250,073
Cont from/(to) ER: General						
Cont from/(to) ER: Housing (Private Sector)						
Cont from/(to) CIS Reserve	117,888	49,388	78,428	(418,190)	(299,268)	(250,073)
c/f	1,000	1,000	1,000	1,000	1,000	1,000
Earmarked Reserve: Projects & Risks Reserve						
b/f	457,149	435,071	784,849	628,349	491,849	288,349
Cont from Services - Selective Licensing		500,000				
Cont from Services - Local Plan		63,000	63,000	63,000	63,000	63,000
Cont from Services - Local Election		17,500	17,500	17,500	17,500	17,500
Cont (to) Services - Selective Licensing		(100,000)	(100,000)	(100,000)	(100,000)	(100,000)
Cont (to) Services - Local Plan		(40,000)	(85,000)	(65,000)	(60,000)	0
Cont (to) Services - Local Election		0	0	0	(72,000)	0
Cont (to) Services - Council Priorities (Forums)		(17,000)	(17,000)	(17,000)	(17,000)	0
Cont (to) Services - Grounds Maintenance		(35,000)	(35,000)	(35,000)	(35,000)	(35,000)
Cont (to) Services - Health & Wellbeing	(22,078)	(38,722)	0	0	0	0
Cont from/(to) BS Reserve		0	0	0	0	0
c/f	435,071	784,849	628,349	491,849	288,349	233,849
Earmarked Reserve: Housing (Private Sector) Reserve						
b/f	129,190	129,190	129,190	129,190	129,190	129,190
Cont from/(to) BS Reserve		0	0	0	0	0
c/f	129,190	129,190	129,190	129,190	129,190	129,190
Earmarked Reserve: Commercial Investment Reserve						
b/f	681,466	563,578	615,440	631,012	1,049,202	1,348,470
Cont from Services (from New Homes Bonus)		101,250	94,000	0	0	0
Cont from/(to) BS Reserve	(117,888)	(49,388)	(78,428)	418,190	299,268	250,073
c/f	563,578	615,440	631,012	1,049,202	1,348,470	1,598,543

5. Capital Programme

5.1 The Capital Programme for the years 2020/21 to 2022/23 is shown in **Appendix 1, Section 3**. The total Capital Programme for 2020/21 is £2.5m; the allocation to the HRA being £1.5m and the General Fund is £969k. In respect of the:

- HRA, the 2020/21 £1.5m allocation is the same in the following two years. This allocation is to continue investment in the Councils properties to bring them up to Decent Homes Standard.
- General Fund, the most significant items are Private Sports Grants (£175k), Coombe Park Pavilion Extension (£170k), Lift Truck Replacement (£165k) and a Pitch Improvement Programme (£80k). Over the following two years, the General Fund capital programme is £48k and £80k respectively.

5.2 The primary means of financing the capital programme is:

- from the Major Repairs Reserves for the HRA expenditure, £1.5m, and the

- ii. General Fund programme via Unsupported Borrowing (£544k), Grants & Contributions (£180k) and S.106 Contributions (£245k).

5.3 Once the capital programme is approved by Council, this permits officers to commence development of proposals through to contract award stage.

6. Housing Revenue Account

6.1 The Housing Revenue Account (HRA) is forecast to end 2019/20 with a balance on its main reserve of £714k, with the revenue account forecast to have deficit of £369k. Some of the increased cost during 2019/20 is in respect of capital schemes bought forward from previous years; this has however still left the HRA in a reasonably stable position given the prospect that the Council is able to increase rents over the next five years. Over the following years the HRA is estimated to be running a small surplus, ranging from £27k in 2020/21 to £69k by 2024/25.

6.2 A detailed commentary is shown in **Appendix 1, Section 5** and a summary of the HRA over the MTF5 period is shown in **Table 9** below:

	Housing Revenue Account 2020/21 and MTF5					Table 9	
	2019/20		Budget	Budget	Budget	Budget	Budget
	Budget	Q3	2020/21	2021/22	2022/23	2023/24	2024/25
	Forecast	Outturn					
	£000	£000	£000	£000	£000	£000	£000
Housing Revenue Account							
Net Cost of Services on the HRA	(459)	(681)	(602)	(675)	(698)	(722)	(744)
Capital Charges	550	550	575	600	625	650	675
Revenue Contributions to Capital	0	500	0	0	0	0	0
Appropriations to Earmarked Reserves	0	0	0	0	0	0	0
(Surplus)/Deficit in Year	91	369	(27)	(75)	(73)	(72)	(69)
HRA Reserves							
HRA A/c: b/f	(1,083)	(1,083)	(714)	(741)	(816)	(889)	(961)
Budget (Surplus)/Deficit for the Year	91	369	(27)	(75)	(73)	(72)	(69)
HRA A/c: c/f	(992)	(714)	(741)	(816)	(889)	(961)	(1,030)

6.3 Although there is a forecast significant reduction on the HRA reserves at the end of 2019/20, mainly to fund capital expenditure, this does however leave a closing balance on the HRA of around £0.7m which is comfortably above the lower limit of £0.3m set in the original business plan.

6.4 For 2020/21 the Council is able to increase rents by CPI+1% (as at the September of the previous year). It is proposed that the Council increases its dwelling rents by CPI+1% which gives an increase of 2.7% for 2020/21; as shown in **Table 10** below this gives an average rent increase of £2.03 per week, taking it from £75.41 to £77.44 per week. This equates to an increase in annual rental income of £93k.

Indicative Rent Levels Across the Council 2020/21			Table 10	
	2019/20	2020/21	Increase	
	£	£	£	%
Highest Rent - 3 Bed House	94.22	96.76	2.54	2.7%
Lowest Rent - Bedsit	56.19	57.71	1.52	2.7%
Average Rent	75.41	77.44	2.03	2.7%

6.5 Other specific charges are also proposed to increase by 2.7%.

7. Fees & Charges

7.1 The income generation proposals are discussed earlier in this report (3.4) and in respect of fees and charges there are a limited number of changes – the proposals are listed in **Appendix 1, Table 4**. Members should note that no inflationary increase has been applied to Fees & Charges for 2020/21; however, the most significant changes in fees and charges are in respect of:

- Selective Licensing, which has been subject to a separate Council report in early February.
- Green Waste, which the Leader exercised his 'empowerment' within the Council's Constitution to authorise an increase of £5.

8. Treasury Management Strategy (and other Treasury related strategies)

8.1 Each year the Council is required to approve the Treasury Management Strategy and other associated plans, strategies and statements. These various documents are required by statutory regulation, and have to be approved by Council and their purpose is to ensure good governance of the Councils cash, investment and borrowing operations. Although the Council is relatively free to set its own governance limits, the limits themselves centre on affordability and the principles of the Prudential Code. All the relevant documents are shown in **Appendix 1, Section 4** and a summary of each is shown below:

- Treasury Management Strategy**, this strategy sets out the overriding principles and practices of cash management, borrowing, investment and local indicators.
- Capital Strategy**, this is a specific strategy that concentrates solely on the Councils capital activity; being capital expenditure, financing and treasury.
- Investments Strategy**, this strategy centres on how the Council should invest its cash; based on the principles of security, liquidity and yield.
- Minimum Revenue Provision Statement**, the Council is required to 'internally' finance (i.e. from revenue) capital expenditure that is not being funded from other sources (i.e. grant, S.106 etc.). This statement sets out the Councils policy on how it will internally finance its minimum revenue provision (MRP) commitments; MRP policies are required to be duly prudent but should be appropriately flexible to allow effective borrowing and investment decisions.
- Flexible Use of Capital Receipts Strategy**, this strategy allows Councils to use capital receipts to finance the revenue costs associated with service reform and transformation; however, the capital receipts are restricted to only those that are non-housing assets.
- Prudential Indicators**, these are a series of statutory indicators that the Council must report on to Council; their purpose is to ensure effective governance of the Councils Treasury activity.

9. Robustness of the 2020/21 Budget and Medium Term Financial Strategy

9.1 Section 25 of the Local Government Act 2003 requires the s.151 officer, here at Oadby & Wigston Borough Council this being the Chief Financial Officer, to provide a commentary and

give assurance on the robustness of the 2020/21 budget and MTFs. A detailed commentary is provided in **Appendix 1, Section 7** and it is recommended that members consider this commentary in light of their deliberations in respect of setting the Council Tax for 2020/21, the respective 2020/21 budgets and the MTFs.

9.2 The commentary follows a detailed test of assumptions against sensitivity criteria and what the conclusions of this analysis are as well as some reflections from the CIPFA Resilience Index:

- There are risks within the Council's financial cost base that are demonstrated by the fact that the sensitivity analysis shows that following some marginal changes in costs or income could mean that its reserves would be insufficient to meet ongoing commitments.
- The Council maintains its General Fund (Unallocated) Reserve at 10% of Net Expenditure.
- The Council has made good endeavours to address these cost pressures during the 2020/21 budget setting process, especially in light of the fact that for 2019/20 the Council is facing its first overspend for a number of years. But it is imperative that the budget proposals included in this report are implemented without delay; including the development of new, innovative proposals that will make the **financial future of the Council more sustainable, resilient and then permit community investment.**

9.3 Therefore, my conclusions in respect of the:

- **2020/21 Budget** are

Considering all the factors noted within the "Robustness" statement in respect of 2020/21, I consider that the combination of the:

- Councils commitment to continue to find service efficiencies,
- the direction of travel in relation to governance,
- it's clear intention to invest in services, and
- it's prudent position relating to income recognition (including raising Council Tax),

the Council has made good endeavours to overcome a number of relatively significant budget challenges in 2020/21, so Members should not have any significant concerns over the Council's financial position. However, the modelling has shown that with only relative small changes in sensitivity the Council could face some financial challenges; it is therefore essential going forward that the Council continues to:

- strongly challenge costs and keeps them to a minimum,
- manages its commitments effectively, and
- seeks opportunities to increase its potential for further income generation.

- **Medium Term Financial Strategy (2021/22 to 2024/25)** are

With regard to the period covered by the MTFs; the Council does face some future funding risk with the:

- expected removal of NHB,
- the implications of Fair Funding, and
- the ongoing issues pertaining to the localisation of Business Rates.

However, during this budget setting cycle the Council has addressed some significant budget challenges with relative innovative changes to service delivery; however these positive endeavours will not come to fruition for a couple of years so it is imperative that the MTFS is closely monitored and where possible further efficiencies are introduced as soon as possible. Only with this continued pressure on controlling costs and delivering additional income will the Council meet its financial ambition of:

Financial Sustainability & Resilience that will enable Community Investment