



Oadby & Wigston
BOROUGH COUNCIL

Oadby & Wigston Borough Council

Draft Budget 2020/21

and

**Medium Term Financial Strategy
2021/22 - 2024/25**

Committed to Financial Sustainability & Resilience
to enable
Community Investment

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Oadby & Wigston Borough Council Council Tax Summary

2019/20				2020/21		
Total £000	Band D Equivalent £			Total £000	Band D Equivalent £	
6,456	370.55		Net Expenditure	6,119	349.25	
(144)	(8.28)	Add	Contribution to/(from) Reserves	269	15.39	
6,312	362.27		Budget Requirement	6,388	364.64	
90	5.14	Less	Collection Fund Deficit (Surplus)	7	0.40	
6,402	367.41			6,395	365.04	
			Financed By:			
0	0.00	Less	Government Revenue Support Grant	0	0.00	
(1,349)	(77.43)	Less	Retained National Domestic Rates	(1,362)	(77.77)	
(877)	(50.34)	Less	Other Grants & Financing Adjustments	(877)	(50.06)	
(264)	(15.14)	Less	New Homes Bonus	(135)	(7.71)	
3,912	224.50		Council Tax for Oadby & Wigston	4,021	229.50	
	???	Add	Leicestershire County Council			Not yet discloseable
	???	Add	Police & Crime Commissioner			
	???	Add	Fire Authority			
17,423.2			Council Tax Base (Band D Equivalent)			17,520.5

2020/21 Council Tax - Comparison with 2019/20	
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	2019/20	2020/21	Increase	
	£	£	£	
Oadby & Wigston Borough Council	224.50	229.50	5.00	2.23%
Leicestershire County Council	1,292.18	Not yet discloseable	#VALUE!	#VALUE!
Policy & Crime Commissioner	223.23		(223.23)	-100.00%
Fire Authority	66.64		(66.64)	-100.00%

How your money will be spent in 2020/21					
			£000	£000	£000
Expenditure	Employees	Pay (including National Insurance & Pension)	5,760		
		Other	322	6,082	
	Buildings	Maintenance & Cleaning	156		
		Energy & Water	141		
		Rent	183		
		Non-Domestic Rates	196	676	
		Transport		241	
	Supplies & Services	Supplies	269		
		Services	2,120		
		Members Allowances	183	2,572	
	Benefits and Transfer Payments	Housing Benefits	8,890		
		Grant to Other Organisation	80		
		Other	117	9,087	
	Other Expenditure	Cost of Capital		1,053	
		HRA Recharge		(1,196)	
		Other		(266)	
Gross Expenditure			18,249		
Income	Income & Fees	Sales, Fees & Charges		(2,085)	
		Rents		(164)	
		Interest		(91)	
		Government Grants		(8,959)	
		Other Grants & Contributions		(831)	
Gross Income			(12,130)		
Net Expenditure			6,119		

1.0 STRATEGIC BUDGET SUMMARY

Savings, Income Generation, Growth and Revenue Implications of Capital

- 1.1 Since the summer of 2019 officers have been reviewing their budgets to develop revenue savings, income generation and growth proposals for the forthcoming year (2020/21) and the Medium Term Financial Strategy (MTFS) period (2021/22 to 2024/25). The proposals have been split over three distinct phases:
- Phase 1: Facing the Future 2; this is a strategic review of senior management provision and other organisational changes.
 - Phase 2: First Proposals; these are a series of service led proposals generated over the summer and early autumn.
 - Phase 3: Second Proposals; these are a second series of service led proposals generated over the winter of 2020.
- 1.2 All the proposals that have been generated have been discussed with members over the December 2019/January 2020 period and in summary the proposals are shown in **Table 1** below and discussed in more detail in the following paragraphs.

Service Revenue Budget Changes		2020/21					Table 1			
		Growth in Expenditure	Savings in Expenditure	Income Generation	Invest to Save	Total	Net Savings, Income and Growth			
		£000	£000	£000	£000	£000	2021/22	2022/23	2023/24	2024/25
		£000	£000	£000	£000	£000	£000	£000	£000	£000
Senior Leadership Team	Facing the Future 2	0	(193)	0	0	(193)	(193)	(193)	(193)	(193)
	Total	0	(193)	0	0	(193)	(193)	(193)	(193)	(193)
Finance & Resources	First Proposals	150	(18)	0	0	132	45	47	61	57
	Second Proposals	0	(21)	(87)	1	(107)	(129)	(129)	(129)	(130)
	Total	150	(39)	(87)	1	25	(84)	(82)	(68)	(73)
Law & Governance	First Proposals	36	(7)	(651)	0	(622)	(122)	(122)	(50)	(122)
	Second Proposals	44	0	(2)	0	42	(23)	(28)	(36)	(36)
	Total	80	(7)	(653)	0	(580)	(145)	(150)	(86)	(158)
The Built Environment	First Proposals	126	(51)	(27)	0	48	93	73	68	8
	Second Proposals	0	(92)	0	0	(92)	(107)	(503)	(490)	(513)
	Total	126	(143)	(27)	0	(44)	(14)	(430)	(422)	(505)
Community & Wellbeing	First Proposals	25	(88)	(41)	0	(104)	(109)	(109)	(109)	(109)
	Second Proposals	0	(39)	0	(136)	(175)	(287)	(399)	(421)	(354)
	Total	25	(127)	(41)	(136)	(279)	(396)	(508)	(530)	(463)
Customer Services & Transformation	First Proposals	0	(70)	0	0	(70)	(70)	(70)	(70)	(70)
	Second Proposals	0	(30)	0	0	(30)	(35)	(35)	(35)	(35)
	Total	0	(100)	0	0	(100)	(105)	(105)	(105)	(105)
Corporate Budgets	First Proposals	435	0	0	0	435	372	308	263	169
	Second Proposals	0	0	0	0	0	(56)	(56)	(56)	(56)
	Total	435	0	0	0	435	316	252	207	113
TOTAL BUDGET PROPOSALS	Facing the Future	0	(193)	0	0	(193)	(193)	(193)	(193)	(193)
	First Proposals	772	(234)	(719)	0	(181)	209	127	163	(67)
	Second Proposals	44	(182)	(89)	(135)	(362)	(637)	(1,150)	(1,167)	(1,124)
	Total	816	(609)	(808)	(135)	(736)	(621)	(1,216)	(1,197)	(1,384)

• Savings & Invest to Save

- 1.3 In respect in of savings and invest to save proposals, for 2020/21 this totals £744k, increasing to £1.03m by 2024/25. The details of the savings proposed are shown in **Table 2** below, most are minor in nature however these proposals do include the following proposals that are worthy of separate commentary:
- i. **Senior Leadership Team:** Facing the Future 2; total savings of £192k in 2020/21, increasing to £208k by 2024/25.

Organisations are continually evolving to meet ever changing demands, policy and the market and this means that the Senior Leadership Team and managers must continually consider the resources required and corresponding structures needed to ensure that the Corporate Plan and agreed outcomes are delivered. This strategic review, Facing the Future 2, follows on from the strategic review that was approved as part of the 2019/20 budget; this time around the net savings are £193k.

- ii. **Various Service Reviews:** total savings of £117k in 2020/21 and for each year thereafter. A number of individual service reviews will be undertaken during 2020/21 and it is anticipated that each will generate ongoing savings. The reviews to be undertaken and the estimated savings are:
- Corporate Assets/Depot: Amalgamation of Grounds Maintenance & Cemeteries; 2020/21: £18k, 2021/22 onwards: £35k
 - Development Control: Deletion of Career Grade Post; 2020/21: £37k and each year thereafter.
 - Brocks Hill Depot: Mini-restructure of depot staff; 2020/21: £35k and each year thereafter.
 - Community & Wellbeing: Restructure of Community & Wellbeing; £34k and £42k for each year thereafter.
 - Customer Services: Restructure of team; 2020/21 £70k and each year thereafter.
- iii. **Finance & Resources;** the closure of all Public Conveniences except for Peace Memorial Park (PMP) will generate savings of £5k in 2020/21 and £16k for each year thereafter. The Public Conveniences closure programme was agreed at Service Delivery Committee on the 28th January. The estimated cost of continuing toilet provision at PMP is approximately £9k per annum; however, a further £1k has been included to provide funding for the roll-out of a Community Toilet Scheme.
- iv. **The Built Environment:**
- a) savings from the now in-house Cleaning services will generate savings of £66k in 2020/21 and for each year thereafter. This is the result of an immediate saving of £25k and the strong potential for further service efficiencies of £41k are expected to be achieved.
 - b) the development of a Joint Local Plan & Strategy with Neighbour Councils (2020/21: £13k and £28k for each year thereafter). The Council is working with 2 other neighbouring Councils with the aim of developing a joint local plan and strategy for the combined geographical area. Such an approach will bring with it significant and complimentary planning benefits for the wider area. In addition, it is expected that the cost of developing the Local Plan and Strategy will be reduced.
- v. **Community & Well-Being;** savings of £40k in 2020/21 and for each year thereafter will be generated from various budgets from within the service.

However, it should be noted that within the Community & Well-Being service there are a number of budget savings; these are in respect of Children and Young People (£27k), Active/Recreation and Leisure (£8k) and Crime & Disorder Partnership (£5k). However, none of these savings have been prompted by the Council as a source to save money; all these changes are the result of alternative funding that has either:

- been sourced from within the Councils Reserves, or
- by partners who have secured alternative funding as they no longer need direct Council support or have requested non-cash support in lieu of financial contribution (i.e. The Council used to provide a £23k financial contribution to Leicestershire County Council to support Leicestershire families, the County have now said they no longer wish to receive this money but would like office space in lieu of this payment; this has a triple benefit for the Council in that as well as directly saving scarce financial resource, it allows improvements in collaborative working with partners & wider community use of its “owned” facilities).

vi. **Customer Services & Transformation;** by electronically delivering and repurposing the Councils Letterbox magazine, this is likely to generate a saving of £30k in 2020/21 and for each year thereafter. Such an approach has been followed by the private sector for many years, with many local authorities following suite.

vii. **Corporate Budgets;** during 2020/21 the Council will undertake a Zero Based Budgeting Review of all its services. This review will be a fundamental rebasing of all Council provided services and as well as assessing services against the 3 principles of Value for Money (i.e. Economy, Efficiency and Effectiveness) the review will also include relevant benchmarking of services in respect of net cost and current service standards. The aim of this review will be to enable the Council to better align its resources to ensure that it meets its Corporate Priorities and chosen outcomes. A target saving has been included in the MTFS budget, starting in 2021/22 at £56k and for each year thereafter.

Table 2

Savings & Invest to Save; Income Generation; Budget 2020/21 and over the MTFS (2021/22 to 2024/25)									Table X													
			2020/21		2021/22		2022/23		2023/24		2024/25											
			Savings in Expenditure	Invest 2 Save	Savings in Expenditure	Invest 2 Save	Savings in Expenditure	Invest 2 Save	Savings in Expenditure	Invest 2 Save	Savings in Expenditure	Invest 2 Save										
			£	£	£	£	£	£	£	£	£	£										
Senior Leadership Team																						
Facing the Future 2		(192,940)											0	(192,940)	0	(192,940)	0	(192,940)	0	(192,940)	0	
		(192,940)											0	(192,940)	0	(192,940)	0	(192,940)	0	(192,940)	0	
Finance & Resources																						
First Proposals		(18,053)											0	(29,291)	0	(29,291)	0	(29,291)	0	(29,291)	0	
8	Corporate Assets	Miscellaneous reductions in budgets											(12,300)	0	(12,300)	0	(12,300)	0	(12,300)	0	(12,300)	0
9	Public Conveniences	Toilets Closure											(5,053)	0	(16,291)	0	(16,291)	0	(16,291)	0	(16,291)	0
10	Public Open Space	Public Open Space Instructor no longer required.											(700)	0	(700)	0	(700)	0	(700)	0	(700)	0
Second Proposals		(21,428)											790	(38,920)	(1,250)	(38,920)	(1,250)	(38,920)	(1,250)	(38,920)	(1,250)	
5	Corporate Assets	Bins - Moratorium on new street furniture											(3,520)	0	(3,520)	0	(3,520)	0	(3,520)	0	(3,520)	0
6	Corporate Assets	Cricket Pitches											(415)	0	(415)	0	(415)	0	(415)	0	(415)	0
7	Corporate Assets	Review (potentially combine) GM & Cemetary Grounds Staff											(17,493)	0	(34,985)	0	(34,985)	0	(34,985)	0	(34,985)	0
8	Corporate Assets	Sale/Gift of St Peter's Church Hall Car Park											0	1,290	0	(750)	0	(750)	0	(750)	0	(750)
9	Corporate Assets	Manchester Gardens Allotments - sell plots to tenants											0	(500)	0	(500)	0	(500)	0	(500)	0	(500)
		(39,481)											790	(68,211)	(1,250)	(68,211)	(1,250)	(68,211)	(1,250)	(68,211)	(1,250)	
Law & Governance																						
First Proposals		(6,700)											0	(6,700)	0	(6,700)	0	(6,700)	0	(6,700)	0	
9	DRM	Minor budget adjustments											(1,200)	0	(1,200)	0	(1,200)	0	(1,200)	0	(1,200)	0
10	Licences	Computer Software											(5,500)	0	(5,500)	0	(5,500)	0	(5,500)	0	(5,500)	0
		(6,700)	0	(6,700)	0	(6,700)	0	(6,700)	0	(6,700)	0											

Table 2

Savings & Invest to Save; Income Generation; Budget 2020/21 and over the MTFS (2021/22 to 2024/25)										Table X		
			2020/21		2021/22		2022/23		2023/24		2024/25	
			Savings in Expenditure	Invest 2 Save	Savings in Expenditure	Invest 2 Save	Savings in Expenditure	Invest 2 Save	Savings in Expenditure	Invest 2 Save	Savings in Expenditure	Invest 2 Save
			£	£	£	£	£	£	£	£	£	£
The Built Environment												
First Proposals			(51,400)	0	(51,400)	0	(51,400)	0	(51,400)	0	(51,400)	0
8	Economic Development	Savings associated with the cost of installing Public Wifi in town centres	(4,900)	0	(4,900)	0	(4,900)	0	(4,900)	0	(4,900)	0
9	Economic Development	Town Centre Manager Shared Services	(3,200)	0	(3,200)	0	(3,200)	0	(3,200)	0	(3,200)	0
10	Economic Development	Markets	(2,800)	0	(2,800)	0	(2,800)	0	(2,800)	0	(2,800)	0
11	Planning Policy	Leicester and Leicestershire Strategic Growth Plan/Duty to Co-operate	(4,000)	0	(4,000)	0	(4,000)	0	(4,000)	0	(4,000)	0
12	Planning Control	Advertising	(1,000)	0	(1,000)	0	(1,000)	0	(1,000)	0	(1,000)	0
13	Building Control	Journals, Books & Subscriptions	(1,500)	0	(1,500)	0	(1,500)	0	(1,500)	0	(1,500)	0
14	Building	Cleaning Contract	(25,000)	0	(25,000)	0	(25,000)	0	(25,000)	0	(25,000)	0
15	Planning	GIS & Gaxetteer, saving from better service.	(9,000)	0	(9,000)	0	(9,000)	0	(9,000)	0	(9,000)	0
Second Proposals			(91,716)	0	(106,716)	0	(113,076)	0	(99,256)	0	(103,436)	0
1	Cleaning	Reduction of Cleaning Service	(41,416)	0	(41,416)	0	(41,416)	0	(41,416)	0	(41,416)	0
2	Cleaning	Private Sector Cleaning Company	0	0	0	0	(12,360)	0	(18,540)	0	(24,720)	0
3	Development Control	Deletion of one Career Graded Development Control Officer post	(37,300)	0	(37,300)	0	(37,300)	0	(37,300)	0	(37,300)	0
4	Planning Policy	Development of a Joint Local Plan & Strategy for 3 partner councils.	(13,000)	0	(28,000)	0	(22,000)	0	(2,000)	0	0	0
			(143,116)	0	(158,116)	0	(164,476)	0	(150,656)	0	(154,836)	0

Table 2

Savings & Invest to Save; Budget 2020/21 and over the MTFS (2021/22 to 2024/25)												
			2020/21		2021/22		2022/23		2023/24		2024/25	
			Savings in Expenditure £	Invest 2 Save £	Savings in Expenditure £	Invest 2 Save £	Savings in Expenditure £	Invest 2 Save £	Savings in Expenditure £	Invest 2 Save £	Savings in Expenditure £	Invest 2 Save £
Community & Wellbeing												
First Proposals			(88,000)	0	(88,000)	0	(88,000)	0	(88,000)	0	(88,000)	0
1	Children & Young Persons	LCC: Supporting Leicestershire Families; service no longer operational.	(23,000)	0	(23,000)	0	(23,000)	0	(23,000)	0	(23,000)	0
2	Children & Young Persons	Area Youth Games: Action will continue, via the South Leicestershire School Sports Partnership, who will deliver utilising external funding.	(1,500)	0	(1,500)	0	(1,500)	0	(1,500)	0	(1,500)	0
3	Children & Young Persons	School Holiday Programme: Working in partnership with the SLM/Everyone Active and as part of the Leisure Contract, for them to deliver the Summer camps.	(2,500)	0	(2,500)	0	(2,500)	0	(2,500)	0	(2,500)	0
4	Active	GP Referral: Working in partnership with the SLM/Everyone Active and as part of the Leisure Contract, for them to deliver the Summer camps.	(3,000)	0	(3,000)	0	(3,000)	0	(3,000)	0	(3,000)	0
5	Recreation and Leisure	Legacy Maker Post: Able to utilise the ring-fenced small ear-marked funding to support this expenditure from 2020 for two years.	(5,000)	0	(5,000)	0	(5,000)	0	(5,000)	0	(5,000)	0
6	Crime & Disorder Partnership	OWBC Contribution: A reduction of £5,000 from the Council's contribution to the Community Safety Partnership Plan, as	(5,000)	0	(5,000)	0	(5,000)	0	(5,000)	0	(5,000)	0
7	Brooks Hill	A reduction of £4,500 (identified from a range of budget codes associated with the Park Ranger's working budget).	(4,500)	0	(4,500)	0	(4,500)	0	(4,500)	0	(4,500)	0
8	Depot	Mini re-structure to better align staff resources to service delivery. Savings identified as £42k, however a budget of £10k would be required for Agency staff (to	(35,000)	0	(35,000)	0	(35,000)	0	(35,000)	0	(35,000)	0
9	Depot	Lease of this vehicle comes to an end on 31 Oct 2019. Suggest not renewing the lease going forwards.	(8,500)	0	(8,500)	0	(8,500)	0	(8,500)	0	(8,500)	0
Second Proposals			(38,734)	(136,000)	(62,234)	(225,000)	(62,234)	(337,000)	(62,234)	(359,000)	(62,234)	(292,000)
1	Refuse & Recycling	Reduce Winter Garden Waste Collection	0	0	(16,000)	0	(16,000)	0	(16,000)	0	(16,000)	0
2	Across Entire Service	Reduction in Mileage	(4,734)	0	(4,734)	0	(4,734)	0	(4,734)	0	(4,734)	0
3	Community & Well-Being	Restructure with Community & Well-Being	(34,000)	0	(41,500)	0	(41,500)	0	(41,500)	0	(41,500)	0
4	Lesiure	Leisure Contract		(136,000)		(225,000)		(337,000)		(359,000)		(292,000)
			(126,734)	(136,000)	(150,234)	(225,000)	(150,234)	(337,000)	(150,234)	(359,000)	(150,234)	(292,000)

Table 2

Savings & Invest to Save; Income Generation; Budget 2020/21 and over the MTFS (2021/22 to 2024/25)										Table X
	2020/21		2021/22		2022/23		2023/24		2024/25	
	Savings in Expenditure	Invest 2 Save	Savings in Expenditure	Invest 2 Save	Savings in Expenditure	Invest 2 Save	Savings in Expenditure	Invest 2 Save	Savings in Expenditure	Invest 2 Save
	£	£	£	£	£	£	£	£	£	£
Customer Services & Transformation										
First Proposals	(70,000)	0	(70,000)	0	(70,000)	0	(70,000)	0	(70,000)	0
1 Customer Services Service Restructure	(70,000)		(70,000)		(70,000)		(70,000)		(70,000)	
Second Proposals	(30,000)	0	(35,000)	0	(35,000)	0	(35,000)	0	(35,000)	0
1 Marketing & Insights Removal of Letterbox	(30,000)	0	(30,000)	0	(30,000)	0	(30,000)	0	(30,000)	0
2 Refuse & Recycling Garden Waste Renewals - Removal of Rolling Renewals	0	0	(5,000)	0	(5,000)	0	(5,000)	0	(5,000)	0
	(100,000)	0	(105,000)	0	(105,000)	0	(105,000)	0	(105,000)	0
Corporate Budgets										
First Proposals	0	0	0	0	0	0	0	0	0	0
Second Proposals	0	0	(55,750)	0	(55,750)	0	(55,750)	0	(55,750)	0
1 All services ZBB Savings Provision - Moderate Risk if not achieved	0	0	(55,750)	0	(55,750)	0	(55,750)	0	(55,750)	0
	0	0	(55,750)	0	(55,750)	0	(55,750)	0	(55,750)	0
TOTAL BUDGET PROPOSALS										
Facing the Future	(192,940)	0	(192,940)	0	(192,940)	0	(192,940)	0	(192,940)	0
First Proposals	(234,153)	0	(245,391)	0	(245,391)	0	(245,391)	0	(245,391)	0
Second Proposals	(181,878)	(135,210)	(298,620)	(226,250)	(304,980)	(338,250)	(291,160)	(360,250)	(295,340)	(293,250)
Total for Savings & Invest to Save Proposals	(744,181)		(963,201)		(1,081,561)		(1,089,741)		(1,026,921)	

- **Income Generation**

1.4 The Council generates a fair proportion of its own funding from the various services it provides, by way of example these income streams range from:

- fees and charges that generates income from both discretionary services (i.e. Leisure) through to statutory services (i.e. various Licenses, Planning etc.)
- Income from investments.

As part of this budget round new income generations proposals have been developed or income budgets have been realigned to reflect demand. The income generation total £808k in 2020/21, reducing to £754k in 2024/25. The detail of each income generation line is shown in **Table 4** below with further commentary on the more significant items in the following paragraphs.

- i. **Finance:** Investment Income of £83k in 2020/21 from a Diversified Property Fund Investment and for each year thereafter.

It is essential that the Council starts to use its treasury management function in a more effective way to enable the Council to achieve the maximum leverage from its cash holdings (primarily its working capital). By more effectively managing its cash holdings the Council will be able to invest in medium term investment vehicles, such as a Property Fund. It is therefore proposed, as permitted within the Councils Treasury Management Strategy, that the Council should invest £2.5m in a Property Fund – the aim will be to invest in a UK, property based diversified fund. Current net returns are showing approximately 4.5% and therefore a gross yield of £93k – resulting in a net income to the budget of £83k after deducting the £10k that was approved last year but was not followed up.

- ii. **Law & Governance:** Income of £550k is estimated in 2020/21 for the Selective Licensing scheme, with a further £50k for each year thereafter.

Over the past year or so members have received numerous reports in respect of the above licensing scheme; it is not proposed to go into the detail here. However, it is expected that over the 5-year period of the licensing scheme that a minimum of £800k will be generated. It is expected that around £550k will be generated in the first year with a further £250k over the following 4 years. It is proposed that £500k of the £550k received in the first year will be immediately earmarked and then released over the 5-year period; thus enabling a sustainable income stream to be delivered.

It should be noted that considering the ‘spreading’ noted above, it is fair to say that the £808k income generated in 2020/21 and noted in **Table 4** is ‘technically’ overstated and a truer profile of income generation per annum is shown in **Table 3** below (i.e. removing the lump sum receipt and including the annual spreading).

Reallocation of Selective Licensing Income to give total Income per Annum				Table 3	
	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Total Income per Annum	(808)	(331)	(727)	(735)	(754)
Selective Licensing to Earmarked Reserves	500	0	0	0	0
Net Income per Annum	(308)	(331)	(727)	(735)	(754)
Reallocation of Seletive Licensing	(100)	(100)	(100)	(100)	(100)
Total Income per Annum after Reallocation	(408)	(431)	(827)	(835)	(854)

- iii. **Law & Governance:** Licensing income budgets in 2020/21 have been increased by £101k and for each year thereafter.

However, it should be noted that the changes to income budgets in respect of Taxi Licensing (£90k) and Alcohol & Entertainment Licences (£11k) are technical changes to the Councils budgets to reflect actual demand; these increases are not reflective of actual increases in Fees & Charges. In respect of Taxi Licensing, there is an additional cost related to the processing of such Licenses, this is noted within the Growth proposals later in this report.

- iv. **Community & Wellbeing (including Depot):** Income from Green Waste charging of £41k is included in 2020/21 and for each year thereafter. This additional income results from a £5 increase in the 2019/20 Green Waste charged (£35) to £40 per bin. The additional estimated income is a prudent recognition of additional income; the modelling took into account the current total paying customer base of 10,308, less an allowance for 'drop-offs', 'early renewers' and a further 'prudency' factor.

Members should note that in November 2019 PFD Committee agreed, in principle, a £5 increase in the Green Waste but this agreement was 'subject to further information being received'. This delay in the decision meant that the increase in charge would not have been able to be included in the budget report to PFD in January because to get the charge in place for the 1st April meant that pre-billing work had to be done in late December. Consequently the Leader of the Council has exercised the 'empowerment' given to him in the Council's Constitution to authorise the increase in the Green Waste collection charge.

Table 4

Income Generation; Budget 2020/21 and over the MTFS (2021/22 to 2024/25)					Table X
	2020/21 Income Generation	2021/22 Income Generation	2022/23 Income Generation	2023/24 Income Generation	2024/25 Income Generation
	£	£	£	£	£
Senior Leadership Team					
Facing the Future 2	0	0	0	0	0
	0	0	0	0	0
Finance & Resources					
First Proposals	0	0	0	0	0
Second Proposals	(86,451)	(88,345)	(88,875)	(89,205)	(89,638)
1 Corporate Assets Memorial Wall - Wigston Cemetery	(900)	(990)	(1,080)	(1,170)	(1,260)
2 Corporate Assets Rescind lawn cem policy-allow kerbs	(2,531)	(3,750)	(4,125)	(4,300)	(4,578)
Wigston Cem					
3 Corporate Assets Charge for parking permits Aylestone Lane	(520)	(1,105)	(1,170)	(1,235)	(1,300)
4 Finance Invest in Property Fund	(82,500)	(82,500)	(82,500)	(82,500)	(82,500)
	(86,451)	(88,345)	(88,875)	(89,205)	(89,638)
Law & Governance					
First Proposals	(651,400)	(151,400)	(151,400)	(151,400)	(151,400)
1 Selective Licensing Income from SL, then a Contribution to	(500,000)	0	0	0	0
Earmarked Reserve to spread income over					
term of Licence.					
2 Selective Licensing Contribution from Earmarked Reserve.	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)
3 Taxi Licences Realigning Private Hire Vehicles budget to	(8,800)	(8,800)	(8,800)	(8,800)	(8,800)
reflect actual demand.					
4 Taxi Licences Realigning Private Hire Vehicles budget to	(81,600)	(81,600)	(81,600)	(81,600)	(81,600)
reflect actual demand.					
5 Licences Alcohol & Entertainment Licences	(11,000)	(11,000)	(11,000)	(11,000)	(11,000)
Second Proposals	(2,000)	(22,800)	(27,500)	(35,500)	(35,500)
1 Pest Control Cessation of Service	(2,000)	(11,500)	(11,500)	(11,500)	(11,500)
2 Environmental Health Environmental Health Shared Service	0	(11,300)	(16,000)	(24,000)	(24,000)
	(653,400)	(174,200)	(178,900)	(186,900)	(186,900)

Table 4

Income Generation; Budget 2020/21 and over the MTFS (2021/22 to 2024/25)					Table X		
			2020/21 Income Generation	2021/22 Income Generation	2022/23 Income Generation	2023/24 Income Generation	2024/25 Income Generation
			£	£	£	£	£
The Built Environment							
First Proposals			(27,400)	(27,400)	(27,400)	(27,400)	(27,400)
1	Homelessness	Additional subsidy to meet higher cost of rented accommodation.	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)
2	Building Control	Additional income from Application Fees (**)	(9,000)	(9,000)	(9,000)	(9,000)	(9,000)
3	Economic Development	Markets	(2,400)	(2,400)	(2,400)	(2,400)	(2,400)
4	Planning Control	Various higher incomes (Pre-Application Advice, High Hedges, Discharge of Conditions)	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)
Second Proposals			0	0	(390,374)	(390,374)	(409,122)
1	Development Control	To establish a Planning Consultancy to compete with the private sector	0	0	(29,060)	(29,060)	(47,808)
2	Economic Development	Investment in Commercial Property	0	0	(201,000)	(201,000)	(201,000)
			(27,400)	(27,400)	(417,774)	(417,774)	(436,522)
Community & Wellbeing							
First Proposals			(41,000)	(41,000)	(41,000)	(41,000)	(41,000)
1	Refuse & Recycling	Green Waste	(41,000)	(41,000)	(41,000)	(41,000)	(41,000)
Second Proposals			0	0	0	0	0
			(41,000)	(41,000)	(41,000)	(41,000)	(41,000)
Customer Services & Transformation							
First Proposals			0	0	0	0	0
Second Proposals			0	0	0	0	0
			0	0	0	0	0
Corporate Budgets							
First Proposals			0	0	0	0	0
Second Proposals			0	0	0	0	0
			0	0	0	0	0
TOTAL BUDGET PROPOSALS							
First Proposals			(719,800)	(219,800)	(219,800)	(219,800)	(219,800)
Second Proposals			(88,451)	(111,145)	(506,749)	(515,079)	(534,260)
Total for each type of Proposal			(808,251)	(330,945)	(726,549)	(734,879)	(754,060)

- **Growth: Non-Staff**

- 1.5 The growth that is shown in **Table 5** is completely unavoidable and is due to a mix of regulatory and contractual pressures. The net growth for 2020/21 is £816k and reduces to £398k by 2024/25. The significant items are discussed in the following paragraphs:

Finance: Total growth of £150k in 2020/21, and reducing to £80k for each year thereafter. The more significant items are:

- £85k: the establishment of a BDP increase, 2020/21; £15k increasing to £30k by 2024/25 and the use of a one-year provision to develop a Commercial Investment Strategy & Business Plan.
- £27k: Contractual software upgrades due to previous systems no longer being supported (iTrent & Cash Receipting)
- £13k: a marginal increase in various repairs and maintenance budgets for the Councils corporate assets.
- £10k: increased cost for Treasury Management Advisor service.

Law & Governance: Total growth of £80k in 2020/21, reducing to £36k per annum for each year thereafter. The more significant items are:

- £44k: a one-year increase (2020/21) in the establishment within the Environment Health that will enable a strategic review of the service to be undertaken to develop options for future provision of the service.
- £18k contribution to Earmarked Reserves per annum to meet the future years cost of OWBC's Local Elections; this will develop a 4-yearly total pot of £72k. The corresponding £72k in 2023/24 is the estimated one-off cost of the aforementioned elections; however these have not been routinely budgeted for and therefore need to be recognised in the MTFS. *Please note that this is a gross cost, the net cost will be 'nil' as it will be funded from the aforementioned Earmarked Reserve.*
- £13k: members will recall that when 'income' was discussed that there was an associated cost for Taxi Licensing, this is that item.
- £6k: marginal increases in various software, equipment, subscription and travel budgets.

Built Environment: Total growth of £127k in 2020/21, reducing to £87k by 2024/25:

- £63k contribution to Earmarked Reserves per annum to meet the future years cost of OWBC's Local Plan; this will develop a total pot of £252k. The corresponding £252k (£40k: 2020/21, £85k: 2021/22, £65k: 2022/23 and £60k: 2023/24) is the estimated cost of the aforementioned Local Plan but as these have not been routinely budgeted for they need to be recognised in the MTFS. Please note that this is a gross cost, the net cost will be 'nil' as it will be funded from the aforementioned Earmarked Reserve.
- £24k is in respect of contractual and non-chargeable building control costs, a marginal increase in the travel budget for the Councils statutory homelessness and planning/building control services and an increase in the cost of renting homelessness accommodation.

Community & Wellbeing: Total growth of £25k in 2020/21, reducing to £20k by 2024/25:

- £4k cost of purchasing "Battery Bikes" to support the development of the Councils green agenda. They will be made available for use by staff for when they travel across the Borough.
- £20k is in respect of the cost of the software licence for the In-Cab/On-Board system.

Corporate Budgets: Total growth of £435k in 2020/21, this gradually reduces over the MTFS period to £165k and relates to:

- £262k removal of the salary savings provision. In prior years budgets the Council included a savings provision of £287k; the aim being that this would be met from in-year salary vacancies. Although staff 'headcount' turnover in 2019/20 was 13.5% (15.4%, 2018/19) on a cost basis this only reflected a forecast salary saving of £25k (£153k, 2018/19); to hold a provision of £25k is considered more prudent .
- £173k as a consequence of additional Minimum Revenue Provision (MRP) charges; these are the statutory revenue charges that are reflective of past decisions in respect of the capital programme. This profile of MRP over the MTFS period reduces to a net saving of £93k in 2024/25 due to the MRP impacts of past capital decisions falling away.

Table 5

Growth; Budget 2020/21 and over the MTFs (2021/22 to 2024/25)							
			2020/21 Growth in Expenditure £	2021/22 Growth in Expenditure £	2022/23 Growth in Expenditure £	2023/24 Growth in Expenditure £	2024/25 Growth in Expenditure £
Senior Leadership Team			0	0	0	0	0
Finance & Resources							
First Proposals			150,000	74,000	76,000	90,000	86,000
1	Finance	Asset Valuation Fee	9,000	0	0	9,000	0
2	Finance	Cash Receipting Licence, increase because 'old' system no longer supported.	13,300	13,300	13,300	13,300	13,300
3	Finance	Short Term Borrowing Costs - Day-to-Day Cash Flow	6,000	6,000	6,000	6,000	6,000
4	Finance	Bad Debts Provision Increase + Provision for Commercial Investment Development	85,000	18,000	20,000	25,000	30,000
5	Finance	Increased cost for Treasury Management Advisor service	10,000	10,000	10,000	10,000	10,000
6	Human Resources	Due to support ending for current version of iTrent HR system, necessary to upgrade to latest version.	14,000	14,000	14,000	14,000	14,000
7	Corporate Assets	Maintenance budgets for various assets (cemeteries, offices, community centres, car parks)	12,700	12,700	12,700	12,700	12,700
Second Proposals			0	0	0	0	0
			150,000	74,000	76,000	90,000	86,000

Table 5

Growth; Budget 2020/21 and over the MTFS (2021/22 to 2024/25)							
			2020/21 Growth in Expenditure £	2021/22 Growth in Expenditure £	2022/23 Growth in Expenditure £	2023/24 Growth in Expenditure £	2024/25 Growth in Expenditure £
Law & Governance							
First Proposals			36,000	36,000	36,000	108,000	36,000
1	Elections	Spreading of Cost of Local (OWBC) Elections; contribution to Earmarked Reserve	17,500	17,500	17,500	17,500	17,500
2	Elections	Cost of Local (OWBC) Elections, financed from Earmarked Reserve	0	0	0	72,000	0
3	Pest Control	Removal of Incorrect Income Budget	0	0	0	0	0
3	DRM	Software Maintenance Contract	2,000	2,000	2,000	2,000	2,000
4	DRM	Mayor Making	600	600	600	600	600
5	Electoral Registration	Equipment Maintenance	1,000	1,000	1,000	1,000	1,000
6	Legal	Professional Subscriptions	1,100	1,100	1,100	1,100	1,100
7	Taxi Licensing	Realigning Private Hire Vehicles budget to reflect actual demand.	12,800	12,800	12,800	12,800	12,800
8	Selective Licensing	Travel Expenses	1,000	1,000	1,000	1,000	1,000
Second Proposals			44,000	0	0	0	0
1	Environmental Health	Temp Environmental Health Officer - 12 Mths	44,000	0	0	0	0
			80,000	36,000	36,000	108,000	36,000
The Built Environment							
First Proposals			126,500	171,500	151,500	146,500	86,500
1	Local Plan	Spreading of Cost of Local Plan; contribution to Earmarked Reserve	63,000	63,000	63,000	63,000	63,000
2	Local Plan	Cost of Local Plan, financed from Earmarked Reserve	40,000	85,000	65,000	60,000	0
3	Homelessness	Higher cost of rented accommodation	12,000	12,000	12,000	12,000	12,000
4	Building Control	Higher cost of Shared Service for non-chargeable services.	1,200	1,200	1,200	1,200	1,200
5	Building Control	Higher cost of Inspection Fees (**)	9,000	9,000	9,000	9,000	9,000
6	Community Housing	Alarms	200	200	200	200	200
7	Planning Control	Travel Expenses	1,100	1,100	1,100	1,100	1,100
Second Proposals			0	0	0	0	0
			126,500	171,500	151,500	146,500	86,500

Table 5

Growth; Budget 2020/21 and over the MTFs (2021/22 to 2024/25)

	2020/21 Growth in Expenditure £	2021/22 Growth in Expenditure £	2022/23 Growth in Expenditure £	2023/24 Growth in Expenditure £	2024/25 Growth in Expenditure £
Community & Wellbeing					
First Proposals	24,500	20,300	20,300	20,300	20,300
1 Wellbeing Battery Bikes	4,200	0	0	0	0
2 Refuse On-Board Software Licence	20,300	20,300	20,300	20,300	20,300
Second Proposals	0	0	0	0	0
	24,500	20,300	20,300	20,300	20,300
Customer Services & Transformation					
First Proposals	0	0	0	0	0
Second Proposals	0	0	0	0	0
	0	0	0	0	0
Corporate Budgets					
First Proposals	435,000	372,000	308,000	263,000	169,000
1 Salary Savings Provision Reversal of SSP to reflect past and current vacancies.	262,000	262,000	262,000	262,000	262,000
2 Minimum Revenue Provision Additional MRP for updated capital programme.	173,000	110,000	46,000	1,000	(93,000)
Second Proposals	0	0	0	0	0
	435,000	372,000	308,000	263,000	169,000
TOTAL BUDGET PROPOSALS					
Facing the Future	0	0	0	0	0
First Proposals	772,000	673,800	591,800	627,800	397,800
Second Proposals	44,000	0	0	0	0
Total for each type of Proposal	816,000	673,800	591,800	627,800	397,800
Total for Growth Proposals	816,000	673,800	591,800	627,800	397,800

1.6 **Other Expenditure assumptions:** As part of the routine nature of preparing budgets, certain assumptions are included and these are listed below:

i. Employee Pay

The Council is part of the local government national pay bargaining process and as such a 2% increase in pay has been included for 2020/21, and also for each year thereafter. For 2020/21 this increase has increased the cost of pay by £92k.

ii. Employer Oncosts

Employers National Insurance (NI) is paid for all employees and the respective rates based on earnings are applied. In addition, all local government employees are 'auto-enrolled' into the Local Government Pension Scheme (LGPS) – officers have to effectively 'opt-out' of the scheme. OWBC is part of the Leicestershire LGPS scheme, which is administered by Leicestershire County Council; this scheme is reviewed on a Triennial basis. In 2020/21 OWBC will be in the first year of the new triennial period. For the MTFS, the current NI of 13.8% and LGPS assumptions for the next three years (2020/21: 33%; 2021/22: 34%; 2022/23: 35%) have been applied.

iii. OWBC 'payable' Business Rates

The Council owns and operates a number of properties across the Borough for which it is responsible for paying Business Rates on; the amount estimated is £198k.

iv. Contractual Inflation

The Council has in place a number of contracts to enable it to deliver its services (i.e. Utility and Fuel, ICT services etc.) and have clearly stated 'inflationary' increase within their Terms & Conditions; where these are known relevant budgets have been duly increased to reflect this inflation.

v. Non-Contractual Inflation

All other expenditure budgets managed by services have not had inflationary increases applied. Although this does reduce the capacity of services to 'spend' and therefore to 'deliver'; it is essential that resource increases are minimised to ensure that consequential increases to our customers and Council Tax & Business Rates payers are minimised.

• **Summary Impact of all budget changes – comparing the 2019/20 Budget to the 'Draft' Budget 2020/21**

1.7 As shown in **Table 6** below, overall the 2020/21 revenue changes to the budget in respect of Savings & Invest to Save, Income Generation and Growth have resulted in a net decrease in the Council's budget of £337k (-5%) when compared to the 2019/20 Original Budget and a reduction of £516k (-8%) when compared to the 2019/20 Quarter 3 Forecast Outturn. However, the following should be noted:

- Until now, Corporate Budgets have been shown separately in this report, this was to enable members to have full transparency of where budget changes have occurred. Going forward from here the Corporate Budgets have been included within Finance & Revenues as these budgets are primarily 'support service' budgets and for ease of budget management it is easier to have them amalgamated.

- The above variance analysis is the 'true' variance analysis in respect of proper practice as it fully reconciles to the requirements of what should be included in Net Expenditure. However, members will recall that in 2020/21 Selective Licensing is expected to receive £500k of income that will be allocated across services. If this adjustment is made the variance between the 2020/21 and the 2019/20 budget is as follows:
 - Original Budget is a net increase of £63k; +1%.
 - Forecast Outturn is a net decrease of £116k; -2%.

Summary of Total Budget Movements (Original Budget for 2019/20 to Base Budget 2020/21)										Table 6	
Service	2019/20		2020/21							Variance	
	Original Budget	Forecast Outturn	Base Budget	Budget Changes					Proposed Budget	To 2019/20 Original Budget	To 2019/20 Forecast Outturn
				Savings		Income	Growth				
				Direct	Facing the Future 2		Non-Staff	Staff			
	£000	£000	£000	£000	£000	£000	£000	£000	£000		
Law & Governance	780	737	780	35	(20)	(651)	36	6	186	-76%	-75%
Community & Wellbeing	1,491	1,584	1,491	(263)	(74)	(41)	25	261	1,399	-6%	-12%
Customer Services & Business Transformation	617	554	617	(100)	(49)	0	0	(31)	437	-29%	-21%
Senior Leadership Team	477	519	477	0	(28)	0	0	36	485	2%	-7%
Planning, Development & Regeneration	842	761	842	(143)	9	(27)	127	(25)	783	-7%	3%
Finance & Resources	2,851	3,011	2,851	(125)	(31)	0	150	152	2,997	5%	0%
Salary Saving	(287)	(287)	(287)	262	0	0	0	0	(25)	-91%	-91%
HRA Recharge	(1,195)	(1,150)	(1,196)	0	0	0	0	0	(1,196)	0%	4%
Capital Financing	880	906	880	173	0	0	0	0	1,053	20%	16%
Net Expenditure	6,456	6,635	6,455	(161)	(193)	(719)	338	399	6,119		
Variance analysis based on Proper Practice i.e. including all gross income and expenditure (Selective Licensing)											
Original Budget	6,456					(337)			6,119	-5%	
Forecast Outturn		6,635				(516)			6,119		-8%
Variance analysis after deducting the £500k Selective Licensing income from gross income											
Proposed Budget 2020/21									6,119		
Selective Licensing allocated to Earmarked Reserve									500		
Selective Licensing reallocated for First Year of new Selective Licensing scheme									(100)		
Proposed Budget 2020/21 adjusted for Selective Licensing										6,519	
Original Budget	6,456					63			6,519	1.0%	
Forecast Outturn		6,635				(116)			6,519		-2%

Government Grant and Corporate Funding Proposals

Government Grant

1.8 The government provides a fair proportion of the core funding of the Council. Some of this funding is in relation to specific services e.g. Housing Benefit, but also some of the funding is in support of general activity. With regard to the latter, each year the government issues a 'Provisional Financial Settlement' (PFS) that notifies local government of its core funding – the PFS relating to 2020/21 was announced on the 20th December 2019. The PFS is based on a number of primary funding streams and the Council's ability to raise Council Tax, together this is known as "Core Funding Power". With regard to each funding stream, please note the following:

- New Homes Bonus (NHB), the Government confirmed that the New Homes Bonus for 2020/21 would be £135k; this is in line with what was expected. The Government's intention is to phase out this grant over a 2 year period with the last NHB grant being paid in 2021/22.

In the past the Council has included NHB in its base budget (i.e. to finance day-to-day revenue expenditure) – this is a high risk strategy as NHB is a ‘reward’ grant for delivering housing and therefore as future delivery is not an exact science using such a grant as an element of the Councils core funding is relatively high risk. It is therefore proposed that the Council now reduces its reliance on NHB, and so for:

- 2020/21: 25% of the grant is held within the base, 75% is allocated to the Commercial Investment Earmarked Reserve.
 - 2021/22: 100% is allocated to the Commercial Investment Earmarked Reserve.
 - 2022/23: No further NHB is budgeted to be received by the Council
- Revenue Support Grant (RSG), the Government confirmed that RSG for 2020/21 would remain at zero; this is in line with what was previously expected.
 - Other General Fund Grants (OGFG), the Council is estimating to receive external grant funding of £110k in respect of Universal Credit New Burdens, Flexible Homelessness Support Grant and Homelessness Reduction Grant. It is possible that the Council may receive more grant over the year but as this grant can vary the amount received in 2019/20 has been included, any changes to funding will be reported as part of the Council’s routine budget monitoring process.

Fair Funding

- 1.9 Members will be aware that prior to the election the government was in the process of reviewing the funding for local government; this process is more widely known as the Fair Funding Review (FFR). The aim of this review is to develop a new funding methodology that will more equitably distribute central government funding across the local government family. As most funding streams for District Councils are in the process of coming to an end (NHB) or have actually come to an end (RSG) a conclusion to the FFR is critical to ensure there is some future funding certainty to both immediate and medium term financial planning. Unfortunately, however, the FFR will not be implemented until 2021/22 at the earliest and following the December general election, the new government is expected to review the FFR distribution principles to ensure that it meets their political priorities.
- 1.10 Like many Councils across England, the Council is engaging with external funding ‘experts’ who are providing financial modelling solutions that use currently known FFR principles and knowledge. Based on the latest information available, there is a strong likelihood that the Council will be negatively impacted by FFR over the medium term; for 2020/21 there is no FFR due to the delay in implementation but from 2021/22 the estimated loss of government support is £86k which increases to £343k by 2024/25. These amounts have been included in the MTFS.

• **Corporate Funding Proposals**

Council Tax Base

- 1.11 Via approved officer delegations, the Chief Financial Officer agrees the Council Tax Base (CTB) for the forthcoming year. The Council Tax Base takes all properties within the Borough, adds in

known additions and reductions and then equates these properties to a Band D equivalent. For 2020/21 the CTB will stand at 17,520.5, which is an increase of 0.6% over 2019/20 (17,423.2).

Council Tax and Business Rates

- 1.12 In the provisional settlement announced by the government on the 20th December 2019; District Councils are permitted to increase their Council Tax by 2% or £5, whichever is the higher. For 2020/21, if the Council was to increase the Council Tax by:
- 1.99%, this gives a Council Tax of £228.97, an increase of £4.47 over 2019/20 (£224.50). Taking into account the CTB rise mentioned earlier, this will generate an additional £100k over 2019/20.
 - £5, this gives a Council Tax of £229.50, an increase of 2.23%. Taking into account the CTB rise mentioned earlier, this will generate an additional £109k over 2019/20. It is recommended that the Council therefore increases its Council Tax by the maximum of £5.
- 1.13 Members should note that if members increase Council Tax by £5, this will be:
- greater than the “average increase in earnings across Leicestershire” of 2.07% (April 2018 to March 2019), but
 - lower than the increase in the state pension of 2.6% (April 2019).
- 1.14 The Council receives 40% of the Business rates collected and, after allowing for the tariff payment, it estimates this to be £1.4m in 2020/21, an increase of 1%. Over the subsequent MTFS period, a nil increase has been included for 2021/22 due to the risks associated with FF and a 1% increase for each year thereafter.

Collection Fund Surplus/Deficit

- 1.15 The Collection Fund is the statutory account for the Council Tax and Business Rates income and the payments to preceptors of their respective shares. Any surplus or deficit on the Collection Fund at year end is distributed to the preceptors, as per legislation. The Council is required to make an estimate of the projected surplus or deficit of each component of the Collection Fund at year end in order for the preceptors to bring their share of the surplus or deficit into the budget setting process.
- 1.16 The estimated year end position of the Collection Fund is shown in **Table 7** below along with the share that is apportioned to the Council. This is a reduction in the deficit of £83k compared to the 2018/19 deficit included in the 2019/20 budget. The reduction is due to benefit that has been accrued to the Council as a participant in the local Pilot Scheme. Unfortunately this was a one-year Pilot and it is expected that the deficit will increase back to pre-pilot levels; consequently in the following years of the MTFS a deficit of £90k is included.

Collection Fund Estimated (Surplus)/Deficit 2019/20	Table 7	
	(Surplus)/Deficit £000	OWBC Share £000
Council Tax	(103)	(13)
Business Rates	37	20
Total	(66)	7

Summary Budget

- 1.17 Assuming Council approves a £5 increase in Council Tax for 2020/21, and that similar amounts are offered by government (and accepted by the Council) over the MTFS period, this results in the funding statement shown in **Table 8** and **Table 9** below. At this time, the Council has not balanced its budget and has a deficit budget (funding gap) of £101k for 2020/21, but as the MTFS period progresses this reduces to a surplus position by 2022/23 and then by 2024/25 the Council is forecasting a surplus of £246k; this is shown in the Red Line in **Table 9** below. It should be noted that over the 5-year MTFS period, there is a forecast surplus of £796k; however, because not all of the years are individually 'balanced', further action is required as this is considered an 'unbalanced budget'.

Budget 2020/21 & MTFS (2020/21 to 2024/25) - to be approved February 2020						Table 8	
	2019/20		Budget	Budget	Budget	Budget	Budget
	Budget	Q3 Forecast	2020/21	2021/22	2022/23	2023/24	2024/25
	£000	£000	£000	£000	£000	£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 9	
	2019/20		Budget	Budget	Budget	Budget	Budget
	Budget	Q3 Forecast	2020/21	2021/22	2022/23	2023/24	2024/25
	£000	£000	£000	£000	£000	£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				

1.18 Following consultations with the majority group in late-January 2020, a number of budget proposals and assumptions were discussed; all were agreed subject to:

- 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.

1.19 The consequences of using reserves are that, as is their nature, they can only be used once. By applying earmarked reserves (Commercial Investment) means that the Council is reducing its capacity to part-fund its proposed commercial investment activity; the consequential impact of this is that such investments will not be brought 'on stream' as early as the Council would have wished which means that its income generation capacity to provide funds to support community

investment will be delayed and/or, reduced – this goes against the principle of making the Council financially sustainable and resilient.

Revenue Reserves

- **General Fund Reserves; their purpose and recent review**

- 1.20 The Council is required by law to maintain a General Fund (Unallocated) Reserve (GFR) but is free to determine at what level this reserve is to be maintained, this Council's Policy is to maintain this at 10% of Net Expenditure. The purpose of this reserve is to ensure that the Council has funding available to meet 'unforeseen' events – however, if the Council chooses to use these funds members must note that it is required to reinstate the GFR to its agreed level as soon as possible; this would usually involve the Council either reallocating funds previously allocated to Earmarked Reserves, curtailing expenditure to generate an underspend or increase its revenue income.
- 1.21 In addition, the Council can maintain a number of Earmarked Reserves (ER); these are held to fund specific work-streams, priorities, risks or to meet future costs relating to current or ongoing projects.
- 1.22 It is essential that Earmarked Reserves are actively managed to ensure they remain reflective of current Council policy, business but also reflect local and national market conditions. Until March 2019, as well as maintaining the GFR the Council also held a host of different ER's, some of which had not been used for a significant number of years. Consequently, in liaison with all Heads of Service (HoS), a review has been undertaken into all Earmarked Reserves. This review required all HoS to consider the reserves held in light of current political and service priorities, known risks and potential future liabilities (members should note that this review excluded all ER's relating to the HRA, S.106 contributions and capital). The conclusions of this review are:
- 1.23 General Fund – this is to remain at 10% of Net Expenditure. However, the operation of the GFR is to change so that members can see that any surplus or deficits that result from the operation of services (net expenditure) is passed through the General Fund. When the GFR exceeds or is below the 10% 'net expenditure' threshold, appropriate contributions are made to or from other Earmarked Reserves (via the Budget Surplus Reserve) – in this way the GFR should remain in balance, thereby ensuring short-term financial resilience.
- 1.24 Budget Surplus Reserve – this reserve is to be created to act as a 'smoothing' reserve between all Earmarked Reserves and the GFR.
- 1.25 Earmarked Reserves – as mentioned earlier, all ER's have been reviewed to ensure that the required funding is available to meet corporate priorities and the result is the formation of three ER's:
- ER: Projects & Risks Reserve – it is estimated that this reserve will open at the 1st April 2020 with a balance of £435k. This ER contains all the separate mini-ER's that ensure that the Risks and Projects held by the Council are duly financed.

- ER: Housing (Private Sector) Reserve – it is estimated that this reserve will open at the 1st April 2020 with a balance of £129k. This is a new ER and its purpose is to hold onto 'seed' funding for future general fund housing projects.
- ER: Commercial Investment Reserve – it is estimated that this reserve will open at the 1st April 2020 with a balance of £564k. This is a new ER and its purpose is to hold onto funding that will support the acquisition of commercial property acquisitions. Members will recall that the purpose of such acquisitions is to generate a long-term revenue income stream. To help minimise future impacts of MRP, the Council will be required to ensure that any such acquisitions maintain a "Loan to Value" below 100%; this reserve will aim to achieve that objective.

1.26 As shown in the funding statement at **Table 9**, the various financial impacts of Government grant, Council Tax and net service expenditure all have direct impact on the Councils Reserves (General Fund and Earmarked), and the estimated movements for each year of the MTFS are shown in **Table 10** below.

General Fund + Budget Surplus/Other Earmarked Reserves					Table 10	
	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
<i>Minimum Level of Reserves @ 10%</i>	663,450	611,887	647,488	607,337	624,371	620,654
<i>Variance of GFR to Minimum Level of Reserves (10%)</i>	0	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

1.27 Members must note that the budgetary impacts on the Council's reserves are that:

- The GFR is maintained at 10% of Net Expenditure over the duration of the MTFS.
- There is a net contribution to the Commercial Investment Reserve in 2020/21 because of the New Homes Bonus contribution is higher than the drawdown that is used to support the amount to finance the budget deficit; this is a similar situation in 2021/22. These drawdowns may mean that the delivery of investment income to support community investment could be delayed.

1.28 However, it is fair to conclude that, in respect of:

- **Financial Sustainability**, over the duration of the MTFS the Council continues to be sustainable; although there are some risks in the early years due to estimated budget deficits.
- **Financial Resilience**, the Council has taken action to remove a number of budgetary constraints that could have forced future funding gaps; but also endorsed innovative means of building capacity into service delivery. However, there are some short-term challenges that need to be addressed to ensure that such challenges are kept to the minimum.

1.29 **Table 11** below tabulates the potential risks surrounding the use of Reserves and it demonstrates that over the medium term that the criteria shown in the table are achieved. As the Councils commercial activity commences, it is likely that these criteria will change; but that is what demonstrates a robust and pragmatic governance framework.

Reserves Risk					Table 11
	2020/21	2021/22	2022/23	2023/24	2024/25
1. General Fund maintained above 0 (Nil) balance, each year of MTFS.	Yes	Yes	Yes	Yes	Yes
2. General Fund maintained at 10% minimum, each year of MTFS	Yes	Yes	Yes	Yes	Yes
3. Budget Surplus Reserve maintained positive, each year of MTFS	Yes	Yes	Yes	Yes	Yes
4. Earmarked Reserve: Projects & Risks, positive at end of MTFS					Yes
5. Earmarked Reserve: Housing (Private Sector), positive at end of MTFS					Yes
6. Earmarked Reserve: Commercial Investment, positive at end of MTFS					Yes
7. Earmarked Reserve: Housing (Private) Investment - funding maintained for investment	Yes	Yes	Yes	Yes	Yes
8. Earmarked Reserve: Commercial Investment - funding maintained for investment	Yes	Yes	Yes	Yes	Yes

2.0 REVENUE OPERATIONAL BUDGETS AND MEDIUM TERM FINANCIAL STRATEGY

2.1 Council (All services): Subjective Analysis of Spend and Income

Consolidated Budget 2020/21 to 2024/25 Subjective Analysis								
		Budget 19/20	Forecast 2019/20	Budget 2020/21	Budget 2021/22	Budget 2022/23	Budget 2023/24	Budget 2024/25
Income & Fees	Fees & Charges	(1,382,040)	(1,447,560)	(2,082,960)	(1,593,135)	(1,622,350)	(1,622,505)	(1,641,408)
Income & Fees	Sales	(2,500)	(3,900)	(2,500)	(2,500)	(2,500)	(2,500)	(2,500)
Income & Fees	Rent	(149,600)	(139,900)	(163,600)	(163,600)	(524,914)	(524,914)	(524,914)
Income & Fees	Government Grants	(8,959,000)	(7,836,700)	(8,959,000)	(8,959,000)	(8,959,000)	(8,959,000)	(8,959,000)
Income & Fees	Other Grants & Contributions	(695,400)	(707,400)	(831,400)	(920,400)	(1,032,400)	(1,054,400)	(987,400)
Income & Fees	Interest	(8,200)	(8,200)	(90,700)	(90,700)	(90,700)	(90,700)	(90,700)
Income & Fees Total		(11,196,740)	(10,143,660)	(12,130,160)	(11,729,335)	(12,231,864)	(12,254,019)	(12,205,922)
Employees	Salary	4,954,495	4,905,185	5,201,907	5,230,239	5,326,594	5,426,442	5,521,631
Employees	Pension	403,200	403,200	558,200	555,450	610,450	610,450	610,450
Employees	Hired Staff	130,600	395,962	187,600	187,600	187,600	187,600	187,600
Employees	Employee Insurance	37,000	36,000	37,000	37,000	37,000	37,000	37,000
Employees	Recruitment	(500)	38,700	(500)	(500)	(500)	(500)	(500)
Employees	Training	36,200	41,700	36,200	36,200	36,200	36,200	36,200
Employees	Travel Expenses	20,600	19,600	18,466	18,266	18,266	18,266	18,266
Employees	Uniform & Laundry	15,900	13,500	15,800	15,800	15,800	15,800	15,800
Employees	Other Staff Costs	26,700	27,300	27,200	27,200	27,200	27,200	27,200
Employees Total		5,624,195	5,881,147	6,081,873	6,107,255	6,258,610	6,358,458	6,453,647
Buildings	Rents	171,400	138,300	183,400	183,400	183,400	183,400	183,400
Buildings	Rates	199,800	208,000	194,747	183,509	183,509	183,509	183,509
Buildings	Repairs & Maintenance	133,700	130,160	137,790	135,750	135,750	135,750	135,750
Buildings	Energy Costs	95,000	79,400	95,000	95,000	95,000	95,000	95,000
Buildings	Water Services	46,400	43,200	46,400	46,400	46,400	46,400	46,400
Buildings	Premises Cleaning	222,700	72,130	(17,916)	(17,916)	(30,276)	(36,456)	(42,636)
Buildings	Grounds Maintenance	41,300	36,800	36,569	35,350	34,975	34,800	34,522
Buildings Total		910,300	707,990	675,990	661,493	648,758	642,403	635,945
Supplies & Services	Catering	2,200	2,900	2,800	2,800	2,800	2,800	2,800
Supplies & Services	Members Allowances	182,800	180,200	182,800	182,800	182,800	182,800	182,800
Supplies & Services	Office Expenses	149,700	133,200	119,700	98,700	98,700	98,700	98,700
Supplies & Services	Communication & Computing	365,500	409,000	404,500	404,500	399,000	399,000	399,000
Supplies & Services	Services	1,402,600	1,501,700	1,410,300	1,401,300	1,401,300	1,410,300	1,401,300
Supplies & Services	Equipment, Furniture & Materials	268,050	257,250	268,615	264,215	263,815	263,815	263,815
Supplies & Services	Expenses	4,800	1,000	800	800	800	800	800
Supplies & Services	Insurance - Service Related	182,900	182,900	182,900	182,900	182,900	182,900	182,900
Supplies & Services Total		2,558,550	2,668,150	2,572,415	2,538,015	2,532,115	2,541,115	2,532,115
Transport	Operating Costs	249,000	249,500	240,500	240,500	240,500	240,500	240,500
Transport Total		249,000	249,500	240,500	240,500	240,500	240,500	240,500
Benefits & Transfer Payments	Contributions Paid	50,300	26,000	19,300	19,300	19,300	19,300	19,300
Benefits & Transfer Payments	Grants	79,800	71,200	79,500	79,500	79,500	79,500	79,500
Benefits & Transfer Payments	Benefits	8,890,300	7,673,000	8,890,300	8,890,300	8,890,300	8,890,300	8,890,300
Benefits & Transfer Payments	Discretionary Relief	10,000	6,000	10,000	10,000	10,000	10,000	10,000
Benefits & Transfer Payments Total		9,030,400	7,776,200	8,999,100	8,999,100	8,999,100	8,999,100	8,999,100
Reserve - Revenue Transfers	Bad Debts	30,200	15,200	115,200	48,200	50,200	55,200	60,200
Reserve - Revenue Transfers	Reserve - Revenue Transfers	(148,010)	(236,100)	(27,510)	17,490	(2,510)	64,490	(67,510)
Reserve-Revenue Transfers Total		(117,810)	(220,900)	87,690	65,690	47,690	119,690	(7,310)
Savings Target	Savings Target	0	0	(240,940)	(267,240)	(265,940)	(253,940)	(251,940)
Savings Target Total		0	0	(240,940)	(267,240)	(265,940)	(253,940)	(251,940)
Grand Total		7,057,895	6,918,427	6,286,468	6,615,479	6,228,969	6,393,308	6,396,136
Sum of Worksheets		7,057,895	6,918,427	6,286,468	6,615,479	6,228,969	6,393,308	6,396,136
Salary Savings		(287,000)	0	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)
Facing the Future								
HRA Recharge		(1,195,600)	(1,150,000)	(1,195,600)	(1,195,600)	(1,195,600)	(1,195,600)	(1,195,600)
Capital Charges		880,000	905,500	1,053,000	1,080,000	1,065,000	1,071,000	1,031,000
Total		6,455,295	6,673,927	6,118,868	6,474,879	6,073,369	6,243,708	6,206,536

NB.

- Controllable Budgets – Support Service Costs (e.g. HR and Financial Services) are not allocated out to the service budgets in the tables above but are shown as individual services in their own right.
- The following subjective budget pages cover all services except for the:
 - Salary Savings Provision, this is a one line adjustment that will be held under a separate cost centre during 2020/21 and in-year salary savings will be reallocated against it.
 - HRA Recharge, this is a direct recharge from the General Fund to the Housing Revenue Account based on currently estimated apportionments of cost.
 - Capital Charges; this is Minimum Revenue Provision i.e. revenue impact of the cost of capital, due to past capital investment decisions.

2.2 Service Budgets by Service

Senior Leadership Team

Senior Leadership Team 2020/21 to 2024/25 Subjective Analysis								
		Budget 2019/20	Forecast 2019/20	Budget 2020/21	Budget 2021/22	Budget 2022/23	Budget 2023/24	Budget 2024/25
Employees	Salary	433,291	405,400	469,100	478,482	488,052	497,813	507,769
Employees	Hired Staff	0	200	0	0	0	0	0
Employees	Recruitment	0	17,200	0	0	0	0	0
Employees	Training	0	600	0	0	0	0	0
Employees	Travel Expenses	400	3,000	400	400	400	400	400
Employees	Other Staff Costs	400	800	400	400	400	400	400
Employees Total		434,091	427,200	469,900	479,282	488,852	498,613	508,569
Supplies & Services	Catering	0	300	0	0	0	0	0
Supplies & Services	Office Expenses	1,300	1,300	1,300	1,300	1,300	1,300	1,300
Supplies & Services	Communication & Computing	900	500	900	900	900	900	900
Supplies & Services	Services	40,100	62,600	40,100	40,100	40,100	40,100	40,100
Supplies & Services	Equipment, Furniture & Materials	900	1,700	900	900	900	900	900
Supplies & Services Total		43,200	66,400	43,200	43,200	43,200	43,200	43,200
Savings Target	Savings Target	0	0	(28,405)	(28,405)	(28,405)	(28,405)	(28,405)
Savings Target Total		0	0	(28,405)	(28,405)	(28,405)	(28,405)	(28,405)
Grand Total		477,291	493,600	484,695	494,077	503,647	513,408	523,364

Finance & Resources

Finance & Resources Budget 2020/21 to 2024/25 Subjective Analysis								
		Budget 19/20	Forecast 2019/20	Budget 2020/21	Budget 2021/22	Budget 2022/23	Budget 2023/24	Budget 2024/25
Income & Fees	Fees & Charges	(394,100)	(397,460)	(407,020)	(407,695)	(407,850)	(408,005)	(408,160)
Income & Fees	Rent	(11,200)	(11,500)	(13,200)	(13,200)	(13,200)	(13,200)	(13,200)
Income & Fees	Government Grants	(8,959,000)	(7,830,400)	(8,959,000)	(8,959,000)	(8,959,000)	(8,959,000)	(8,959,000)
Income & Fees	Other Grants & Contributions	0	(2,700)	0	0	0	0	0
Income & Fees	Interest	(8,100)	(8,100)	(90,600)	(90,600)	(90,600)	(90,600)	(90,600)
Income & Fees Total		(9,372,400)	(8,250,160)	(9,469,820)	(9,470,495)	(9,470,650)	(9,470,805)	(9,470,960)
Employees	Salary	1,306,104	1,278,960	1,285,807	1,293,815	1,319,475	1,345,649	1,372,346
Employees	Pension	403,200	403,200	558,200	555,450	610,450	610,450	610,450
Employees	Hired Staff	0	105,800	0	0	0	0	0
Employees	Employee Insurance	37,000	36,000	37,000	37,000	37,000	37,000	37,000
Employees	Recruitment	(500)	16,800	(500)	(500)	(500)	(500)	(500)
Employees	Training	36,200	37,500	36,200	36,200	36,200	36,200	36,200
Employees	Travel Expenses	4,600	2,900	4,600	4,600	4,600	4,600	4,600
Employees	Uniform & Laundry	400	400	400	400	400	400	400
Employees	Other Staff Costs	19,400	19,200	19,400	19,400	19,400	19,400	19,400
Employees Total		1,806,404	1,900,760	1,941,107	1,946,365	2,027,025	2,053,199	2,079,896
Buildings	Rents	0	800	0	0	0	0	0
Buildings	Rates	149,700	154,500	144,647	133,409	133,409	133,409	133,409
Buildings	Repairs & Maintenance	105,400	101,760	109,290	107,250	107,250	107,250	107,250
Buildings	Energy Costs	64,400	50,600	64,400	64,400	64,400	64,400	64,400
Buildings	Water Services	41,300	37,100	41,300	41,300	41,300	41,300	41,300
Buildings	Premises Cleaning	900	1,130	900	900	900	900	900
Buildings	Grounds Maintenance	22,800	2,000	21,069	19,850	19,475	19,300	19,022
Buildings Total		384,500	347,890	381,606	367,109	366,734	366,559	366,281
Supplies & Services	Catering	0	100	0	0	0	0	0
Supplies & Services	Office Expenses	45,000	43,100	45,000	45,000	45,000	45,000	45,000
Supplies & Services	Communication & Computing	246,200	280,700	273,500	273,500	273,500	273,500	273,500
Supplies & Services	Services	627,700	781,900	656,700	647,700	647,700	656,700	647,700
Supplies & Services	Equipment, Furniture & Materials	125,650	124,350	127,015	127,015	127,015	127,015	127,015
Supplies & Services	Insurance - Service Related	182,900	182,900	182,900	182,900	182,900	182,900	182,900
Supplies & Services Total		1,227,450	1,413,050	1,285,115	1,276,115	1,276,115	1,285,115	1,276,115
Benefits & Transfer Payments	Benefits	8,890,300	7,673,000	8,890,300	8,890,300	8,890,300	8,890,300	8,890,300
Benefits & Transfer Payments	Discretionary Relief	10,000	6,000	10,000	10,000	10,000	10,000	10,000
Benefits & Transfer Payments Total		8,900,300	7,679,000	8,900,300	8,900,300	8,900,300	8,900,300	8,900,300
Reserve-Revenue Transfers	Bad Debts	30,000	15,000	115,000	48,000	50,000	55,000	60,000
Reserve-Revenue Transfers	Reserve-Revenue Transfers	(125,500)	(143,000)	(125,500)	(125,500)	(125,500)	(125,500)	(125,500)
Reserve-Revenue Transfers Total		(95,500)	(128,000)	(10,500)	(77,500)	(75,500)	(70,500)	(65,500)
Savings Target	Savings Target	0	0	(29,948)	(29,948)	(29,948)	(29,948)	(29,948)
Savings Target Total		0	0	(29,948)	(29,948)	(29,948)	(29,948)	(29,948)
Grand Total		2,850,754	2,962,540	2,997,860	2,911,946	2,994,076	3,033,920	3,056,184

Law & Governance

Law & Governance Budget 2020/21 to 2024/25 Subjective Analysis								
		Budget 2019/20	Forecast 2019/20	Budget 2020/21	Budget 2021/22	Budget 2022/23	Budget 2023/24	Budget 2024/25
Income & Fees	Fees & Charges	(217,240)	(308,300)	(857,840)	(367,340)	(367,340)	(367,340)	(367,340)
Income & Fees	Government Grants	0	(6,300)	0	0	0	0	0
Income & Fees	Other Grants & Contributions	0	(7,500)	0	0	0	0	0
Income & Fees Total		(217,240)	(322,100)	(857,840)	(367,340)	(367,340)	(367,340)	(367,340)
Employees	Salary	567,900	589,000	617,800	586,092	597,750	609,641	621,737
Employees	Pension	0	0	0	0	0	0	0
Employees	Hired Staff	38,800	27,800	38,800	38,800	38,800	38,800	38,800
Employees	Training	0	2,800	0	0	0	0	0
Employees	Travel Expenses	5,700	5,900	7,000	7,000	7,000	7,000	7,000
Employees	Uniform & Laundry	400	400	300	300	300	300	300
Employees	Other Staff Costs	2,200	3,700	3,000	3,000	3,000	3,000	3,000
Employees Total		615,000	629,600	666,900	635,192	646,850	658,741	670,837
Buildings	Rents	3,100	3,700	3,100	3,100	3,100	3,100	3,100
Buildings	Rates	500	500	500	500	500	500	500
Buildings Total		3,600	4,200	3,600	3,600	3,600	3,600	3,600
Supplies & Services	Catering	1,700	2,200	2,300	2,300	2,300	2,300	2,300
Supplies & Services	Members Allowances	182,800	180,200	182,800	182,800	182,800	182,800	182,800
Supplies & Services	Office Expenses	52,900	47,100	52,900	52,900	52,900	52,900	52,900
Supplies & Services	Communication & Computing	48,900	44,900	45,200	45,200	39,700	39,700	39,700
Supplies & Services	Services	70,300	78,300	70,300	70,300	70,300	70,300	70,300
Supplies & Services	Equipment, Furniture & Materials	22,100	33,000	22,200	21,800	21,400	21,400	21,400
Supplies & Services Total		378,700	385,700	375,700	375,300	369,400	369,400	369,400
Benefits & Transfer Payments	Contributions Paid	100	1,000	100	100	100	100	100
Benefits & Transfer Payments Total		100	1,000	100	100	100	100	100
Reserve - Revenue Transfers	Reserve - Revenue Transfers	0	0	17,500	17,500	17,500	89,500	17,500
Reserve - Revenue Transfers Total		0	0	17,500	17,500	17,500	89,500	17,500
Savings Target	Savings Target	0	0	(20,148)	(31,448)	(36,148)	(44,148)	(44,148)
Savings Target Total		0	0	(20,148)	(31,448)	(36,148)	(44,148)	(44,148)
Grand Total		780,160	698,400	185,812	632,904	633,962	709,853	649,949

The Built Environment

The Built Environment 2020/21 to 2024/25 Subjective Analysis								
		Budget 2019/20	Forecast 2019/20	Budget 2020/21	Budget 2021/22	Budget 2022/23	Budget 2023/24	Budget 2024/25
Income & Fees	Fees & Charges	(344,400)	(326,200)	(350,800)	(350,800)	(379,860)	(379,860)	(398,608)
Income & Fees	Sales	0	0	0	0	0	0	0
Income & Fees	Rent	(138,400)	(128,400)	(150,400)	(150,400)	(511,714)	(511,714)	(511,714)
Income & Fees	Government Grants	0	0	0	0	0	0	0
Income & Fees	Other Grants & Contributions	(10,800)	(12,000)	(10,800)	(10,800)	(10,800)	(10,800)	(10,800)
Income & Fees Total		(493,600)	(466,600)	(512,000)	(512,000)	(902,374)	(902,374)	(921,122)
Employees	Salary	688,200	728,325	743,600	754,218	765,048	776,095	787,363
Employees	Hired Staff	0	86,162	57,000	57,000	57,000	57,000	57,000
Employees	Recruitment	0	4,700	0	0	0	0	0
Employees	Travel Expenses	4,800	5,100	5,900	5,900	5,900	5,900	5,900
Employees	Uniform & Laundry	400	300	400	400	400	400	400
Employees	Other Staff Costs	3,700	2,600	3,400	3,400	3,400	3,400	3,400
Employees Total		697,100	827,187	810,300	820,918	831,748	842,795	854,063
Buildings	Rents	142,600	108,700	154,600	154,600	154,600	154,600	154,600
Buildings	Rates	8,500	11,900	8,500	8,500	8,500	8,500	8,500
Buildings	Repairs & Maintenance	14,500	15,800	14,700	14,700	14,700	14,700	14,700
Buildings	Energy Costs	5,300	5,300	5,300	5,300	5,300	5,300	5,300
Buildings	Water Services	2,300	2,300	2,300	2,300	2,300	2,300	2,300
Buildings	Premises Cleaning	194,400	70,500	(46,216)	(46,216)	(58,576)	(64,756)	(70,936)
Buildings Total		367,600	214,500	139,184	139,184	126,824	120,644	114,464
Supplies & Services	Office Expenses	2,200	1,200	2,200	2,200	2,200	2,200	2,200
Supplies & Services	Communication & Computing	16,600	11,600	11,700	11,700	11,700	11,700	11,700
Supplies & Services	Services	225,500	192,700	209,800	209,800	209,800	209,800	209,800
Supplies & Services	Equipment, Furniture & Materials	46,200	30,100	41,900	41,900	41,900	41,900	41,900
Supplies & Services Total		290,500	235,600	265,600	265,600	265,600	265,600	265,600
Benefits & Transfer Payments	Contributions Paid	3,000	0	3,000	3,000	3,000	3,000	3,000
Benefits & Transfer Payments Total		3,000	0	3,000	3,000	3,000	3,000	3,000
Reserve-Revenue Transfers	Reserve-Revenue Transfers	(22,510)	(88,100)	80,490	125,490	105,490	100,490	40,490
Reserve-Revenue Transfers Total		(22,510)	(88,100)	80,490	125,490	105,490	100,490	40,490
Savings Target	Savings Target	0	0	(4,343)	(19,343)	(13,343)	6,657	8,657
Savings Target Total		0	0	(4,343)	(19,343)	(13,343)	6,657	8,657
Grand Total		842,090	722,587	782,231	822,849	416,945	436,812	365,152

Community & Wellbeing + Depot

Community & Wellbeing 2020/21 to 2024/25 Subjective Analysis								
		Budget 2019/20	Forecast 2019/20	Budget 2020/21	Budget 2021/22	Budget 2022/23	Budget 2023/24	Budget 2024/25
Income & Fees	Fees & Charges	(426,200)	(415,500)	(467,200)	(467,200)	(467,200)	(467,200)	(467,200)
Income & Fees	Sales	(2,500)	(3,900)	(2,500)	(2,500)	(2,500)	(2,500)	(2,500)
Income & Fees	Other Grants & Contributions	(684,600)	(685,200)	(820,600)	(909,600)	(1,021,600)	(1,043,600)	(976,600)
Income & Fees	Interest	(100)	(100)	(100)	(100)	(100)	(100)	(100)
Income & Fees Total		(1,113,400)	(1,104,700)	(1,290,400)	(1,379,400)	(1,491,400)	(1,513,400)	(1,446,400)
Employees	Salary	1,487,800	1,486,500	1,715,000	1,741,098	1,773,682	1,808,484	1,837,359
Employees	Hired Staff	91,800	176,000	91,800	91,800	91,800	91,800	91,800
Employees	Training	0	800	0	0	0	0	0
Employees	Travel Expenses	4,600	2,300	66	(134)	(134)	(134)	(134)
Employees	Uniform & Laundry	13,700	11,400	13,700	13,700	13,700	13,700	13,700
Employees	Other Staff Costs	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Employees Total		1,598,900	1,678,000	1,821,566	1,847,464	1,880,048	1,914,850	1,943,725
Buildings	Rates	29,100	29,100	29,100	29,100	29,100	29,100	29,100
Buildings	Repairs & Maintenance	12,600	10,100	12,600	12,600	12,600	12,600	12,600
Buildings	Energy Costs	21,300	19,500	21,300	21,300	21,300	21,300	21,300
Buildings	Water Services	2,500	3,500	2,500	2,500	2,500	2,500	2,500
Buildings	Premises Cleaning	16,200	500	16,200	16,200	16,200	16,200	16,200
Buildings	Grounds Maintenance	18,500	34,800	15,500	15,500	15,500	15,500	15,500
Buildings Total		100,200	97,500	97,200	97,200	97,200	97,200	97,200
Supplies & Services	Catering	500	300	500	500	500	500	500
Supplies & Services	Office Expenses	45,700	40,300	45,700	29,700	29,700	29,700	29,700
Supplies & Services	Communication & Computing	3,300	23,600	23,600	23,600	23,600	23,600	23,600
Supplies & Services	Services	405,900	382,500	400,300	400,300	400,300	400,300	400,300
Supplies & Services	Equipment, Furniture & Materials	68,600	56,200	72,000	68,000	68,000	68,000	68,000
Supplies & Services	Expenses	4,800	1,000	800	800	800	800	800
Supplies & Services Total		528,800	503,900	542,900	522,900	522,900	522,900	522,900
Transport	Operating Costs	249,000	249,500	240,500	240,500	240,500	240,500	240,500
Transport Total		249,000	249,500	240,500	240,500	240,500	240,500	240,500
Benefits & Transfer Payments	Contributions Paid	47,200	25,000	16,200	16,200	16,200	16,200	16,200
Benefits & Transfer Payments	Grants	79,800	71,200	79,500	79,500	79,500	79,500	79,500
Benefits & Transfer Payments Total		127,000	96,200	95,700	95,700	95,700	95,700	95,700
Reserve-Revenue Transfers	Bad Debts	200	200	200	200	200	200	200
Reserve-Revenue Transfers	Reserve-Revenue Transfers	0	(5,000)	0	0	0	0	0
Reserve-Revenue Transfers Total		200	(4,800)	200	200	200	200	200
Savings Target	Savings Target	0	0	(109,100)	(109,100)	(109,100)	(109,100)	(109,100)
Savings Target Total		0	0	(109,100)	(109,100)	(109,100)	(109,100)	(109,100)
Grand Total		1,490,700	1,515,600	1,398,566	1,315,464	1,236,048	1,248,850	1,344,725

Customer Services & Transformation

Customer Services 2020/21 to 2024/25 Subjective Analysis								
		Budget 2019/20	Forecast 2019/20	Budget 2020/21	Budget 2021/22	Budget 2022/23	Budget 2023/24	Budget 2024/25
Income & Fees	Fees & Charges	(100)	(100)	(100)	(100)	(100)	(100)	(100)
Income & Fees Total		(100)	(100)	(100)	(100)	(100)	(100)	(100)
Employees	Salary	471,200	417,000	370,600	376,534	382,587	388,760	395,058
Employees	Travel Expenses	500	400	500	500	500	500	500
Employees	Uniform & Laundry	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Employees Total		472,700	418,400	372,100	378,034	384,087	390,260	396,558
Buildings	Rents	25,700	25,100	25,700	25,700	25,700	25,700	25,700
Buildings	Rates	12,000	12,000	12,000	12,000	12,000	12,000	12,000
Buildings	Repairs & Maintenance	1,200	2,500	1,200	1,200	1,200	1,200	1,200
Buildings	Energy Costs	4,000	4,000	4,000	4,000	4,000	4,000	4,000
Buildings	Water Services	300	300	300	300	300	300	300
Buildings	Premises Cleaning	11,200	0	11,200	11,200	11,200	11,200	11,200
Buildings Total		54,400	43,900	54,400	54,400	54,400	54,400	54,400
Supplies & Services	Office Expenses	2,600	200	(27,400)	(32,400)	(32,400)	(32,400)	(32,400)
Supplies & Services	Communication & Computing	49,600	47,700	49,600	49,600	49,600	49,600	49,600
Supplies & Services	Services	33,100	3,700	33,100	33,100	33,100	33,100	33,100
Supplies & Services	Equipment, Furniture & Materials	4,600	11,900	4,600	4,600	4,600	4,600	4,600
Supplies & Services Total		89,900	63,500	59,900	54,900	54,900	54,900	54,900
Savings Target	Savings Target	0	0	(48,996)	(48,996)	(48,996)	(48,996)	(48,996)
Savings Target Total		0	0	(48,996)	(48,996)	(48,996)	(48,996)	(48,996)
Grand Total		616,900	525,700	437,304	438,238	444,291	450,464	456,762

3.0 CAPITAL

The detailed Draft Capital Programme for the period 2020/21 to 2022/23 is shown in **Table 12** below, along with the sources of finance. The revenue implications of the individual capital proposals are built into the revenue budgets discussed earlier in this report; the impact of the proposed programme on the 2020/21 Minimum Revenue Position (MRP) is an additional £173k.

Table 12

Scheme	2019-20 Total Budget	Forecast to Year End	Carry Forward to 20/21	2020-21 Proposals	2019-20 C/F	2020-21 Total Budget	2021-22 Total Budget	2022-23 Total Budget
Housing Revenue Account								
Central Heating	250,000	250,000			0	0		
Front & Rear Doors	100,000	100,000			0	0		
Car Hardstandings	20,000	20,000			0	0		
Decent Homes Work	296,900	296,900		1,500,000	0	1,500,000	1,500,000	1,500,000
Major Adaptations	100,000	100,000			0	0		
Fire Safety	150,000	150,000			0	0		
Timber Window Replacement incl external entrance / fire doors Kings Drive Area	180,000	180,000			0	0		
Heating, Ventilation and Insulation	24,000	24,000			0	0		
New Housing Initiatives	526,800	526,800			0	0		
Communal Heating System William Peardon Court	110,000	110,000			0	0		
Kitchen Replacements Decent Homes, incl Bathrooms 2018/19	900,000	900,000			0	0		
Housing Block Improvements	320,500	320,500			0	0		
Asset Management System Upgrades	100,000	100,000			0	0		
Total - HRA	3,078,200	3,078,200	0	1,500,000	0	1,500,000	1,500,000	1,500,000
General Fund - Service Delivery								
Play Area Refurbishments	21,600	6,100	(15,500)		15,500	15,500		
Cemeteries - Memorial Safety	11,700	3,000	(8,700)		8,700	8,700		
Xmas Decorations	6,500	6,500			0	0		
Grand Union Canal Footbridge	129,500	0	(129,500)		129,500	129,500		
Brocks Hill Car Park Drainage	12,800	12,800			0	0		
Incorporating ex Scout Hut Land into Oadby Cemetery	20,000	20,000			0	0		
Horsewell Lane Pavilion	1,046,800	1,046,800			0	0		
Car Park Resurfacing	36,700	26,700	(10,000)		10,000	10,000		
Purchase of New Vehicles	128,200	128,200			0	0		
Recycling Wheelie Bins	68,400	68,400			0	0		
CCTV Cameras	3,700	3,700			0	0		
Air Monitoring Equipment	20,000	20,000			0	0		
Purchase and installation of allotment administration software	4,000	4,000			0	0		
Horsewell Lane Play Area	60,000	60,000			0	0		
3G Pitch Oadby	150,000	150,000			0	0		
Brocks Hill Additional Play Equipment	82,000	82,000			0	0		
Coombe Park Pavilion Extension	170,000	0	(170,000)		170,000	170,000		
Footpaths in Blaby Road Park	9,000	9,000			0	0		
Improvements to the entrance to Oadby Cemetery - Goddards Slang	35,000	35,000			0	0		
New Kitchen Sheila Mitchell Pavilion	4,000	4,000			0	0		
Outdoor Fitness Equipment for Wigston and South Wigston Parks	36,500	36,500			0	0		
Pitch Improvement Programme	80,000	0	(80,000)		80,000	80,000		
Private Sports Grants	150,000	25,000	(125,000)	50,000	125,000	175,000		
Repairs to play area surface various play areas	22,000	22,000			0	0		
Town Centre Wi-Fi	30,000	30,000			0	0		
Willow Park Skate Park	15,000	15,000			0	0		
Crow Mill Fencing				5,000		5,000		
Free Centre Boiler Replacement	6,000	6,000			0	0		
Margaret Capitalisation	25,000	25,000			0	0		
Mobile audio system for Council Chamber				35,000		35,000		
Purchase of replacement trailer shredder/wood chipper.				25,000		25,000		
Redeployable CCTV Camera Upgrade				30,000		30,000		
Trade lift truck replacement				165,000		165,000		
Total -Service Delivery General Fund	2,384,400	1,845,700	(538,700)	310,000	538,700	848,700	0	0
TOTAL SERVICE DELIVERY	5,462,600	4,923,900	(538,700)	1,810,000	538,700	2,348,700	1,500,000	1,500,000
General Fund - Policy, Finance & Development								
Council Office Refurbishment	50,800	22,900	(27,900)		27,900	27,900		
IT Replacement Programme	44,300	30,000	(14,300)		14,300	14,300	20,000	20,000
Upgrade of Contact Centre Telephones	16,000	16,000			0	0		
Mobile Working Devices	10,000	10,000			0	0		15,000
New Income Management System	34,000	34,000			0	0		
Security infrastructure	7,000	7,000			0	0		10,000
Document Management System Software	57,700	3,300	(54,400)		54,400	54,400		
Planning IDOX	3,300	3,300			0	0		
Orchard Server Replacement	10,800	10,800			0	0		
Licensing Service Software Review	35,300	35,300			0	0		
Corporate Folding and Enveloping Machine	6,300	6,300			0	0		
Network refresh	10,000	10,000			0	0	11,000	12,000
South Wigston Shop Fronts	10,000	10,000			0	0		
Citrix upgrade	21,000	21,000			0	0		
Windows server migrations	10,000	10,000			0	0		13,000
Restructure Capitalisation	196,100	196,100			0	0		
Bushloe House Chimney Stack				10,000		10,000		
Data Centre						0	16,500	
Enterprise for Uniform				13,700		13,700		
ICT Capitalisation	15,000	15,000			0	0		
Phones Capitalisation	35,000	35,000			0	0		
Systems Admin Capitalisation	90,500	90,500			0	0		
Wifi Refresh						0		10,000
Total - Policy, Finance and Development	663,100	566,500	(96,600)	23,700	96,600	120,300	47,500	80,000
PLANNED EXPENDITURE GRAND TOTAL	6,125,700	5,490,400	(635,300)	1,833,700	635,300	2,469,000	1,547,500	1,580,000
FINANCING OF PLANNED EXPENDITURE								
Unsupported Borrowing (Minimum Revenue Provision)		2,345,500				544,000	47,500	80,000
Grants & Contributions		160,000				180,000	0	0
Open Spaces S106		87,600				245,000	0	0
Usable S106 Interest Reserve		125,400				0	0	0
Usable Capital Receipts - OTHER		772,200				0	0	0
Major Repairs Reserve		1,949,700				1,500,000	1,500,000	1,500,000
1-4-1 Reserve		50,000				0	0	0
TOTAL		5,490,400				2,469,000	1,547,500	1,580,000

Unsupported Borrowing (Internal Borrowing) – this is from internal cash resources (working capital) from within the balance sheet (cash, debtors and creditor).

4.0 TREASURY MANAGEMENT

4.1 TREASURY MANAGEMENT STRATEGY AND PLAN 2020/21

4.1.1 Introduction

In accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) latest Code of Practice on Treasury Management and the Council's Treasury Management Policy Statement, a Treasury Strategy and Plan is prepared each year.

For the purpose of this strategy, treasury management includes the management of all capital market transactions in connection with the cash and funding resources of the Council. This covers all funds and reserves including the collection fund and includes the arrangement of leases.

The strategy includes broad principles, which provide the framework within which the Council's treasury management activities are conducted together with detailed plans for the management of the Council's loans and investment portfolios. The strategy includes those indicators required by the Prudential Code that relate to treasury management.

4.1.2 Treasury Management Objectives

The primary objective of treasury management operations will be to maximise the revenue resources available to the Council whilst ensuring the effective management of risks associated with treasury management activities in accordance with the following principles:

- i. That the cost of borrowing is minimised commensurate with following a prudent funding policy.
- ii. That the most advantageous rates of return on investments are secured commensurate with the primary principle of maintaining the capital value of funds.
- iii. That the Council maintains flexibility in its borrowing and lending portfolios.
- iv. That the Council manages its borrowings and investments as a combined portfolio in order to achieve the optimum net debt position.

The sections below provide a summary of the principal activities anticipated during the period covered.

4.1.3 Balanced Budget Requirement

It is a statutory requirement under the Local Government Finance Act 1992, for the Council to produce a balanced budget. In particular, it requires a local authority to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This, therefore, means that increases in capital expenditure must be limited to a level of increase in costs to revenue from:-

- Increases in interest charges caused by increased borrowing and,
- Any increase in running costs from new capital projects

to a level which is affordable within the projected income of the Council for the foreseeable future.

4.1.4 Current Treasury Position

The Council's detailed treasury position is highlighted in the following table.

		31st March 2019		Rate	31st March 2020		Rate
		Actual			Actual		
		GF £ 000s	HRA £ 000s		GF £ 000s	HRA £ 000s	
				%			%
Fixed Rate Debt	PWLB	500		4.10	500		4.10
	PWLB	0	18,114	2.98	0	17,108	2.98
	PWLB	4,811	0	2.66	4,731		2.66
	Market	6,000	2,000	0.68	8,000	2,500	
Variable Rate Debt	PWLB	0	0		0	0	
	Market	0	0		0	0	
Total Debt		11,311	20,114		13,231	19,608	
Other Long-term Liabilities		0			0	0	
Total		11,311	20,114		13,231	19,608	
Fixed Investments		0	0		0	0	
Variable Investments		0	0		0	0	
Total Investments		0	0		0	0	
Net Borrowing		11,311	20,114		13,231	19,608	

4.1.5 Borrowing and Debt Strategy

General Fund

As at 31st March 2019, the Council's outstanding borrowing for General Fund purposes stood at a total of £11.3 million. This was made up of two loans from the Public Works Loan Board (PWLB), and £6m of short-term borrowing, as shown in the table at 4.0.

Up until the end of 2015/16, the Council was able to utilise cash balances, held in the form of short-term investments, grants and capital reserves, to help in the funding of its capital programme. Consequently, the Council was able to avoid increasing its long term borrowing, despite carrying out ambitious schemes both in the General Fund and Housing Revenue Account.

In 2016/17 the financing of the Council's new leisure development was finalised. The Council borrowed £5 million from the PWLB, taken over 39 years. The remaining £5 million of the £10 million project was funded by cash balances.

During 2017/18, 2018/19 and 2019/20 the Council did not borrow any further funds long term and instead continued to take advantage of the very low short term rates to keep interest payments under control. It is proposed to continue this strategy in the medium term, so as to minimise the impact upon the general fund.

By doing so, the Council is able to reduce net borrowing costs and reduce overall treasury risk. The benefits of short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly.

Short-term debt applicable to the General Fund is forecast to rise to £8m during 2019/20, in support of the current capital programme, with another £0.5m required in 2020/21.

Total external debt relating to the General Fund for future financial years is expected to be:

- 2020/21: £14.0 million
- 2021/22: £14.0 million
- 2022/23: £14.0 million

The above estimates of borrowing are based on the current capital programme, and do not take account of the proposals for a Commercial Investment Strategy & Business Plan detailed in the Investment Strategy.

If the proposals to invest in existing commercial property, significant property redevelopment schemes, and the private residential sector are pursued, considerable additional borrowing, both long and short-term, will be required. However, since the express purpose of the proposals is to generate income to support the General Fund, no such investment would be undertaken if it did not cover the cost of capital by an acceptable margin. To support this activity, a Commercial Investment Strategy & Business Plan will be developed.

Housing Revenue Account (HRA)

The self-financing settlement involved the Council taking on £18.1m of PWLB borrowing. The HRA business plan provides the repayment of HRA debt over its life. The initial borrowing was due to start repayment in 2020, however due to changes in government legislation which has impacted detrimentally on the financial position of the HRA; this debt repayment plan is now likely to need restructuring with a new plan being drawn up.

In 2016/17 and 2017/18 the HRA used a total of £1.6m borrowing to fund its capital programmes. This initially was supported by internal balances, however £2.0m of short-term borrowing in 2018/19 can be attributed to the support of the HRA capital programme, and an additional £0.6m is forecast to be required in 2019/20.

The Council's initial investment of £18.1m which it borrowed for the new financial regime for housing in 2012 will start to be repaid at the end of 2019/20, at the rate of £1m per annum. In the medium-term, it is proposed to refinance this using short-term borrowing, so as to minimise the costs of servicing the debt.

4.1.6 Prudential Indicators and Limits on Activity

The purpose of these Prudential Indicators is to contain the activity of the treasury function within certain limits, thereby reducing the risk of an adverse movement in interest rates impacting negatively on the Council's overall financial position. However, if these are set to be too restrictive they will impair the opportunities to reduce costs.

4.1.6.1 Authorised Limit for External Debt

This represents the limit beyond which borrowing is prohibited and needs to be set and revised by Council. It reflects the level of borrowing which, while not desired, could be afforded in the short-term, but is not sustainable. It is the expected maximum borrowing

need with some headroom for unexpected movements. This is the statutory limit determined under section 3(1) of the Local Government Act 2003.

	2019/20 Estimate £ 000s	2020/21 Estimate £ 000s	2021/22 Estimate £ 000s	2022/23 Estimate £ 000s
Borrowing	43,000	44,000	44,000	44,000
Other Long Term Liabilities	0	0	0	0
Total	43,000	44,000	44,000	44,000

The Chief Financial Officer (Section 151 Officer) reports that the authorised limits given above are consistent with the council's current commitments, existing plans and the proposals in the capital programme report. The limits are also consistent with the Council's approved treasury management policy statement and practices. Risk analysis of the key elements of the council's cash flow forecasts has been undertaken to determine these limits. In due course, the Authorised Limit for External Debt will rise as the Commercial Investment Strategy is formalised, a further report to Council will be presented in due course to adjust these limits.

4.1.6.2 **Operational Boundary for External Debt**

This indicator is based on the probable external debt during the course of the year (allowing for peaks and troughs in cash flow and the impact of treasury management decisions). It is not a maximum and actual borrowing could vary around the boundary for short times during the year. It should act as an indicator to ensure the authorised limit is not breached. In due course, the Operational Boundary will rise as the Commercial Investment Strategy is formalised, a further report to Council will be presented in due course to adjust these limits.

	2019/20 Estimate £ 000s	2020/21 Estimate £ 000s	2021/22 Estimate £ 000s	2022/23 Estimate £ 000s
Borrowing	38,000	39,000	39,000	39,000
Other Long Term Liabilities	0	0	0	0
Total	38,000	39,000	39,000	39,000

4.1.6.3 Limits in Interest Rate Exposure

Upper Limits on Variable Rate Exposure – This indicator identifies a maximum limit for variable interest rates based upon net interest payments.

Upper Limits on Fixed Rate Exposure – Similar to the previous indicator this covers a maximum limit on fixed interest rates.

	2020/21 Upper %	2021/22 Upper %	2022/23 Upper %
Limits on Fixed Interest Rates	100	100	100
Limits on Variable Interest Rates	25	25	25

4.1.6.4 Maturity Structure of Fixed Borrowing

These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing.

	Lower %	Upper %
Under 12 months	0	50
12 months to 2 years	0	50
2 years to 5 years	0	50
5 years to 10 years	0	100
10 years and above	0	100

4.1.6.5 Total Principal Sums Invested

The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

Price Risk Indicator	2020/21	2021/22	2022/23
Limit on principal invested beyond year end	£10m	£10m	£10m

4.1.7 **Local Performance Indicators**

The Code of Practice on Treasury Management requires the Council to set performance indicators to assess the adequacy of the treasury function over the year. These are distinct historic indicators, as opposed to the Prudential Indicators, which are predominantly forward looking. The Council also sets local performance indicators which are as follows.

Local Indicator	2016/17	2017/18	2018/19	2019/20
Average rate of interest on borrowing compared to the national average (*)	Level	Level	Level	Level
Average rate of interest on investments compared to the national average (*)	Level	Level	Level	Level
* Level = at the point of any deal being undertaken, it will not be expected that the rate of interest that the deal will be based will be significantly different to the prevailing rate in the national market.				

The results of these indicators will be reported as part of the Treasury Management Annual Report before 30th September each year.

4.2 **CAPITAL STRATEGY 2020/21**

4.2.1 **Why is a Strategy Needed?**

4.2.1.1 **Introduction**

This capital strategy is a new report for 2020/21, giving a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability.

4.2.2 **Capital Expenditure and Financing**

4.2.2.1 **Capital Expenditure**

Capital expenditure is where the Council spends money on assets, such as property or vehicles, that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. The Council has some limited discretion on what counts as capital expenditure, for example assets costing below £3,000 are not capitalised and are charged to revenue in year.

- For details of the Council's policy on capitalisation, see the Council's Financial Regulations

In 2020/21, the Council is planning capital expenditure of £2.5m as summarised below:

Table 1: Prudential Indicator: Estimates of Capital Expenditure in £m

	2018/19 Actual	2019/20 Forecast	2020/21 Budget	2021/22 Budget	2022/23 Budget
General Fund services	3.040	2.412	0.989	0.048	0.080
HRA Services	0.838	3.078	1.500	1.500	1.500
TOTAL	3.878	5.490	2.489	1.548	1.580

The main General Fund capital projects include Coombe Park Pavilion Extension (£170K), the Private Sports Grants scheme (£175K), and the replacement of the Trade Lift Truck (£165K). £1.5m is budgeted for major works within the Housing Revenue Account.

4.2.2.2 **Governance**

Service managers bid annually in August to include projects in the Council's capital programme. Bids are collated by the Finance team who calculate the financing cost (which can be nil if the project is fully externally financed). Finance appraises all bids based on a comparison of service priorities against financing costs and makes recommendations to the Senior Leadership Team. The final capital programme is then presented to Committee in January and to Council in February each year.

The capital project will be monitored through its lifecycle by the Project Management Governance Board.

All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (borrowing, leasing and Private Finance Initiative). The planned financing of the above expenditure is as follows:

Table 2: Capital financing in £m

	2018/19 Actual	2019/20 Forecast	2020/21 Budget	2021/22 Budget	2022/23 Budget
External sources	0.443	0.248	0.425	0.000	0.000
Own resources	1.039	2.897	1.500	1.500	1.500
Debt	2.396	2.345	0.544	0.480	0.080
TOTAL	3.878	5.490	2.489	1.548	1.580

Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as minimum revenue provision (MRP). Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. Planned MRP and use of capital receipts are as follows:

Table 3: Replacement of debt finance in £m

	2018/19 Actual	2019/20 Forecast	2020/21 Budget	2021/22 Budget	2022/23 Budget
Own resources	0.730	1.009	0.819	0.849	0.836

- The Council's full minimum revenue provision statement is available as part of the MTFS report.

The Council's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt. The CFR is expected to increase by £1.6m during 2019/20. Based on the above figures for expenditure and financing, the Council's estimated CFR is as follows:

Table 4: Prudential Indicator: Estimates of Capital Financing Requirement in £m

	2018/19 Actual	2019/20 Forecast	2020/21 Budget	2021/22 Budget	2022/23 Budget
General services Fund	16.539	17.570	17.294	16.492	15.736
HRA Services	19.628	20.229	20.229	20.229	20.229
TOTAL CFR	36.167	37.799	37.523	36.722	35.965

4.2.2.3 Asset management

To ensure that capital assets continue to be of long-term use, the Council has various strategies to manage assets held by services

4.2.2.4 Asset disposals

When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. The Council is currently also permitted to spend capital receipts on service transformation projects until 2021/22. Repayments of capital grants, loans and investments also generate capital receipts. The Council plans to receive £0.4m of capital receipts in the coming financial year as follows:

Table 5: Capital receipts in £m

	2018/19 Actual	2019/20 Forecast	2020/21 Budget	2021/22 Budget	2022/23 Budget
General Fund Asset Sales	0.129	0.000	0.000	0.000	0.000
HRA Asset Sales	0.380	0.400	0.400	0.400	0.400
TOTAL	0.509	0.400	0.400	0.400	0.400

4.3 INVESTMENTS STRATEGY 2020/21

4.3.1 Introduction

This strategy is written in accordance with guidance issued under section 15 (1) (a) of the Local Government Act 2003, the Department of Communities and Local Government (DCLG) Guidance on Local Authority Investments issued in April 2010, any revisions of that guidance, the Audit Commission's report on Icelandic investments and the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes (2017).

The objectives of this strategy are to:

- Security - facilitate investment decisions which ensure that the Council's investment sums remain secure
- Liquidity - ensure the liquidity of investments so that the Council has sufficient cash resources available to carry out its functions at all times
- Optimum Yield - achieve the maximum return on investments after taking into account security and liquidity

4.3.2 Current Investments

Surplus funds arising from day to day operations are invested based on the most up to date forecasts of interest rates and in accordance with the Council's cash flow requirements in order to gain maximum benefit from the Council's cash position throughout the year. In the current financial climate only specified investments will be considered as set out below.

4.3.3 Investments: Loans

In accordance with relevant guidance, all investments will be placed with counterparties included on the Council's approved list. Institutions with which specified investments will be made include:

- UK government institutions and other local authorities
- institutions which have been awarded a high quality credit rating by a credit rating agency

The length of time an investment can be placed for is specified below under each category of counterparty, normally this will be no longer than 364 days.

Non-Specified Investments are any investment not meeting the definition of a specified investment above. The Authority does not intend to make any investments denominated in foreign currencies, nor any that are defined as capital expenditure by legislation, such as company shares. Non-specified investments will therefore be limited to long-term investments,

i.e. those that are due to mature 12 months or longer from the date of arrangement, and investments with bodies and schemes not meeting the definition on high credit quality.

The Council's Treasury Management Practice note 1 (3) states that 'The Section 151 Officer will be responsible for preparing for the Council a list of institutions in which the Council's funds may be invested. This list will be supported by details of the criteria employed to assess the various credit standings of counterparties'. The following credit ratings will be considered:

- Long-term ratings – these range from the highest rating of AAA to the lowest rating of D. As the title suggests, this indicator reflects the long-term stability of the institution.
- Short-term ratings - These have a time horizon of less than 12 months and therefore place greater emphasis on the liquidity necessary to meet financial commitments in a timely manner. As most of the Council's investments are expected to be for less than 364 days, this is of particular importance. The ratings are F1 (highest credit quality), F2 (good credit quality), F3 (fair credit quality) and B to D (representing various levels of potential default).
- Individual ratings – These range from the highest of A to the lowest of F. This rating is only assigned to banks and attempts to assess how it would be viewed if it were entirely independent and could not rely upon external support.
- Support ratings – These range from 1 to 5 with 1 being the highest. It is a judgement on whether a bank would receive support should this become necessary. It is assumed that any such support would come from the sovereign state or institutional owners.

The Council's counterparty list needs to provide security for the amounts invested whilst containing a sufficient number of institutions with which to place funds. For the purpose of this strategy in respect of Categories 1 and 2 below, only counterparties that meet all of the following criteria will be considered for investment.

- UK banks
- Building societies with asset bases in excess of £6 billion.
- By reference to all three major credit rating agencies (Fitch, Standard and Poor's, Moody's) only those that reach the minimum standard for the lowest agency rating set out.

Category 1

The minimum ratings that will be considered for all agencies are set out below:

Term	Credit Agency		
	Fitch	Moody's	S & P
Short	F1	P1	A1
Long	AA-	AA3	AA-
Individual	C	D	
Support	3		

For any organisation that meets the above criteria, up to £1.5m may be invested at any one time for a maximum duration of 364 days.

Any building society that meets the above criteria must also have an asset base in excess of £6 billion.

Category 2

The minimum ratings that will be considered for all agencies are set out below:

Term	Credit Agency		
	Fitch	Moody's	S & P
Short	F1	P1	A1
Long	A	A2	A1
Individual	C	D	
Support	3		

For any organisation that meets the above criteria, up to £1m may be invested at any one time for a maximum duration of 12 months.

Any building society that meets the above criteria must also have an asset base in excess of £6 billion.

Other counterparties that can be used and any restrictions applicable are set out below.

Debt Management Office

Investments of a maximum duration of 6 months can be made with this Government department.

Public Authorities in England, Scotland and Wales

Investments totalling up to £5m at any one time with a maximum duration of three years can be made with these bodies. These include local government, fire and police authorities.

Money Market Funds

Investments of up to £1.5m per fund at one time can be made provided they are AAA rated.

Credit ratings are monitored on a daily basis using Sector's credit rating service by the Section 151 Officer who will determine the amendments to be made to the counterparty list when credit ratings change.

Property Funds

Investments up to £5m. Property Fund investment will be the Council's only Non-Specified Investment and there is a limit of £5 million for this asset class.

The proposed counterparty list for investments is held within Finance.

The period for which investments are placed will be based on the Council's cash flow forecasts and estimates of movements in interest rates. The Council generally does not expect to place investments for longer than 364 days although this situation will be kept under review by the

Section 151 Officer should a longer term investment opportunity occur. Long-term investments will only be made where it is clear that surplus cash resources are not required for the day to day financing of the Council's activities. The maximum period for any long-term investments will be the three-year planning cycle covered by this strategy.

4.3.4 **Commercial Investments: Property**

MHCLG defines property to be an investment if it is held primarily or partially to generate a profit.

The Council faces considerable financial challenges over the medium term. To achieve financial sustainability, it is proposed to adopt a Commercial Investment Strategy & Business Plan during 2020/21. The Council will investigate the scope for investing in existing commercial property, significant property redevelopment schemes, and the private residential sector, both within and without the borough boundary, with the intention of generating income to fund public services.

In accordance with government guidance, the Council considers a property investment to be secure if its accounting valuation is at or higher than its purchase price. So long as the expected recoverable value of the asset exceeds the value of the debt required to finance it, there is no requirement to charge MRP. Should the market valuation fall, however, there will be such a requirement.

The Authority will assess the risk of loss before entering into and whilst holding property investments. The strategic objectives of the Commercial Investment Strategy are designed to mitigate risk by:

- Having the fundamental aim of an income rather than capital return (although the latter is part of the strategy)
- Adopting a portfolio approach so as to avoid concentration of risk in any one property, tenant or risk type

In addition, CIS risk will be managed having regard to the following factors:

1. A robust acquisition due diligence process and subsequent approvals
2. Asset management plans and on-going reviews
3. Liability management (reviews of debt levels and terms)
4. Tenants (financial exposures, potential defaults, changing business plans, credit rating)
5. Portfolio factors including occupancy levels, operating costs.
6. Delivery partners (suitability, performance levels and financial stability)
7. Market factors (with periodic advice from appropriate professionals)
8. State Aid considerations
9. Professional advisors

Compared with other investment types, property is relatively difficult to sell and convert to cash at very short notice. To ensure that the invested funds can be accessed or liquidated the Council will review investments regularly to ensure rental income is maximised (through rent reviews and lease renewals) and undertake asset management (re-letting, repairs, improvements etc.) to ensure any proceeds from sale are maximised if assets are liquidated. Regular review of the property investment market will identify potential changes in market conditions and identify optimum opportunities to sell assets.

To support this activity, a Commercial Investment Strategy & Business Plan will be developed; appropriate investment proposals and associated liabilities have yet to be determined.

4.3.5 Policy on the Use of External Service Providers

External advisors will be used when appropriate e.g. to undertake independent valuations prior to acquisition, asset valuation or when there is a lack of expertise in-house regarding an industry.

The Authority uses Link Asset Services as an external treasury advisor but still recognise that responsibility for treasury management decisions remains with the Council at all times. Whilst it is recognised that undue reliance should not be placed on external advisors, it is valuable to be able to access specialist skills and resources.

4.3.6 Scheme of Delegation

Full Council

- Approval of annual strategy
- Review of treasury management policy and procedures, including making recommendations to responsible body

Policy, Finance and Development Committee

- Approval of annual treasury outturn report
- Approval of mid-year treasury management updates
- Mid year treasury management updates

Section 151 Officer

- Day to day management of treasury management, within agreed policy
- Appointment of external advisors, within existing Council procurement procedures and standing orders.

4.3.7 Role of Section 151 Officer

The Section 151 Officer has day to day responsibility for running the treasury management function.

4.3.8 Ethical Investment Strategy

The Council aims to be aware of ethical issues within its investment strategy. Where any member of the Council becomes concerned about such issues, these matters should be reported to the Section 151 Officer. Where necessary, the Section 151 Officer will then present a response to the concerns raised to the next meeting of the Policy, Finance and Development Committee.

4.4 MINIMUM REVENUE PROVISION STATEMENT 2020/21

4.4.1 Introduction

- 4.4.1.1 Where the Council finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP). Although there has been no statutory minimum MRP requirement since 2003, Councils are expected to make a prudent provision. The Local Government Act 2003 requires the Council to have regard to the Ministry of Housing, Communities and Local Government's Guidance on Minimum Revenue Provision (the MHCLG Guidance) most recently issued in 2018.
- 4.4.1.2 The broad aim of the MHCLG Guidance is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant (RSG), reasonably commensurate with the period implicit in the determination of that grant (although, as the Council no longer receives RSG, this approach is now mute).
- 4.4.1.3 The MHCLG Guidance requires the Council to approve an Annual MRP Statement, and recommends a number of options for calculating a prudent amount of MRP. Further, as the Council operates both a General Fund and Housing Revenue Account, it has to state its MRP policies for each. With regard to the General Fund however, anticipating the Councils move to a more commercial approach to service delivery, for 2020/21 onwards the Council is introducing some new MRP policies.

4.4.2 MRP Policy – General Fund (Debt to be financed up until 2018/19)

- 4.4.2.1 For General Fund debt financed up until 2018/19, where borrowing is **supported by Government RSG**, MRP is calculated using the Capital Financing Requirement (CFR) method. This method calculates MRP as 2% (previously 4%) of the non-housing CFR at the end of the preceding financial year (2% of the capital expenditure funded by supported borrowing). This is consistent with the way in which supported borrowing costs are paid through RSG.

4.4.3 MRP Policy – General Fund (Debt to be financed for 2019/20)

- 4.4.3.1 During 2019/20 the Council did not receive any RSG – therefore the assumption is that any MRP has to be self-financed (i.e. unsupported by RSG). As per the Treasury Management Strategy for 2019/20, the Council had two MRP Policies dependent on the service being financed; for
 - i. **Leisure facilities**, MRP is calculated using the Annuity Asset Life method. The Annuity Asset Life method requires that the MRP for each year be the amount presumed to be the principal element of the equal amounts that would be payable each year in respect of a loan at a specified rate of interest that would reduce the outstanding principal amount to zero at the end of the estimated useful life of the asset. This results in an MRP charge that rises over time. This is deemed to be particularly appropriate for assets which generate increasing revenues over time.

- ii. **Other General Fund capital expenditure**, MRP is calculated using the Asset Life method. The Asset Life method requires MRP to be made in equal annual instalments over the estimated life of the asset for which the unsupported borrowing is undertaken.

4.4.4 **New MRP Policies – General Fund (Debt to be financed for 2020/21)**

- 4.4.4.1 For 2020/21, as the Council starts a process of service transformation; it has to ensure that it has MRP policies that are duly flexible but appropriately targeted towards either:
 - i. non-specified capital developments; i.e. those for general services
 - ii. specified capital developments; i.e. those of a specific nature and purpose.
- 4.4.4.2 Such flexibility and targeting will seek to ensure that the Council will deliver services to its customers in the most cost-effective and resilient way possible. As transformation progresses further flexibility may be needed and therefore Council should expect to agree in-year changes to its MRP policies. The aim of these MRP policies is to:
 - Firstly, ensure that the cost of borrowing is duly recognised and charged to services in a prudent manner, and
 - Secondly, ensure that the impact of MRP is kept to the absolute minimum without negating prudence.

Non-Specified Capital Developments

- 4.4.4.3 With regard to MRP for general services, it is important that going forward certain MRP principles are agreed, these are shown below and are in line with accepted accounting practice.
 - **capital assets**; MRP will be chargeable in the year following the agreement of any final account.
 - **capital investments**; MRP will be chargeable in the following financial year.
 - **capital expenditure incurred**, MRP will be determined by charging the expenditure over the expected life of the relevant assets as the principal repayment on an annuity basis with an annual interest rate based on long-term borrowing rates, starting in the year after the asset becomes operational. MRP on:
 - purchases of freehold land will be charged over 50 years.
 - expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years.
 - ❖ This policy will also be applied for General Fund capital expenditure incurred in 2018/19 but where MRP is charged in the first year following (i.e. 2019/20.)

Specified Capital Developments

- 4.4.4.4 **Assets acquired by finance lease or the Private Finance Initiative (PFI)**, during the development of its service offer, it may transpire that the most cost-effective means of financing the associated assets may be by Finance Lease (or possibly PFI, though the latter option is unlikely). If the Council chooses to finance assets via these methods then MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.
- 4.4.4.5 **Loans to Organisations**, in due course the Council may choose to provide finance to local organisations, with the Council sourcing the finance from a third party. However, the following principles will have to be complied with:

- any such loan will have to be for asset creation purposes (i.e. capital expenditure; the finance cannot be used for revenue/day-to-day spend).
- the Council will, generally, act as a passporting organisation, in that it will source finance from the market and pass this on to the local organisation.
- the cost of such finance to the Council will be directly neutralised within the Councils balance sheet,
- loans will only be provided where the organisation is providing a service that directly supports the Council in achieving its Corporate Plan.
- loans will only be made in line with relevant legislation including State Aid.
- loans provided will generate for the Council a fair, market representative yield (return).

In respect of the MRP policy for loans to organisations, these are as follows:

- a. Where loans are made to other bodies for their capital expenditure, and the principal repayments are received at least on an annual basis, no MRP will be charged, because the loan repayments will be applied to the CAA, so reducing the CFR in the same manner as MRP.
- b. If principal repayments are not being made then MRP will be charged at an annuity rate.

4.4.4.6 Financing Commercial Property or Private Rental Sector Housing related expenditure with Annuity Loans, Equal Instalment of Principal (EIP) Loans or Maturity Loans, it is likely that in due course the Council will acquire commercial property (CE) or private rented sector (PRS) housing – such acquisitions could be via outright/direct acquisition or development. To undertake such acquisitions/ development, the Council will choose at the time of acquisition/development the most cost-effective means of financing. If the Council chooses to utilise:

- i. **Annuity or EIP Loans**, the aim of the MRP Policy for these loans is to ensure that the Council does not pay twice for the cost of the principal repayments. Therefore the actual policy is:
 - For commercial property or PRS related investments where it has been decided that an Annuity or EIP Loan is advantageous, the MRP that will be charged will be same/equal to the principal repayment for any loan finance supporting the investment (i.e. the principal repayment will be the MRP liability).
- ii. **Maturity Loans**, these are similar to interest only mortgages, in that only interest is paid during the life of the loan with the loan principal being repaid at the end of the term (by either the Council taking out a further loan or selling the asset and repaying the loan from the capital receipt; with a possible net capital gain). To minimize the MRP impact, specific safeguards will be included in the MRP Policy to ensure that the principles of prudence are maintained, these principles are noted in “a” and “b” below:
 - a. The commercial property or PRS housing asset would be required to be directly linked to the loan finance; this could be agreed retrospectively by the Policy Finance and Development Committee following acquisition/development. However, the link could only be broken by a specific decision of Full Council. The Councils Constitution would be required to be changed to reflect this.
 - b. The commercial property or PRS housing asset is valued on an annual basis, in line with the Councils Accounting Policy for Investment Assets. If it is established

that the value of the asset is less than the loan, then for each year that the asset is less than the loan, an MRP payment will be required, based on an Annuity Loan, and the MRP payment will be charged for each year thereafter.

The actual policy is:

- For each commercial property or PRS housing asset undertaken, where it has been decided that a Maturity Loan is advantageous, no Minimum Revenue Provision shall be made providing that:
 - i. The capital investment is directly linked to the Maturity Loan, with the stated intention that at loan maturity the asset is sold or replacement finance is provided.
 - ii. Policy, Finance and Development Committee will record the decision in (i) above (this may be done retrospectively i.e. after an acquisition/development). The link between Asset and Loan can only be broken by a decision of Full Council.
 - iii. There is annual revaluation of the commercial property or PRS housing asset in line with the Councils Accounting Policy in respect of Investment Assets. If it is established that an asset has a value less than the loan then for each year that the asset is less than the loan, an MRP payment will be required, based on an Annuity Loan, and the MRP payment will be charged for each year thereafter.
 - iv. Even where the asset value exceeds the loan value the Council may decide to make a voluntary MRP.

The advantage of Maturity Loans for the Council is that over the life of the loan, the net benefit from the ongoing income stream would be greater as the Council would only have to repay interest on an annual basis and not meet annual principal repayments. The following example clearly demonstrates the revenue advantage of financing by Maturity Loan compared to an Annuity Loan; in that the additional revenue stream over the life of the asset is £7.0m.

- If a CIS Asset of £10m was acquired with an annual income stream of £625k (pessimistic, giving a yield of 6.2%) and held for 20 years, the net revenue stream for a:
 - Maturity Loan would be £7.2m (£359k per annum).
 - Annuity Loan would be £140k (£7k per annum).There the benefit for a Maturity Loan is £7.0m (£352k per annum).

4.4.5 New MRP Policy – Housing Revenue Account

4.4.5.1 There is no statutory requirement to make a MRP in the HRA. There is, therefore, no requirement to follow the DCLG Guidance when considering an appropriate provision for the HRA. Therefore, because

- There is no statutory requirement,
- Repayment of debt is due to begin in March 2020 and
- Resources were required in the early years of the HRA business plan to fund the demands of the asset management strategy

During 2019/20 overall HRA debt will be reviewed with the view of planning to restructure, as required, as repayments become due each year. In the medium-term, it is proposed to refinance this using short-term borrowing, so as to minimise the costs of servicing the debt.

4.4.6 Capital Financing Requirement and MRP Summary

Based on the Council's latest estimate of its Capital Financing Requirement on 31st March 2020, the budget for MRP has been set as follows:

	2020/21 Estimated CFR £m	2020/21 Estimated MRP £m
General Fund	17.294	0.819
Housing Revenue Account	20.229	0.000
Total	37.523	0.819

4.5 FLEXIBLE USE OF CAPITAL RECEIPTS STRATEGY

4.5.1 Introduction

As part of the November 2015 Spending Review, the Government announced that it would introduce flexibility for the period of the Spending Review for local authorities to use capital receipts from the sale of non-housing assets to fund the revenue costs of service reform and transformation. Guidance on the use of this flexibility was issued in March 2016 which applies to the financial years 2016/17 through to 2019/20. The Secretary of State has recently announced that this flexibility would be extended in to future years

4.5.2 The Guidance

The guidance issued by the Secretary of State under section 15(1)(a) of the Local Government Act 2003 specified that;

- Local authorities will only be able to use capital receipts from the sale of property, plant and equipment received in the years in which this flexibility is offered. They may not use their existing stock of capital receipts to finance the revenue costs of reform.
- Local authorities cannot borrow to finance the revenue costs of the service reforms.
- The expenditure for which the flexibility can be applied should be the up-front (set up or implementation) costs that will generate future ongoing savings and/or transform service delivery to reduce costs or to improve the quality of service delivery in future years. The ongoing revenue costs of the new processes or arrangements cannot be classified as qualifying expenditure.
- The key determining criteria to use when deciding whether expenditure can be funded by the new capital receipts flexibility is that it is forecast to generate ongoing savings to an authority's net service expenditure.
- In using the flexibility, the Council will have due regard to the requirements of the Prudential Code, the CIPFA Local Authority Accounting Code of Practice and the current edition of the Treasury Management in Public Services Code of Practice.
- The Council is also required to prepare a "Flexible use of capital receipts strategy" before the start of the year to be approved by Council which can be part of budget report to Council.

The guidance sets out examples of qualifying expenditure which includes;

- Sharing back-office and administrative services with one or more other council or public sector bodies;
- Investment in service reform feasibility work, e.g. setting up pilot schemes;
- Collaboration between local authorities and central government departments to free up land for economic use;
- Funding the cost of service reconfiguration, restructuring or rationalisation (staff or non-staff), where this leads to ongoing efficiency savings or service transformation;
- Sharing Chief-Executives, management teams or staffing structures;

- Driving a digital approach to the delivery of more efficient public services and how the public interacts with constituent authorities where possible;
- Aggregating procurement on common goods and services where possible, either as part of local arrangements or using Crown Commercial Services or regional procurement hubs or Professional Buying Organisations;
- Improving systems and processes to tackle fraud and corruption in line with the Local Government Fraud and Corruption Strategy – this could include an element of staff training;
- Setting up commercial or alternative delivery models to deliver services more efficiently and bring in revenue (for example, through selling services to others);
- Integrating public facing services across two or more public sector bodies (for example children’s social care, trading standards) to generate savings or to transform service delivery.

4.5.3 The Council’s Proposals

The Council has decided to use the flexibility this direction provides to fund the cost of redundancies required in order to deliver transformation of services (cost of redundancies and other transformational costs) under:

- “Facing the Future 2” programme in 2019/20, amounting to an estimated £196k.
- “Various Service Reviews”, amounting to an estimated £100k.

As a result of this decision, prudential borrowing in 2019/20 will be correspondingly higher, as will the Capital Financing Requirement.

The Council currently has no further plans to use capital receipts, if circumstances change then a revised strategy will be produced and approved.

4.6 PRUDENTIAL INDICATORS 2020/21 (including Capital Financing Requirement)

4.6.1 The Prudential Code

Part 1 of the Local Government Act 2003 and C.I.P.F.A.'s Prudential Code for Capital Finance in Local Authorities (the Code) set out a framework for self-regulation of capital spending, in effect allowing council's to invest in capital projects without any limit as long as they are affordable, prudent and sustainable. This allows the Council to determine the appropriate level of capital investment to properly deliver quality public services, subject to affordability.

The revenue costs of capital investment can be supported through the Revenue Support Grant (RSG) mechanism up to a certain level, known as Supported Capital Borrowing. However, since 2010/11 this support has not provided and will not be provided in future years as RSG is phased out in

To facilitate the decision making process and support capital investment decisions the Prudential Code requires the Council to agree and monitor a number of Prudential Indicators.

For housing authorities these are separated for the Housing Revenue Account and non-Housing Revenue Account capital investment.

These indicators are mandatory, but can be supplemented with local indicators if this assists interpretation. The indicators cover affordability, prudence, capital expenditure, external debt and treasury management and form the basis of in year monitoring and reporting.

The indicators are purely for internal use by the Council and are not to be used as comparators between authorities, as any comparisons will be meaningless. In addition, the indicators should not be taken individually; rather the benefit from monitoring will arise from following the movement in indicators over time and the year on year changes.

4.6.2 Capital Expenditure and the Capital Financing Requirement

The Capital Financing Requirement (CFR) represents the Council's underlying need to borrow for a capital purpose; the change year on year will be influenced by the capital expenditure in the year. In simple terms the CFR will increase by the amount of capital expenditure to be financed by borrowing less any amount set aside in the year to repay debt.

The expected movement in the CFR over the next three years is dependent on the level of supported and unsupported capital expenditure decisions taken during the budgeting cycle. There are two main limiting factors on the Council's ability to undertake unsupported capital expenditure:

- Whether the revenue resource is available to support in full the implications of capital expenditure, both borrowing costs and running costs. Can the Council afford the implications of the unsupported capital expenditure?
- The Government may use a long stop control to ensure that either the total of all local authorities' plans do not jeopardise national economic policies, or in the event of an assessment by central government that local plans are not affordable at a particular council, it may implement a specific control to limit its capital expenditure plans.

The Council's expectations for capital expenditure and Capital Financing Requirement (CFR) in the next three years are shown in the following tables. These form two of the required Prudential Indicators.

4.6.2.1 **Breakdown of Capital Expenditure by Service**

The table below takes into account the Council's estimates of available resources as set out in the Medium Term Financial Strategy and the HRA Business Plan as adjusted for any major changes during the budget setting process.

	2019/20 Estimate £ 000s	2020/21 Estimate £ 000s	2021/22 Estimate £ 000s	2022/23 Estimate £ 000s
General Fund	2,412	969	48	80
HRA	3,078	1,500	1,500	1,500
Total	5,490	2,469	1,548	1,580

4.6.2.2 Capital Financing Requirement

The actual and estimated CFRs are set out below together with a split between supported and unsupported spending.

	2019/20 Estimate £ 000s	2020/21 Estimate £ 000s	2021/22 Estimate £ 000s	2022/23 Estimate £ 000s
Capital Expenditure *				
Supported Spend	3,145	1,925	1,500	1,500
Unsupported Spend	2,345	544	48	80
Total Spend	5,490	2,469	1,548	1,580
Financed By:				
Borrowing	2,345	544	48	80
Capital Receipts	822	0	0	0
Capital Grants	373	425	0	0
Earmarked Funds	0	0	0	0
Major Repairs Reserve	1,950	1,500	1,500	1,500
Revenue	0	0	0	0
Other Contributions	0	0	0	0
Total Financing	5,490	2,469	1,548	1,580
Capital Financing Requirement				
CFR – General Fund	17,570	17,294	16,492	15,736
CFR – HRA	20,229	20,229	20,229	20,229
Total CFR	37,799	37,523	36,722	35,965

*These figures represent an affordable capital programme rather than the total of capital submissions put forward by budget holders.

4.6.2.3 External Debt

The following estimate of gross external debt is provided for information.

	2019/20 Estimate £ 000s	2020/21 Estimate £ 000s	2021/22 Estimate £ 000s	2022/23 Estimate £ 000s
Borrowing	32,800	33,300	33,200	33,100
Other Long Term Liabilities	0	0	0	0
Total Debt 31 st Match	32,800	33,300	33,200	33,100

4.6.3 Affordability Prudential Indicators

The indicators that follow provide an indication of the impact of the capital investment plans on the overall Council finances.

4.6.3.1 Ratio of Financing Costs to Net Revenue Stream

The actual and estimates of the ratio of financing costs to net revenue stream identifies the trend in the cost of capital (borrowing costs net of interest and investment income) against the net revenue stream. The estimates of financing costs include current commitments and the proposals in the budget report.

	2019/20 Estimate %	2020/21 Estimate %	2021/22 Estimate %	2022/23 Estimate %
General Fund	14.0	16.6	17.0	16.9
HRA	11.6	11.4	11.1	10.3

4.6.3.2 **Incremental Impact of Capital Investment Decisions on the Band D Council Tax**

The estimates of the incremental impact of capital investment decisions on the Council Tax indicator identifies the trend in the cost of proposed changes in the three year capital programme recommended in the budget report compared to the Council's existing commitments and current plans. The figures are based on the assumptions included in the budget.

	Budget 2019/20	Forward Projectio n 2020/21	Forward Projectio n 2021/22
2019/20 Programme	1.21	1.21	1.21
2020/21 Programme	0.30	0.30	0.30
2021/22 Programme	0	0	0
Total	1.51	1.51	1.51

4.6.3.3 **Incremental Impact of Capital Investment Decisions on Housing Rent Levels**

The estimates of the incremental impact of capital investment decisions on housing rent levels are similar to the Council Tax calculation. This indicator identifies the trend in the cost of proposed changes in the housing capital programme recommended in the budget report compared to the Council's existing commitments and current plans, expressed as a change in weekly rent levels.

	Budget 2019/20	Forward Projectio n 2020/21	Forward Projectio n 2021/22
2019/20 Programme	0.08	0.08	0.08
2020/21 Programme	0.0	0.0	0.0
2021/22 Programme	0.0	0.0	0.0
Total	0.08	0.08	0.08

4.6.3.4 **Prudential Indicators and Limits on Activity**

A key control over the Council's activity is to ensure that over the medium term net debt will only be for a capital purpose. The Council needs to ensure that net debt does not, except in the short-term, exceed the total of the Capital Financing Requirement (CFR). The following table sets out the estimated net borrowing position in relation to the estimated CFR.

	2019/20 Estimate £ 000s	2020/21 Estimate £ 000s	2021/22 Estimate £ 000s	2022/23 Estimate £ 000s
Borrowing	32,800	33,300	33,200	33,100
Investment	0	0	0	0
Net Debts	32,800	33,300	33,200	33,100
CFR	37,799	37,523	36,722	35,965

The Section 151 Officer reports that the Council complied with the requirement to keep net borrowing below the relevant CFR in 2019/20 and no difficulties are foreseen for the current year or in respect of net debt for future years. This opinion takes account of current commitments, existing plans and the proposals in this and the budget report.

It is predicted that the HRA CFR will end 2019/20 at £20.229 million. At present the Council will endeavour to keep it this level steady for this three year cycle of financial planning.

4.6.3.5 **Treasury Management Prudential Indicators**




These indicators are shown within 4.1, Treasury Management Strategy & Plan.

5.0 Housing Revenue Account

5.1 The Housing Revenue Account includes any expenditure associated with the Council's function as a social housing landlord and is shown in **Table 13** below. The items that can be debited and credited to the account are determined by statute.

Housing Revenue Account 2020/21 and over the Medium Term (to 2024/25)

Table 13

	2019/20 Original £'000	2019/20 Forecast £'000	2020/21 Budget £'000	2021/22 Budget £'000	2023/24 Budget £'000	2024/25 Budget £'000
EXPENDITURE						
Management	1,757	1,751	1,832	1,809	1,836	1,863
Repairs and maintenance	1,256	1,058	1,150	1,153	1,156	1,159
Council Tax	15	5	10	10	10	10
Debt Management	10	10	10	10	10	10
Depreciation (MRA cont.)	1,305	1,305	1,338	1,371	1,405	1,440
Provision for Bad Debts	109	79	100	100	100	100
Gross Expenditure	4,452	4,208	4,440	4,453	4,517	4,582
INCOME						
Rents - Dwelling	(4,620)	(4,621)	(4,763)	(4,843)	(4,924)	(5,007)
Rents - Non Dwellings	(89)	(80)	(89)	(91)	(93)	(95)
Charges for Services and Facilities	(202)	(188)	(190)	(194)	(198)	(202)
Gross Income	(4,911)	(4,889)	(5,042)	(5,128)	(5,215)	(5,304)
Interest payable	562	555	580	605	630	655
Interest Receivable	(12)	(5)	(5)	(5)	(5)	(5)
Revenue Contribution to Capital	0	500	0	0	0	0
Transfers to/(from) Reserves	0	0	0	0	0	0
Total Capital Charges and Appropriations	550	1,050	575	600	625	650
(Surplus)/Deficit for the Year	91	369	(27)	(75)	(73)	(72)
Opening Balances						
Housing Revenue Account	(1,083) 	(1,083)	(714) 	(741)	(816)	(889)
Major Repairs Reserve	(450)	(450)	0	0	0	0
Regeneration Reserve	(361)	(361)	0	0	0	0
Universal Credit Reserve	(140)	(140)	(140)	(140)	(140)	(140)
Housing Levy	(220)	(220)	(220)	(220)	(220)	(220)
Bad Debt Provision	(179) 	(179)	(258)	(358)	(458)	(558)
Closing Balances						
Housing Revenue Account	(992)	(714)	(741)	(816)	(889)	(961)
Major Repairs Reserve	0	0	0	0	0	0
Regeneration Reserve	(361)	0	0	0	0	0
Universal Credit Reserve	(140)	(140)	(140)	(140)	(140)	(140)
Housing Levy Reserve	(220)	(220)	(220)	(220)	(220)	(220)
Bad Debt Provision	(288)	(258)	(358)	(458)	(558)	(658)

Service Statistics

	<u>2018/19</u>	<u>2019/20</u>	<u>2020/21</u>	<u>2021/22</u>	<u>2022/23</u>	<u>2023/24</u>	<u>2024/25</u>
Average Number of Dwellings	1,205	2,000	1,195	1,192	1,186	1,183	1,180
Housing Rent							
Rent per dwelling	76.17	75.41	77.44	79.38	81.36	83.40	85.48
Unpooled Service Charge	1.50	1.55	1.59	1.63	1.67	1.71	1.75
Total Rent	<u>77.67</u>	<u>76.96</u>	<u>79.03</u>	<u>81.01</u>	<u>83.04</u>	<u>85.11</u>	<u>87.24</u>

5.2 Specific Charges

In addition to Dwelling Rents the HRA makes charges for other associated services offered to tenants. It is proposed that these increase by 2.7% which is in line with the rent increases CPI+1% for September 2019

	2019/20 Current Charge £	2020/21 Proposed Charge £
<u>Garage Spaces</u>		
48 Week Basis	4.06	4.17
52 Week Basis	3.75	3.85
<u>Lock up Garages</u>		
48 Week Basis	7.50	7.70
52 Week Basis	6.92	7.11
<u>Caretaking Charge (Lower Rate)</u>		
48 Week Basis	3.23	3.32
52 Week Basis	2.98	3.06
<u>Caretaking Charge (Higher Rate)</u>		
48 Week Basis	6.48	6.65
52 Week Basis	5.98	6.14
<u>Heating and Hot Water Charges in Sheltered Schemes</u>		Increase for 2020/21 %
Chartwell House, Oadby		2.7
Marriott House, Oadby		2.7
William Peardon Court, Oadby		2.7
Mobility Scooter Garaging		2.7

5.3 CAPITAL PROGRAMME

The councils housing capital programme covers improvements to the housing stock and works to meet the 'Decent Homes' target. The Housing department is currently undergoing a detailed stock condition survey which will outline the major repair needs of the Housing stock. Currently the Housing Capital Programme totals £1.5million however once the condition survey is concluded and analysed further work may be bought before members for approval. For the 2019/20 programme any unspent balances or unfinished schemes will be determined at year end and bought to members to carry forward in the July cycle of meetings.

5.4 **HOUSING REVENUE ACCOUNT BUDGET BACKGROUND CONSIDERATIONS FOR THE REVENUE BUDGET CAPITAL PROGRAMME 2020/21**

5.4.1 **BACKGROUND CONSIDERATIONS**

This provides commentary on the background considerations and key issues on which the draft budget and forward forecast have been prepared. It also summarises the overall financial position. The structure of this commentary is as follows:

1. Basis for preparation of the draft budget.
2. Rent Policy
3. Changes in Stock Levels
4. Treasury Management
5. HRA Capital Programme
6. Other budget considerations

5.4.1.1. **Basis for preparation of the draft budget and forward forecast**

The revenue budget for 2020/21 sets out the costs of delivering current levels of service while taking into account the effect of current government legislations regarding changes to housing finance including the start of a five year cycle during which time rents may be raised by no more than CPI +1%. This follows four years of rent reductions imposed by the Government.

The budget has been set assuming that a 2% pay award will be implemented for 2020 and that non contractual upward inflation will be 0% to encourage value for money.

5.4.1.2. **Rent Policy**

2019/20 is the final year in which Councils had a 1% reduction in rent imposed on them by Government Policy. From 2020/21 the Council is be able to increase rents by CPI +1% (as at the September of the previous year) This allows the Council to increase rents by 2.7% for the 2020/21 rent year which will increase the average rent by £2.03 per week taking it from £75.41 to £77.44 which equates to an increase in annual rental income of around £97,000.

The table below shows how this will affect rent levels in the Borough

	£	£	£	%	
Highest Rent	94.22	96.76	2.54	2.7%	3 Bed House
Lowest Rent	56.19	57.71	1.52	2.7%	Bedsit
Average Rent	75.41	77.44	2.03	2.7%	

5.4.1.3. **Changes in Stock Levels**

When the Government revised the Right to Buy discount scheme the Council saw a pickup in sales to tenants, this however flattened off and then dropped slightly over the last couple of years. This together with the Council's policy of purchasing properties to replenish the stock where possible through the 1-4-1 scheme suggests stock levels will only decline slightly over the next few years.

There is a risk that stock losses do not follow the pattern assumed in the budget and forecast. This could mean that either savings in costs are made ahead of time or that they are not made in time. The Council's Finance and Housing teams will monitor the developments in this area very closely.

5.4.1.4. Treasury Management

The self-financing settlement involved the Council taking on £18.114m of borrowing. The interest costs on this borrowing consume a significant proportion of the HRA's resources and the management of these is therefore critical to the HRA budget. Now that the HRA borrowing cap has been lifted the Council will have greater flexibility around financing capital works. It is important to remember any borrowing needs to be costed and affordable to the revenue budget.

When taking out financing the Council needs to factor the cost of borrowing into its revenue budget the UK has recently seen an unprecedented period of low interest rates. Interest rates have remained low with significant rises unlikely. Interest rate risk is fully borne by the Council and to mitigate this risk the vast majority of the HRA's borrowing is for a fixed term at a fixed rate. The finance team will keep a close eye on the likely trajectory of interest rates over the next 12 months particularly as there is still some uncertainty around arrangements for Brexit beyond the current transitional agreement.

The original 30 year business plan provides the repayment of HRA debt over its life. In the first five years of the plan resources were required to fund the demands of the asset management strategy, therefore repayment was structured to begin from 2020 onwards. However due to changes in Government Policy the Council will not be able to start repaying debt as planned but instead will be forced to restructure the debt in a beneficial way.

5.4.1.5 HRA Capital Programme

The capital programme will continue to balance the need to maintain decent homes and other priorities such as health and safety, aids and adaptations, sustainability, energy efficiency and meeting tenants' aspirations. The 2019/20 programme will see the original cycle of repairs coming to an end at which point a new 30 Year Asset Management Strategy will be drawn up. Work on collecting the data for the plan is now concluding with the plan being available to assist in drawing up the 2020/21 programme and beyond. The cycle of works identified in the plan will be funded by the HRA, Capital receipts and borrowing. Careful planning of the capital programme will be needed, bearing in mind the uncertainty of Government Policy, to ensure that it not only meets the needs of the tenants but is also affordable and sustainable.

5.4.1.6 Other Budget Considerations

Provision for Uncollectible Debts and Collection Costs

The provision for uncollectible debts at 31 March 2019 was £179,000. A provision for bad debts is made in respect of both former tenant arrears and current tenants. The Council included £109,000 in the 2019/20 budget and included £100,000 in 2020/21 and future years for further provision against write-offs of bad debt. This is considered to be a prudent measure against a back drop of the Government's policy of Welfare Reform with Universal Credit going to 'full

service' in June 2018 with migration to Universal Credit from legacy benefits over the next few years.

In order to guard against the effect of Universal Credit the Council set up a special reserve that it could draw on to take whatever corrective action was needed to keep debt under control.

General Fund Recharges

In the light of accounting practices relating to recharges in the Council's accounts, recharges to the HRA will be reassessed to make sure that these are correct and fair.

Service Charges

Tenant's service charges for 2020/21 have been increased by 2.7%, which is the same increase as applied garage rents and other miscellaneous charges.

30 year HRA Business Plan

Integral to the transition from the subsidy system to the self-financing regime, and underpinning both the self-financing debt calculation and Council HRA planning, has been the development of a 30 year business plan a full update on which will be brought to Council once the '30 Year Asset Management Plan' is complete.

6.0 Formal 2020/21 Council Tax Resolutions **DRAFT**

a	That the Council note the Council Tax Base for the whole Council area as approved by the Chief Financial Officer and ratified by Policy, Finance and Development Committee on the 11 February 2020. The tax base (T) which is the amount anticipated from a District Council Tax of £1 is	£ 17,520.50
b	That the following amounts calculated by the Council for 2020/21 in accordance with the requirements of the Local Government Finance Act 1992 as amended by the Localism Act 2011 (the Act), the Local Government Finance Act 2012 and associated regulations :-	
	(i) the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) (a) to (f) of the Act Gross revenue expenditure including benefits.	£18,249,028
	(ii) the aggregate of the amounts which the Council estimates for the items set out in Section 31A (3) (a) to (d) of the Act Revenue income including reimbursement of benefits, specific and general grants, use of reserves and any transfers from the collection fund.	£14,228,073
	(iii) the amount by which the aggregate at (i) above exceeds the aggregate at (ii) above in accordance with Section 31A (4) of the Act This is the “Council Tax Requirement” (item i minus item ii). It is the cash sum to be funded from District Council Taxes.	£4,020,955
	(iv) the Council Tax requirement for 2020/21 divided by the tax base (T) in accordance with Section 31B (1) of the Act.	£229.50
	(v) the aggregate of all “Special Items” referred to in Section 34(1) of the Act. The total value of Parish/Town precepts included in i and iii above.	£0.00
	(vi) the Basic Amount of Council Tax for 2020/21 being item iv less item v divided by the tax base (T) in accordance with Section 34 (2) of the Act. The District Council’s Band D Tax for 2019/20	£229.50
c	That the amounts of precept issued to the Council by Leicestershire County Council, Leicestershire Police Authority, Leicestershire Fire Authority for each of the categories of dwellings listed in different valuation bands in accordance with Section 40 of the Act shown in para 6.3 attached be noted.	
d	That, having regard to the calculations above, the Council, in accordance with Section 30 (2) of the Act, hereby sets the figures shown in para 6.4 as the amounts of Council Tax for 2020/21 for each of the categories of dwelling shown. This is the total Council Tax to be collected, incorporating the requirements of all of the relevant bodies.	
e	The Council notes that, in accordance with Section 52ZB of the Local Government Finance Act 1992, the basic amount of its Council Tax for 2020/21 is not excessive. The basic amount at b(vi) above is not excessive as defined by the Government.	

6.1 Tax Base 2020/21

Based on the information contained within this report, it is recommended that pursuant to the joint report of the Finance Manager and Head of Revenues & Benefits and in accordance with the Local Authorities (Calculation of Council Tax Base) Regulations 2012, the amounts calculated by the Oadby & Wigston Borough Council as their (net) tax base for the whole District for the year 2020/21 be 17,520.5. The Council has no Town or Parish Councils within its District.

6.2 2020/21 Council Tax by Property Band for each Precepting Authority and the Billing Authority

TO BE COMPLETED WHEN PRECEPTS RECEIVED FROM OTHER LOCAL AUTHORITIES

	Band A £	Band B £	Band C £	Band D £	Band E £	Band F £	Band G £
Leicestershire County Council (total precept *)							
Leicestershire Office of the Police & Crime Commissioner							
Oadby & Wigston Borough Council							
Leicestershire Fire Authority							
* LCC precept:							
- Including Adult Social Care							
- Adult Social Care Only							
Total Council Tax Payable by Band							

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

Section 25 of Local Government Act 2003 requires me, as the Council's Responsible Financial Officer, to report on the robustness of the 2020/21 budget and the adequacy of reserves to assist you in making your decisions on the Budget and the level of Council Tax. Further, this is an opportunity for me to provide some commentary in respect of the period covered by the Medium Term Financial Strategy (MTFS).

At Section 1.0 (paragraphs 1.20 – 1.2), members will note some initial comments in respect of Reserves and the immediate use of Reserves to meet the current budget deficit to ensure a balanced budget is achieved. However, this commentary is to further 'stress' test the Council's budget and reserves.

General Fund: Robustness and Budget Setting

At the time of writing, the 2019/20 Quarter 3 Budget Monitoring Report is reporting a 'net' forecast overspend of £53k compared to the budget; however, in respect of service expenditure this is forecasting an overspend of £179k – the difference is the application of grant, pooled NDR receipts and contributions from Reserves. Such a situation is a concern and one that will have an impact on financial sustainability if not addressed. However, the Council has taken affirmative action between Quarter 2 and Quarter 3; this is shown because:

- Service expenditure has decreased by £52k, and the
- Overspend itself has reduced by £38k

With regard to preparing the 2020/21 Budget and MTFS, as in previous years the Senior Leadership Team and Heads of Service have reviewed their service and corporate expenditure, this has identified:

- savings and invest to save proposals of £744k for 2020/21, increasing to £1.0m, by 2024/25,
- income generation proposals of £808k for 2020/21 (although this will be £308k when the £500k selective licensing income is netted off), increasing to £754k by 2024/25. Although the latter years of the MTFS does include income from commercial and private rental sector (residential) property (£361k), and
- growth of £816k for 2020/21, which decreases to £398k by 2024/25.

As ever, the Finance Team has provided the central support to services and the whole process has been overseen by both the Chief Financial Officer (S151 officer) and the Finance Manager.

In addition to the above, members should also note the Council:

- continues to review its processes and practices through developing 'digital' e-forms.
- continues to monitor the impact of the current Fair Funding proposals and any 'new government' Strategic Spending Review (expected in the summer of 2020), and
- proposes to increase Council Tax by £5 (an increase of 2.23% and generates for the Council an additional £109k).

Challenges Facing the Council

The challenges that the Council faces are similar to those being faced by many councils across the local government community. The principal challenges that the Council is tackling are illustrated below:

Public Sector Austerity – Cuts in grant funding

For the past few years, the public sector has, as a whole, been facing the most significant austerity programme in a generation and as a consequence of the government's ring-fencing of some government departments/services (i.e. NHS, Overseas Aid etc.); this has meant that local government has met a significant share of the austerity programme. More recently, independent insights into future government funding propositions are clearly showing a direction of travel that indicates an even more challenging financial environment – and with a new government now in place, their medium term agenda for local government will only become apparent in due course.

Following the 2020/21 provisional settlement announced in January 2020, **Table A** clearly shows that the grant funding streams for the Councils MTFS for 2020/21 and for the period up to 2024/25 will move negatively when compared to the preceding year. After extrapolating the 2019/20 standstill budget over the following 5 years, in respect of:

- 2020/21 the total grant included in last year's MTFS would have been £2.4m; following the provisional settlement this has marginally decreased by £6k (0.3%).
- 2021/22 the total grant included in last year's MTFS would have been £2.4m but financial modelling is forecasting a reduction of £111k (4.7%). This reduction is primarily due to the potential impact of Fair Funding.
- 2022/23 onwards the impact of Fair Funding continues, with reductions in grant increasing to 8.8% in 2022/23 and 12.7% in 2024/25. Further, there are ongoing reductions in business rates in anticipation of the revaluation scheduled over the next couple of years.

Comparison of Grant Assumptions 2019/20 Budget - to - 2020/21 Budget and MTFS (2021/22 to 2024/25)							Table A
	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	
2019/20 Budget & MTFS							
NDR (*)	1,349	1,368	1,387	1,406	1,426		
S31 Grant (*)	767	767	767	767	767		
Revenue Support Grant (*)	0	0	0	0	0		
Other General Fund Grants (*)	110	110	110	110	110		
Fair Funding Review (*)	0	0	0	0	0		
New Homes Bonus (**)	264	135	94	0	0		
Total	2,490	2,380	2,358	2,283	2,303		
2020/21 Budget & MTFS							
NDR		1,362	1,362	1,376	1,390	1,404	
S31 Grant		767	767	767	767	767	
Revenue Support Grant		0	0	0	0	0	
Other General Fund Grants		110	110	110	110	110	
Fair Funding Review		0	(86)	(172)	(257)	(343)	
New Homes Bonus		135	94	0	0	0	
Total		2,374	2,247	2,081	2,010	1,938	
Variance between Grant Assumptions							
£	NDR	(6)	(25)	(30)	(36)		
	S31 Grant	0	0	0	0		
	Revenue Support Grant	0	0	0	0		
	Other General Fund Grants	0	0	0	0		
	Fair Funding Review	0	(86)	(172)	(257)		
	New Homes Bonus	0	0	0	0		
	Total	(6)	(111)	(202)	(293)		
%	NDR	-0.4%	-1.8%	-2.1%	-2.5%		
	S31 Grant	0.0%	0.0%	0.0%	0.0%		
	Revenue Support Grant	0.0%	0.0%	0.0%	0.0%		
	Other General Fund Grants	0.0%	0.0%	0.0%	0.0%		
	Fair Funding Review	0.0%	100.0%	100.0%	100.0%		
	New Homes Bonus	0.0%	0.0%	0.0%	0.0%		
	Total	-0.3%	-4.7%	-8.8%	-12.7%		

Programme of Service Review

It is probably fair to say that all councils are undertaking some form of service review and seeking to ensure that services are provided with affordability and value for money at their core. As mentioned earlier, officers have reviewed their budgets from both a strategic and service perspective (Facing the Future 2, First Proposals and Second Proposals) and a Zero Based Budgeting review will be undertaken during 2020/21 to ensure all resources are aligned to priorities and service outcomes, and delivered to the requisite standard.

Governance

Noted within the 2018/19 Annual Governance Statement (AGS) both the Leader and the Chief Executive consider that:

“This statement is intended to provide reasonable assurance. We propose that we continue to maintain the level of governance at the authority, whilst striving to improve wherever we can. Where issues have

been identified in preparation of this report, we will ensure that they are effectively addressed and we will monitor their improvement as part of the next annual review.”

The issues referred to include:

Local Government Ombudsman (LBO): 4 issues were referred to the, 3 were either premature or there was insufficient evidence of fault. The 4th item was found against the Council in that it had been guilty of maladministration.

Constitutional Matters: During 2018/19 the Council reviewed its Constitutions and the new Constitution was adopted by the Council on the 16th April 2019.

Willow Park: In July 2018 there was an incident in Willow Park that resulted in the death of an elderly resident; this event was notified to the Health & Safety Executive, who served the Council with an Improvement Notice. All remedial works have been undertaken and as a result the Improvement Notice was considered to have been fully complied with.

Code of Conduct: The Council’s Monitoring Officer supervised and dealt with a number of complaints against members during the year which resulted in sanctions being imposed. The sanctions ranged from the requirement to provide a formal apology to the complainant/s, a requirement to provide a formal apology to Full Council, letters of censure, removal of council facilities and removal from Committee

It is worthy of noting that during 2018/19 no significant governance issues arose from Internal Audit review.

Risks

Because of the nature of the macro and micro environment that the wider local government family and the Council operates within, there are a whole host of risks that the Council faces on a day-to-day basis. In such an environment, budget setting is not a science but more a guide on how financial resources will be allocated to services over the forthcoming year and to give an indication into the medium term. There will always be items that emerge after the budget has been approved and these can range from a programme under or over achieving or an unexpected event occurring and changes in budget assumptions and estimates.

Mitigation of Unforeseen Events

The Council has always taken a very prudent position in ensuring that it maintains its General Fund (Unallocated) Reserve at an agreed percentage of 10% of Net Expenditure; this percentage has prevailed for some years.

However, to help mitigate a situation whereby an event could occur that would potentially have a negative financial impact on the Council, the Council has for a long time had a clear process in place. Where a situation has occurred that is ‘service’ specific, the

- first call for funding will be from compensating savings from elsewhere within the service, and if none are possible then savings from the wider Councils budget (service first, wider Council thereafter),
- second call for funding will be general service reductions. Such an approach will inevitably have an impact on service delivery,
- and finally, the use of General Fund reserves would be considered.

Where a situation arises that is 'corporate' in nature, then consideration will be given to the aforementioned first and second calls, but there is likely to be earlier considerations of using General Fund reserves.

As noted within this report, the Council has now introduced the Budget Surplus Earmarked Reserve; the aim of this reserve is to "mop-up" service under or overspends that would cause the General Fund to be higher than or lower than the minimum threshold. This has been developed further to provide a means by which surpluses could be distinguished between those due to unspent NHB or in-services savings. With regard to:

- Unspent NHB, such underspends are passported through to the Commercial Investment Earmarked Reserve. Therefore enabling the Council to ring-fence funds that are available for Commercial Investment and/or service development.
- In-service savings, such underspends can be ring-fenced to provide a 'smoothing' fund to meet future years estimated deficits.

The technical definition of General Fund Reserves includes the General Fund (Unallocated) Reserve as well as all 'revenue' Earmarked Reserves. In the context of making General Fund Reserve balances available to meet unforeseen events, the Council will self-limit this to the General Fund (Unallocated) Reserve itself as well as the Budget Surplus Earmarked Reserve. The (1) Projects & Risks, (2) Housing Investment and (3) Commercial Investment Earmarked Reserves are not included in the following risk modelling assessment as this is the means by which the Council is able to invest to provide medium term financial sustainability – to include these three reserves could give an overly 'optimistic' view of financial resilience. Consequently, to mitigate such events and secure the delivery (and security) of day-to-day business, the schedule of call-off would be:

- General Fund (Unallocated) Reserve, and then the
- Budget Surplus Earmarked Reserve.

As an absolute last resort, only then would the three aforementioned Earmarked Reserves be applied.

Risk Modelling

It is essential that relevant risks are identified and appropriate sensitivity analysis applied to determine the impact of such risks on the Councils financial standing – and consequently the delivery of the Councils day-to-day business. The most significant potential risks to the budget are:

- under achievement of savings.
- higher inflation.
- further reductions in income (mainly from fees and charges).
- non-achievement of savings; including Shared Services.
- level of retained business rates.
- failure of a borrower (i.e. money lent to another organisation).
- an emergency.
- estate property enhancement/development.
- increased demand on services (e.g. benefits and homelessness).

Taking each of the above in turn:

- **Underachievement of Savings & Additional Income**

The savings included within the budget total £1.6m. These savings and incomes cover a broad range of services; however as ever they are dependent on market demand, management and prevailing political conditions. It is therefore prudent to assume that some of these savings may not be achieved; after applying an assumption of 50% underachievement this equates to a cost of £776k.

- **Inflation**

With regard to:

- **Pay**
The budget for 2020/21 includes an “across the board” pay increase of 2%. Considering basic pay, employer oncosts (national insurance and pension), this equates to a total cost of £6.3m; a further 1% for sensitivity equates to £63k.
- **Business Rates (those payable by OWBC)**
The budget for 2020/21 includes a Business Rates budget of £191k. However, a marginal 5% change has been anticipated which has a sensitivity impact of £10k.
- **General Inflation**
No general inflation has been included in the 2020/21 budget except where there are contractual price increases; although for the Council this is minimal as most services are “contracted in”. The working assumption is that services will absorb general inflation within their service budgets. Consequently no adjustment has been made for this.
- **Short-Term Investment/Borrowing**
The budget for 2020/21 assumes a short-term borrowing cost of £126k (based on a rate of 1.05%). If this rate increased to the 10-year PWLB rate of 2.36%, the additional cost would be £157k; applying a 75% sensitivity impact this equates to £118k.

- **Reduced income: Fees and Charges**

Total fees and charges are £2.1m, therefore, for sensitivity analysis a 20% loss of income from fees and charges would amount to £417k. The largest income streams that are susceptible to variation include:

- Leisure Centres, £510k
- Garden Waste, £418m
- Licensing (excl Selective Licensing), £235k
- Planning Fees, £260k

- **Reduced income: New Homes Bonus**

For 2020/21 the Councils NHB is £135k; it is expected that the government will announce that the scheme will cease from 2022/23 onwards which is the budgeting assumption

included in the MTFS. For sensitivity purposes the Council's is including a 10% reduction in NHB, which equates to £14k.

- **Government Grant: Non Domestic Rates**

Since the localisation of Non Domestic Rates in April 2013 it has become increasingly clear that the levels that the authority will be able to retain are more and more difficult to forecast. Whilst there are some opportunities for estimating i.e. the development of new buildings, it is very difficult to judge when development will commence on allocated land even if planning permission has been granted.

The Council has taken a prudent line by formulating its own assessment for NDR receipts for 2020/21 (£1.4m), with no increase applied for 2021/22 (to reflect the potential impact of revaluation) and then 1% per annum thereafter. Directly linked to NDR are S.31 grants, this is government grant that compensates local government for it being required to exceed the minimum statutory regulations for certain thresholds as a consequence of government priorities (i.e. increasing the 'small business relief' limit above that required by law). The assessed S.31 receipts for 2019/20 are £0.8m.

Although it is fair to say that any NDR reduction would be limited by the existence of the safety net (i.e. a statutory limitation to losses), it is fair to apply sensitivity to the gap between the safety net and the estimated NDR receipt. Losses can be accrued in a number of ways; reduced NDR receipts as a consequence of business failure, demolition or catastrophic event, and the impacts due to rating appeals – although these would be somewhat mitigated by the Collection Funds appeals provision (it should be noted that appeals can take many years to conclude). In respect of:

- NDR, there is a very marginal gap between the estimated income (£1.4m) and the safety net (£1.4m), so an assumed difference of £100k is included, after applying a 10% sensitivity reduction this gives an impact of £10k.
- S.31, the Council is expecting to receive £767k in S.31 grant, a 5% sensitivity reduction will be applied giving £38k.

As noted in **Table 7** (paragraph 1.15-1.16), the Council's share of the Collection Fund Deficit is £7k, a 50% sensitivity (£3.5k) will be applied to determine potential impacts of future fluctuations in NDR receipts.

- **Failure of a Borrower**

The current counterparty limit is lending of £5.0m to a single institution.

The main "borrowing" risk rests where the lending is either on a short or long term basis. The £5.0m limit is restricted to bodies with a credit rating of F1+ or Building Societies with more than £2 billion in assets. The impact of a "failure of borrower" will be the loss of revenue cash flow and the potential costs involved of "making good" the lost investment. There are however, good governance arrangements around the Council's Treasury activity and therefore the likelihood of loss is minimal. However, with Brexit date now passed and the UK is within the transition period, there is still some financial risk from a negative market reaction; it is therefore prudent to include some element of sensitivity in respect of cash flow. Therefore, the average amount lent to an institution short-term is

around £11.5m; if this amount was lost and the Council had to borrow from the PWLB, at current rates (based on 10 year borrowing) would amount to a cost of £151k. This block amount is included in the sensitivity analysis.

- **Emergency**

As is normal for a business, different types of risk are mitigated in many different ways. Some risks are insured against, so losses are limited to the excesses payable and also, the Government's Bellwin Scheme meets a large proportion, over a threshold, of the costs of any significant peacetime emergencies (e.g. severe flooding). Further, the Council does maintain its General Fund Reserves at a fair 'minimum' level.

With the ever contraction in budgets it is anticipated that such ad-hoc (emergency) spend will not be easily accommodated so it would be prudent to include an element within any sensitivity to meet this cost. The Council's Financial Regulations do not impose limits of spend on the "rota'ed" Civil Emergencies officer (usually a member of the Senior Leadership Team or a duly nominated officer) to incur "emergency spend". Consequently an amount of £250k has been included in the 'costs' and applying a 50% sensitivity analysis the assessed impact is £125k.

- **Estate property enhancement/development**

The Council holds onto an 'aging' Operational Estate so it is fair to include a risk in respect of future property enhancement. For sensitivity modelling purposes, the currently estimated cost of enhancement is £3m for Bushloe House, this would have to be borrowed and the estimated loss of interest based on a 4.5% return from a property fund is a cost of £135k, this is included as a block cost. However, there is ongoing maintenance and this again has been included as a block amount (£38k).

- **Increased demands on services**

Many of the services provided by the Council are susceptible to an increase in demand. However, over the past few years there have been significant revenue impacts relating to homelessness and Council Tax Support.

With regard to homelessness, the budget for 2020/21 is £164K and for Council Tax Support is £10k; if there was a 10% increase in demand for each this would require an additional £17k. In addition, the cost of the LICTP is £626k, if say this cost increased 7% this would amount to £44k.

- **Council Tax**

The Council has chosen to increase Council Tax by £5 (2.23%) for 2020/21, the maximum allowable. This is a prudent step as it helps to maintain the financial foundation of the Council and awards it opportunities for future investment. A £5 increase represents additional Council Tax income of £109k, as this is a marginal increase no further sensitivity has been undertaken.

Sensitivity for 2020/21 Budget

Considering the risks noted above and the stated budget assumptions, the accumulated total cash risk is £2.0m. However, it is highly unlikely that all these risks will occur at the same time, so it is fair to apply “sensitivity” to each risk and then model the likelihood of occurrence. **Table B** shows this detailed analysis and in summary the additional pressure within 2020/21, based on the likelihood of occurrence, is as follows:

- Pessimistic view, additional pressure of: £757k
- Middle-View, additional pressure of: £652k
- Optimistic View, additional pressure of: £143K

Sensitivity of Risks to 2020/21 Budget & Funding Options						Table B					
Risk Determinant		Costs Included in 2020/21 Budget	Risk	Sensitivity Impact		Likelihood of Occurrence					
		£000		+/-	Cost £000	Pessimistic Factor	£000	Middle-Way Factor	£000	Optimistic Factor	£000
Achievement of Savings & Additional Income		1,552	Savings not achieved.	50%	776	0.5	388	0.4	310	0.1	78
Inflation	Pay	6,307	Pay increase from 2% to 3%	1%	63	0.6	38	0.3	19	0.1	6
	Business Rates (OWBC Payable)	191	Business Rates vary due to change in liability etc.	5%	10	0.6	6	0.2	2	0.2	2
	Short-Term Investment/Borrowing Costs	157	Difference between Borrowing; increased from 1.05% (short-term) to 2.36% (10 year PWLB).	75%	118	0.2	24	0.5	59	0.3	35
Reduced Income	Fees & Charges	2,083	Reduction in income.	20%	417	0.4	167	0.5	208	0.1	42
	New Homes Bonus	135	Reduction in NHB following change to "needs" system and consequential redistribution.	10%	14	0.3	4	0.4	5	0.3	4
Government Grant	NDR (Difference between Safety Net and Budgeted Receipts)	100	Reduced NDR receipts.	10%	10	0.6	6	0.3	3	0.1	1
	S.31 Grant	767	Not all grants received.	5%	38	0.6	23	0.3	12	0.1	4
	Collection Fund (Surplus)/Deficit	7	Collection Fund Deficit greater than expected.	50%	4	0.6	2	0.3	1	0.1	0
Failure of Borrower		151	Difference in cost of short term borrowing and PWLB (10 years) if the Council lost £11.5m it has lent short-term.	100%	151	0.2	30	0.5	75	0.3	45
Emergency		250	Immediate use of funds in the event of a local emergency.	50%	125	0.2	25	0.5	63	0.3	38
Maintenance	Redevelopment of Bushloe House	135	Opportunity cost of £3m enhancement cost and lost investment interest based on a property fund at 4.5%.	100%	135	(0.2)	(27)	(0.9)	(122)	(0.9)	(122)
	Property Maintenance and Enhancement	38	Estate property enhancement/development.	100%	38	0.8	30	0.1	4	0.1	4
Increased Demand of Services	Homelessness	164	Increase in demand.	10%	16	0.4	7	0.5	8	0.1	2
	ICT	626	Additional service requirement.	7%	44	0.8	35	0.1	4	0.1	4
	Council Tax Support	10	Increase in demand.	10%	1	0.4	0	0.3	0	0.3	0
Total Sensitivity (A)					1,958		757		652		143
OVERALL TEST FOR BUDGETARY RISK											
Estimated General Fund (Unallocated) Reserve at 31 March 2020 (Minimum Level of GFR) (B)							612		612		612
Budget Surplus Reserve at 31 March 2020							1		1		1
Total Estimated Reserves at 31 March 2020 (C) (*)							613		613		613
Conclusion of Sensitivity i.e. Estimated Reserves less Sensitivity											
- Upon comparing 'Total Sensitivity' (A) to Total Estimated Reserves (C), do Reserves remain positive? (*)							No	No	Yes	Yes	
- Upon comparing 'Total Sensitivity' (A) to the Minimum Level (B) of General Fund (Unallocated) Reserves (10% of Net Expenditure), does Reserve remain positive?							No	No	Yes	Yes	
- If the 'Total Sensitivity' (A) Risk occurred, what would be:											
- the balance in the General Fund (Unallocated) Reserves without allocations from Earmarked Reserves?							(145)	(40)			469
- the % of the General Fund (Unallocated) Reserve to Net Service Expenditure?							-2.4%	-0.7%			7.7%
* Note: OWBC has set a minimum level of General Fund (Unallocated) Reserves of 10%. However, in a 'crisis' situation, as well as having the GFR available, it will also have the Budget Surplus Reserve available; therefore for this 'Sensitivity Exercise' both Reserves will be considered.											

This analysis shows that if the most ‘pessimistic’ or ‘middle-way’ positions occurred, the Councils General Fund (Unallocated) Reserves alone would be insufficient to meet this additional cost (of course, slight movements in both the sensitivity impact and likelihood of occurrence percentages can alter the conclusion). However, in any given situation where the GFR was used to finance such risks, there is a statutory responsibility on the Council to ensure that the GFR was returned to a fully funded position, and this could be achieved by:

- allocations from Earmarked Reserves, which would curtail any commercial investment or the delivery of services priorities, or
- the imposition of necessary efficiencies and /or reprioritisation in service provision.

Revenue Reserves

Reserves for 2020/21 and the MTFS Period (2021/22 to 2024/25)

There is no statutory minimum level of reserves; however, the Council has an agreed minimum level of 10% of Net Expenditure for the General Fund (Unallocated) Reserves. The primary aim of the General Fund is to provide a safety net for unforeseen expenditure.

In addition to the General Fund, and as discussed in paragraph 1.2.5 the Council operates a number of other revenue reserves; including the Budget Surplus Reserve, the Projects & Risk Reserve, the Housing (Private Sector) Reserve and the Commercial Investment Reserve.

However, to ensure the adequacy of the Councils Reserves (i.e. their robustness) it is essential to determine if the Councils revenue reserves are sufficient to meet the assessed risks (**Table B**). To determine this, a two stage comparison will be undertaken in that the “likelihood of occurrence” of a risk will be compared to two sets of reserves. The detailed analysis is shown in **Table C** and relevant commentary is shown below.

Stage 1 – The Primary Test of Financial Resilience

The “likelihood of occurrence” of the assessed risks will only be compared against the General Fund (Unallocated) Reserve. In this way the Budget Surplus Reserve and the other three Earmarked Reserves can be used, over the life of the MTFS to meet current risks and corporate priorities, as well as support the acquisition of commercial property (which will generate a long term revenue stream).

As shown in **Table C** below, the GFR will be insufficient to meet the assessed Pessimistic and Middle-Way risks throughout the MTFS period.

Stage 2 – The Secondary Test of Financial Resilience

The Stage 2 assessment is a ‘complete’ test, in that it also brings into the assessment the Budget Surplus Reserves, the Housing (Private Sector) and Commercial Investment Reserves; it excludes the Projects & Risks Reserve as this reserve is needed to meet agreed projects and to mitigate individual service risks.

The Secondary Test shows that the Council would have sufficient resources to meet the modelled risks.

Impact of 2020/21 Sensitivity of Risks on the MTFS General Fund Reserves Profile															Table C			
General Fund Reserve and Budget Surplus Reserve	2020/21 £000						2021/22 £000			2022/23 £000			2023/24 £000			2024/25 £000		
General Fund Reserve c/f (*)	612						647			607			624			621		
	612						647			607			624			621		
	Pessimistic £000	Middle-Way £000	Optimistic £000	Pessimistic £000	Middle-Way £000	Optimistic £000	Pessimistic £000	Middle-Way £000	Optimistic £000	Pessimistic £000	Middle-Way £000	Optimistic £000	Pessimistic £000	Middle-Way £000	Optimistic £000	Pessimistic £000	Middle-Way £000	Optimistic £000
Reduction in Reserves (in year)	757	652	143	757	652	143	757	652	143	757	652	143	757	652	143	757	652	143
Estimated Reserves c/f	(145)	(40)	469	(110)	(5)	504	(150)	(45)	464	(133)	(28)	481	(136)	(31)	478	(145)	(40)	469
- Do Reserves remain above Minimum Level of Reserves	No	No	Yes	No	No	Yes	No	No	Yes	No	No	Yes	No	No	Yes	No	No	Yes

* = The minimum level of reserves is 10% of Net 'Budgeted' Expenditure.

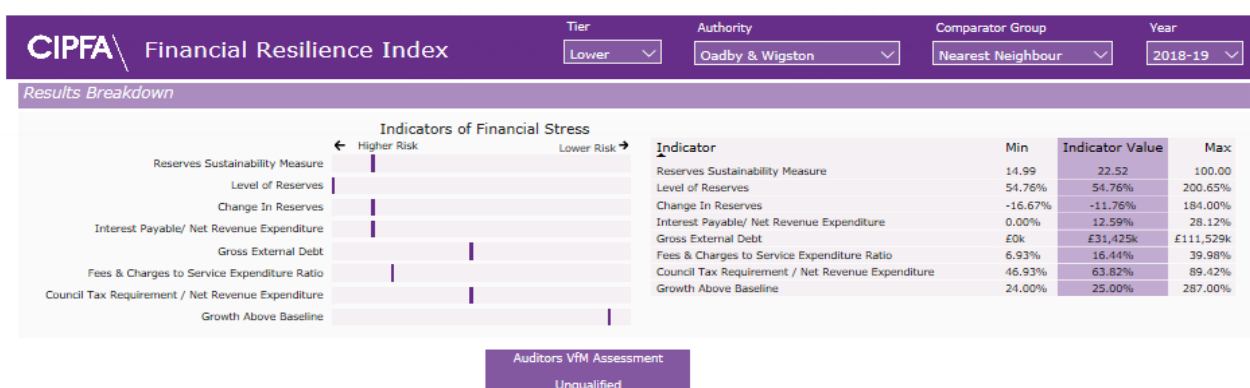
CIPFA Resilience Index

CIPFA has recently launched its Council Resilience Index and I am obliged to provide some commentary in respect of the findings of the index; a graphical representation is shown below for the two indicator sets.

The way that the index works is that each Council is compared to similar Councils (known as the neighbour group); however members may wish to reflect on the following:

- these indicators are based on 2018/19 and earlier information, so it is at least 12 months out of date.
- there is no reflection on actions taken by the Council over the past few months to tackle financial resilience, and that
- future Council actions or ambitions are again not reflected.

Indicator Set 1

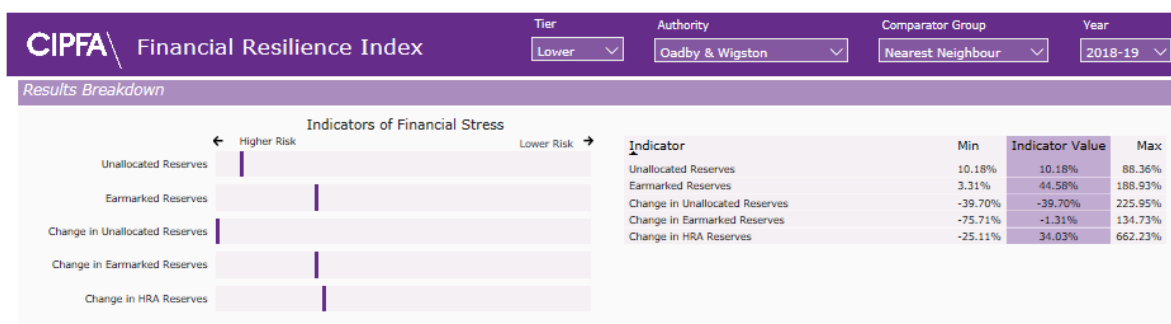


Commentary:

Indicator Set 1 shows that compared to 'neighbours' that:

- the level of reserves is low, but that there has been an increase in reserves over preceding years so risk is reducing,
- for an HRA authority, the indicators show that gross external debt is "middle of the pack", which is a fair place to be, but
- fees and charges are relatively low, but of course such a general indicator set cannot reflect local markets.

Indicator Set 2



Commentary:

Indicator Set 2 shows that compared to 'neighbours' that:

- General Fund Reserves (GFR) are low and that there has not been any change in the level of GFR, which is to be expected as the Council has held the GFR at 10% for a few years.
- Both Earmarked Reserves and HRA Reserves are on the higher risk side of "middle of the pack". However, as noted within this report,
 - the Council is committing to use its Earmarked Reserves to meet the estimated budget deficit for 2020/21 and 2021/22 but the usage is negated by the Council removing New Homes Bonus from its base – so the deficit is being actively managed.
 - the HRA Reserve balance remains about the amount included in the business plan.

Conclusion of S.25 Robustness Statement

2020/21 Budget

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 and commercial development of services),

shows that 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)**

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

Clive Mason FCPFA

Responsible Financial Officer (Section 151)