
NON-EXEMPT

HAVANT BOROUGH COUNCIL

Cabinet

10 February 2021

2021-22 Revenue budget, Capital budget, Reserves and Balances, Capital Strategy, Treasury Management Strategy and Medium-Term Financial Strategy (MTFS)

RECOMMENDATION TO COUNCIL

Portfolio Holder: Cllr Mark Inkster

Key Decision: Yes

Report Number: HBC/030/2020

1. Purpose

- 1.1. This paper is submitted to Cabinet with the proposed 2021-22 Revenue budget, Capital budget, Reserves and Balances, Capital Strategy, Treasury Management Strategy and Medium-Term Financial Strategy (MTFS).

2. Recommendation

- 2.1. That Cabinet recommend to Full Council
 - a. The proposed Revenue and Capital budgets for 2021-22 including a Council Tax rate of £214.48 at Band D, representing a £5 increase on the current charge;
 - b. The proposed Medium Term Financial Strategy, Capital Strategy, Treasury Management Strategy and Prudential Indicators.
 - c. The proposed increase to Fees & Charges schedule for 2021-22.

3. Executive Summary

- 3.1. The 2021-22 budget position for next year is as follows:

| | Forecast £'000 |
|--|---------------------------|
| Net Cost of Services | 13,593 |
| Council Tax, Business Rates & Grant Income | (13,593) |
| (Surplus) / Deficit | - |

3.2. The draft Budget 2021-22 has been prepared in the context of the ongoing Covid-19 pandemic. As a result of the pandemic, Central Government postponed the multi-year Spending Review settlement in favour of a one-year Spending Review which has further created uncertainty in the medium and long term on local Government finances.

3.3. Ahead of the Local Government Financial Settlement the budget was prepared on the assumption that no further central Government financial assistance would be provided. Following the Local Government Financial Settlement new funding has been provided which has enabled the Council to set a balanced budget.

4. Additional Budgetary Implications

4.1. None

5. Background and relationship to Corporate Strategy and/or Business Plans

Revenue budget

5.1. The revenue budgets are set on an incremental approach, identifying areas of pressure and potential areas of savings compared to the previous year budget. Staffing and contract costs are our two major expenses and are subject to yearly inflationary increases. The revenue budget 2021-22 is included at Appendix A.

5.2. The budget has been built to support and deliver the Corporate Strategy, including the supporting strategies of Digital Strategy, Homelessness & Rough Sleeper Strategy and Regeneration Strategy.

5.3. During the budget process for 2021-22 services were challenged to find savings within services. Heads of Services were asked to review their budgets and identify any pressure commitments and realisable savings. Fees and Charges were reviewed and increased where services managers felt this was appropriate.

5.4. Budget Challenge Review sessions were held in late November and early December 2020 with Cabinet to review proposals from Heads of Service and these resulted in identified savings of £0.490M. As a result of the Local

Government Financial Settlement additional funding has been provided which has allowed the Council to set a balanced budget.

- 5.5. The key implications as a result of the 2020 Spending Review and 2021-22 Local Government Financial Settlement are:
- a. Ability for Borough Council's to raise Council Tax by 2% or £5 (whichever is the highest) without the need to hold a referendum.
 - b. A further funding allocation of un-ringfenced monies to response to Covid-19 – £0.743M
 - c. A new un-ringfenced Lower Services Tier Grant - £0.200M
 - d. An extension of the lost sales, fees and charges income recovery scheme for the first three months of the next financial year
 - e. Additional funds of un-ringfenced grant funding to enable Council to continue reducing Council Tax bills for those least able to pay, including households affected by Covid-19.
 - f. A new scheme to cover collection fund (council tax and business rates) losses of upto 75% of irrecoverable losses.
 - g. New Homes Bonus to continue for a further year, however there will be no new legacy payments and there is a commitment to reform the scheme going forward - £0.347M.

Medium Term Financial Strategy to 2025-26

- 5.6. The Council's Medium Term Financial Strategy (MTFS) has been updated using the results of the budget process as a revised baseline and assumption on future Government funding. This is included at Appendix B.
- 5.7. The projections show that by 2025/26 the Council could be facing an annual budget deficit of £2.635M. This is a result of the reducing New Homes Bonus which is projected to end in 2022/23 and assumption of no further central Government funding. The MTFS assumes inflationary growth on our contracts of 2% and salary inflation at 3%. Council Tax is assumed to rise by 2% each year.
- 5.8. A great deal of work has been done to maintain the financial stability of the Council in the short term. However, the medium to longer term financial position is not sustainable for the Council and the Chief Finance Officer will start engaging with Members and Officers early in the new financial year to develop options for 2022-23 onwards to maintain financial stability over the medium and longer term.

Capital Budget and proposals received

- 5.9. The current approved Capital programme is shown at Appendix C and shows a forecast spend of £3.027M in 2020-21 and a proposed budget spend of £4.171M in 2021-22.
- 5.10. A number of capital bids have been received in addition to existing unapproved capital bids and these are attached at Appendix D for reference. Detailed business cases will be brought forward to Cabinet for approval for the unapproved capital bids, following which, if they are approved, they will be added to the approved capital programme.

Reserves

- 5.11. A summary of the reserves position is provided at Appendix E.
- 5.12. The reserves position is finalised as part of year end accounting. The reserves position includes the following:

Revenue reserves: reserves would total an estimated £13.019M at the end of the MTFS. Revenue reserves are used to support initiatives identified within the revenue budget and will change year on year dependent on when the initiatives are approved and spend is authorised.

Capital reserves: reserves would total an estimated £23.885M at the end of the MTFS. Capital reserves are used to support the current approved capital programme and will inevitably change year on year as and when new capital schemes are approved.

Treasury Management Strategy

- 5.13. The Treasury Management Strategy sets out the investment and borrowing activities for the Council. The Council's approach to Treasury Management is in accordance with the CIPFA Code of Practice which requires a strategy to be agreed annually. The latest Treasury Management Strategy can be found at Appendix G for approval.

Capital Strategy

- 5.14. The Capital Strategy sets out the approach for the approved capital programme, providing an overview of the governance process, longer term capital expenditure

plans and expectations around debt and use of internal borrowing to support capital expenditure. The latest Capital Strategy can be found at Appendix H for approval.

6. Options considered

- 6.1. The 2021-22 budget has been prepared on the following basis which has guided the recommendation.

Council Tax: The budget proposals assume that Council Tax will increase by £5 for 2021-22 representing £214.48 at Band D. This also includes a small increase to reflect growth in housing numbers year on year.

Grants: The New Homes Bonus is included within the budget. The updated MTFS projects the grant ceasing after 2022-23. In addition, central Government has provided two new un-ringfenced grants for 2021-22 that include a Covid grant (£0.743M) and a Lower Services Tier Grant (£0.200M). Both these grants are assumed to be one-off 2021-22 grants and have not been carried forward into subsequent years.

Retained Business Rates: Since 2013/14, the Council has been allowed to retain a portion of business rates. The budget estimate for 2021-22 is based on the Council's final NNDR1 return. Risks around business rates are detailed below.

Fees & Charges: It is a Borough Council function to approve the budget framework and the Council Tax amount annually after other billing authorities have agreed their charges and in time for annual tax billing. The Leader or the Cabinet is empowered to make changes to the Borough Council's fees and charges and to determine the Fees & Charges schedule, provided the changes and schedule are within the budget framework set annually by the Council. The Full Council approves the Fees and Charges schedule annually. Non-statutory Fees and Charges have been increased by 2%, where service managers felt it appropriate fees and charges have been increased above 2% reflecting cost of delivery. Details are provided in Appendix I.

Salary budgets: As previously mentioned the 2021-22 budget assumes an overall increase of 3% for pay award, the living wage uplift and those who are entitled to pay increment. Pension contributions have been maintained at the level set by the Hampshire Pension Fund. The MTFS includes increases of 3% per annum in uplifts in salary costs going forward.

7. Resource Implications

- 7.1. Financial Implications – the draft budget reflects the aspirations of the organisations for 2021/22 as per the Corporate Strategy and has been built on the basis for delivering the Council services with the resources required to deliver those plans.
- 7.2. Human Resources Implications - None
- 7.3. Information Governance Implications - None

Section 151 Officer comments

Date: 29th January 2021

There are no further comments or issues I wish to bring to the attention of Members.

- 7.4. Other resource implications - None

8. Legal Implications

- 8.1. It is a Borough function to approve the budget framework and the Council Tax amount annually. The February Full Council meeting formally exercises this power. Governance, Audit & Finance Board are provided the draft budget ahead of February Cabinet and Council in order to feed back any recommendations for Cabinet to consider within the budget.

Monitoring Officer comments

Date: 29th January 2021

No further comment to the legal implications comments above.

9. Risks

- 9.1. The 2021/22 budget preparation has identified the following key corporate risks:

Covid-19 pandemic – during 2020-21 the Council has been faced with the additional responsibilities of the pandemic. The Council has had to act quickly to respond to the needs of the residents and businesses while ensuring the organisation remains in a strong financial position. Going forward, the Council remains in response phase to the pandemic with ongoing support to residents through the Local Resource Centre and support to businesses through the timely distribution of grants during business closures. During 2021-22 uncertainty around the impact of Covid will remain and once the pandemic passes there will be considerable work on the recovery of the area and likely financial pressures as a result of the expected recession.

Funding – The Government will not be currently be proceeding with the implementation of the Review of Relative Needs and Resources (formerly the Fair Funding Review) and 75% Business Rates Retention in 2021-22. In order to provide further stability, the reset of accumulated business rates growth will not now take place in 2021-22. The Government has acknowledged that the reasoning behind this is to allow for Councils to focus on meeting the immediate public health challenges posed by the Covid-19 pandemic. However, it should be noted that once the pandemic is through further decisions on Local Government finance reform will be taken in the context of next year's Spending Review.

The Government has set out its intention to hold a consultation on the future of the New Homes Bonus, with a view to implementing reform in 2022/23 and therefore the assumption is that the current scheme will end next year.

10. Consultation

- 10.1. The budgets have been built in consultation with Directors, Heads of Service, budget holders and Portfolio Holders.
- 10.2. On 25th November and 2nd December 2020 Budget review sessions were held with Cabinet members to review service budgets and consider any potential additional savings.
- 10.3. An all member budget briefing took place on 20 January 2021 for Councillors to be briefed on the outline draft budget ahead of discussion at Full Council.
- 10.4. Governance, Audit & Finance Board reviewed the draft budget at their meeting on 1 February 2021 and were invited to provide any comments for Cabinet to consider.

11. Communication

11.1. Subject to approval by Full Council the finalised budgets will be published on the Council website.

12. Appendices

Appendix A – Revenue Budget

Appendix B – Medium-Term Financial Strategy

Appendix C – Capital Budget

Appendix D – Capital bid and unapproved projects

Appendix E – Reserves

Appendix F – CFO Statement

Appendix G – Treasury Management Strategy

Appendix H – Capital Strategy

Appendix I – Fees and Charges Schedule

Appendix J – Analysis of Business Rates Income and Expenditure 2021/22

13. Background papers

13.1. None

Agreed and signed off by:

Portfolio Holder: Cllr Inkster

Director and Section 151 Officer: Lydia Morrison

Monitoring Officer: Daniel Toohey