

HUNTINGDONSHIRE DISTRICT COUNCIL

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| Title/Subject Matter: | Final 2019/20 Revenue Budget and Medium Term Financial Strategy (2020/21 to 2023/24); including the Capital Programme |
| Meeting/Date: | Cabinet – 14th February 2019 |
| Executive Portfolio: | Executive Councillor for Strategic Resources |
| Report by: | Head of Resources |
| Wards affected: | All |

Executive Summary:

In order for the Council to:

- set the Council Tax for the area, the Council is required to set an annual Budget for the forthcoming year, and to
- ensure effective future financial planning, the Council approves a Medium term Financial Strategy (MTFS) for the subsequent 4 years.

Consequently, this report sets out the final budget for 2019/20 and the revised MTFS for the period 2020/21 to 2023/24 for Cabinet approval.

The Draft Budget and MTFS was approved by Cabinet on 17 January 2019 which included relevant savings, income and growth proposals, implications of the Provisional Financial Settlement and a planned increase in Council Tax of 2.6% for 2019/20 and for the duration of the MTFS. The draft Capital Programme 2019/20 to 2023/24 was also approved.

This report outlines the changes that have occurred since then, as well as discussing any significant risks associated with the Budget.

The Final Budget 2019/20 gives a Net Service Expenditure Budget of £17.2m; the detailed Final Budget 2019/20 and MTFS is shown at **Appendix 1**. There is a decrease in Net Service Expenditure Budget of £162k on the Draft Budget 2019/20 that was reported in January 2019. All of the changes to the Final Budget relate to Services and are detailed in **Appendix 2**.

For 2019/20, the adjustments increase the contribution to Reserves; over the MTFS period the budget gap by 2023/24 is £1.2m, some £224k greater than last year. The 'Plan on a Page' at **Appendix 3** has now been updated to reflect the final budget.

Recommendations:

That the Cabinet recommends to Council the approval of the:

- overall Final Budget 2019/20 and MTFS 2020/21 to 2023/24 (**Appendix 1**,

this includes the Revenue Budget at Section 2 and the Capital Programme at Section 3)

- the new “Plan-on-a-Page” (**Appendix 3**)

1. PURPOSE OF THE REPORT

1.1 To provide Cabinet with the detail of the Final Budget and MTFS for consideration. The report sets out:

- any changes that have occurred since the Draft Budget and MTFS was approved.
- impacts on reserves.
- level of Council Tax.
- consideration of the Resolution that will be presented to Full Council on the 27 February 2019.
- risks associated with the budget and relevant sensitivity analysis.

2. BACKGROUND

2.1 At the 17 January 2019 Cabinet meeting, Cabinet approved:

- a Draft 2019/20 Budget with Net expenditure of £17.3m and a Budget Requirement of £20.4m,
- an MTFS that has a profiled decrease in the Budget Requirement to £17.5m by 2023/24.
- a Capital Programme of £7.7m for 2019/20, that increases to £15.0m by 2023/24; with net internal funding of £5.0m and £13.0m respectively.

2.2 In respect of 2019/20, the Draft Budget included:

- savings and additional income of £1.8m.
- growth of £1.7m.
- the provisional finance settlement of £2.0m in respect of New Homes Bonus and no Revenue Support Grant.
- an estimate of £6.9m for Business Rates related income and the Collection Fund.

3. CHANGES TO THE BUDGET 2019/20 AND MEDIUM TERM FINANCIAL STRATEGY 2020/21 TO 2023/24

3.1 Since the January Cabinet, a summary of the changes to the budgeted contribution to reserves is shown in **Table 1** (and paragraphs 3.2) below, with the detail shown in **Appendix 2**.

| Table 1 | Changes between Draft 2019/20 Budget and MTFS and Final | | | | |
|---|---|--------------------------------|-----------------|-----------------|-----------------|
| | Budget | Medium Term Financial Strategy | | | |
| | 2019/20 £000 | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 | 2023/24 £000 |
| Cabinet January Draft Budget - contribution to/(from) General Reserves | 1,085 | (947) | (1,678) | (1,375) | (1,328) |
| Services | (46) | 5 | (2) | 5 | 5 |
| Commercial Investment | 101 | 111 | 91 | 111 | 112 |
| Final Grant Allocations | 107 | 107 | 30 | 30 | 31 |
| Total Service Budget Changes | 162 | 223 | 119 | 146 | 148 |
| Technical Adjustment (Reserves) | | | | | |
| Additional Growth | 162 | 223 | 119 | 146 | 148 |
| Cabinet Final Budget - contribution to/(from) General Reserves | 1,247 | (724) | (1,559) | (1,229) | (1,180) |

N.B. A negative number = expense

Summary of the Main Changes 2019/20 to 2023/24

3.2 With regard to the budget changes in 2019/20 through to 2023/24, these are shown in paragraphs (i) to (iii) below:

i. Services

Since the Draft 2019/20 Budget was approved by Cabinet, delays to the sign-off of agreements related to capital schemes at:

- One Leisure St Ives – Outdoor training and;
- One Leisure Ramsay – 3G pitch

have necessitated the re-profiling of the revenue income streams over the period of the MTFS.

ii. Commercial Investment

The Final 2019/20 Budget now reflects the net income stream that will be generated by the newly purchased commercial property at Little End Lane, St Neots.

iii. Final Grant Allocations

The latest indicative government grant allocations in respect of HB Administration, Council Tax Support Administration and New Burdens grant has resulted in a net grant increase over the MTFS period.

4. SUMMARY BUDGET 2019/20 AND MEDIUM TERM FINANCIAL STRATEGY 2020/21 TO 2023/24

4.1 Reflecting the changes noted in Section 2 and 3 respectively, the Final 2019/20 Budget and Medium Term Financial Strategy is shown in **Table 2**.

| Table 2 | Council Services Net Expenditure Budget (2019/20) and MTFS | | | | | | |
|------------------------------|--|---------------------|---------------|--------------------------------|---------------|---------------|---------------|
| | 2018/19 | | 2019/20 | Medium Term Financial Strategy | | | |
| | Budget | Forecast (November) | Budget | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Community Services | 1,758 | 1,740 | 1,742 | 1,772 | 1,792 | 1,826 | 1,866 |
| Customer Services | 2,533 | 2,682 | 2,676 | 3,160 | 3,340 | 3,358 | 3,256 |
| Development Services | 1,071 | 700 | 1,010 | 920 | 960 | 1,000 | 1,042 |
| Leisure and Health | (190) | 226 | (21) | (507) | (713) | (749) | (741) |
| Operational Services | 3,911 | 4,580 | 3,742 | 3,532 | 4,087 | 4,059 | 4,161 |
| Corporate Team and Directors | 1,642 | 1,503 | 1,626 | 1,631 | 1,658 | 1,660 | 1,683 |
| ICT | 2,128 | 2,154 | 2,145 | 2,104 | 2,120 | 2,136 | 2,192 |
| Resources | (318) | (232) | (668) | (819) | (341) | (322) | (464) |
| Corporate Finance | 4,747 | 4,555 | 4,904 | 4,906 | 5,107 | 5,204 | 5,636 |
| Net Expenditure | 17,282 | 17,908 | 17,156 | 16,699 | 18,010 | 18,172 | 18,631 |

| | Council Funding Statement Budget (2019/20) and MTFS | | | | | | |
|--|---|---------------------|---------------|---|---------------|---------------|---------------|
| | 2018/19 | | 2019/20 | Funding Streams and a 2.6% Council Tax increase | | | |
| | Budget | Forecast (November) | Budget | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Net Expenditure | 17,282 | 17,908 | 17,156 | 16,699 | 18,010 | 18,172 | 18,631 |
| Contribution to/(from) Earmarked Reserves: | 0 | | | | | | |
| - Commercial Investment Strategy | 1,135 | 1,135 | 2,038 | 1,474 | 881 | 427 | 0 |
| General Reserves | 1,891 | 1,265 | 1,247 | (724) | (1,559) | (1,229) | (1,180) |
| Budget Requirement | 20,308 | 20,308 | 20,441 | 17,449 | 17,332 | 17,370 | 17,451 |
| Non-Domestic Rates | (5,841) | (5,841) | (5,958) | (6,077) | (6,199) | (6,323) | (6,449) |
| Non-Domestic Rates (Growth Pilot) | 0 | 0 | (949) | 0 | 0 | 0 | 0 |
| S31 Grant | (1,729) | (1,729) | (1,729) | (1,579) | (1,579) | (1,579) | (1,579) |
| Revenue Support Grant (RSG) | (604) | (604) | 0 | 150 | 150 | 150 | 150 |
| Fair Funding Review Adjustment | 0 | 0 | 0 | 650 | 650 | 650 | 650 |
| New Homes Bonus | (2,718) | (2,718) | (2,038) | (1,474) | (881) | (427) | 0 |
| Collection Fund (Surplus) / Deficit | (966) | (966) | (989) | 0 | 0 | 0 | 0 |
| Council Tax Requirement | 8,450 | 8,450 | 8,778 | 9,119 | 9,473 | 9,841 | 10,223 |
| - Base (*) | 60,984 | 60,984 | 61,749 | 62,521 | 63,302 | 64,094 | 64,895 |
| - Per Band D | 138.56 | 138.56 | 142.16 | 145.86 | 149.65 | 153.54 | 157.53 |
| - Increase £ | | | £ 3.60 | £ 3.70 | £ 3.79 | £ 3.89 | £ 3.99 |
| - Increase % | | | 2.60% | 2.60% | 2.60% | 2.60% | 2.60% |

Impact on Reserves

- 4.2 Surpluses (or deficits) in funding are adjusted via contributions to or from reserves; in the Council's Funding Statement (**Table 2**) this is shown against the line entitled "General Reserves". For the Final 2019/20 budget there is a budgeted surplus of £3.3m. However, from 2021/22 to the end of the MTFS period there is a budget gap. Because the Council has the ambition to be 'self-financing' (i.e. not reliant on government grant), from 2019/20 onwards all NHB receipts are allocated to the Commercial Investment Earmarked Reserve; this will enable the Council to provide a direct source of funding to enable it to invest in future service delivery.
- 4.3 Over the MTFS period the budget gap by 2023/24 is £1.2m, some £224k greater than 2018/19.
- 4.4 As shown in **Table 3** below, the funding gap from 2021/22 can be met from the Budget Surplus Reserve whilst at the same time ensuring that the General Fund Reserve stays at the Councils agreed minimum level of reserves; which is 15% of the Council's Net Service Expenditure from 2019/20 onwards. It is

fair to conclude that the Councils budget is balanced over the medium term; however it should be noted that if the Council chooses to use reserves to meet a budget gap this must be viewed as short term bridging finance, whereas if reserves were used to invest in the local community or to acquire assets or invest in opportunities that would either generate income or reduce expenditure this would be a medium to long term investment.

| Table 3 | Reserves and MTFS | | | | | | |
|---|-------------------|------------------|---------------------------|--------------------------------|-----------------|-----------------|-----------------|
| | 2018/19 | | 2019/20 Budget £000 | Medium Term Financial Strategy | | | |
| | Budget £000 | Forecast £000 | | 2020/21 £000 | 2021/22 £000 | 2022/23 £000 | 2023/24 £000 |
| GENERAL FUND (Unallocated) RESERVE | | | | | | | |
| b/f | 2,698 | 2,658 | 2,686 | 2,573 | 2,505 | 2,702 | 2,726 |
| Contribution to Reserve | 1,891 | 1,265 | 0 | 0 | 0 | 0 | 0 |
| Contribution from Reserve | 0 | 0 | 1,247 | (724) | (1,559) | (1,229) | (1,180) |
| Contribution from(to) Budget Surplus | (1,997) | (1,237) | (1,360) | 656 | 1,756 | 1,253 | 1,249 |
| c/f | 2,592 | 2,686 | 2,573 | 2,505 | 2,702 | 2,726 | 2,795 |
| Net Expenditure | 17,282 | 17,908 | 17,156 | 16,699 | 18,010 | 18,172 | 18,631 |
| Minimum Level of Reserves (15%) | 2,592 | 2,686 | 2,573 | 2,505 | 2,702 | 2,726 | 2,795 |
| BUDGET SURPLUS RESERVE | | | | | | | |
| b/f | 2,212 | 2,212 | 3,449 | 3,820 | 3,164 | 1,408 | 155 |
| Contribution to Reserve | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Contribution from Reserve | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Contribution from (to) General Fund | 1,997 | 1,237 | 1,360 | (656) | (1,756) | (1,253) | (1,249) |
| Contribution from (to) CIS Reserve | 0 | 0 | (266) | 0 | 0 | 0 | 1,095 |
| Contribution from (to) Earmarked Reserves | 0 | 0 | (723) | 0 | 0 | 0 | 0 |
| c/f | 4,209 | 3,449 | 3,820 | 3,164 | 1,408 | 155 | 1 |
| COMMERCIAL INVESTMENT RESERVE | | | | | | | |
| b/f | 2,798 | 3,598 | 4,733 | 7,037 | 8,511 | 9,392 | 9,819 |
| Contribution to Reserve (former NHB) | 1135 | 1,135 | 2,038 | 1,474 | 881 | 427 | 0 |
| Contribution from Reserve | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Contribution from (to) General Fund | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Contribution from (to) Budget Surplus Reserve | 0 | 0 | 266 | 0 | 0 | 0 | (1,095) |
| c/f | 3,933 | 4,733 | 7,037 | 8,511 | 9,392 | 9,819 | 8,724 |

5. 2019/20 BUDGET AND MTFS COMPARED TO THE 4-YEAR EFFICIENCY PLAN

- 5.1 Back in 2016, in response to the Governments offer of a 4-year financial settlement, the Council submitted a 4-year efficiency plan (this was approved by the former Department of Communities and Local Government in the late Autumn of 2016). As part of the settlement, the Council is required to provide some commentary on how it is achieving the plan.
- 5.2 As shown in **Table 4** below, the approved efficiency plan showed a budget gap of £705k by 2020/21. As a consequence of the 2019/20 Budget and MTFS, the gap is forecast to have closed to within £19k of the efficiency plan gap by 2020/21; this is an improvement of £188k (91%) when compared to the forecast this time last year when the Cabinet was setting the 2018/19 Budget and MTFS.

| Table 4 | Efficiency Plan v Final 2019/20 Budget & MTFS | | |
|-----------------------------------|---|-----------------|-----------------|
| | Forecast | Final Budget | MTFS |
| | 2018/19 £000 | 2019/20 £000 | 2020/21 £000 |
| Efficiency Plan | 1,773 | 413 | (705) |
| - contribution to/(from) Reserves | | | |
| Forecast Outturn | 1,265 | | |
| - contribution to/(from) Reserves | | | |
| 2019/20 Final Budget & MTFS | | 1,247 | (724) |
| - contribution to/(from) Reserves | | | |
| Variance | (508) | 834 | (19) |

6. PLAN-ON-A-PAGE 2019/20 TO 2023/24

- 6.1 Since 2015/16 the Council has adopted a strategy known as 'Plan on a Page' which sets out the Council's financial strategy. **Section 4** has shown that the Council continues to face challenges over the medium term in its obligations to provide cost-effective services. **Appendix 3** shows the 2019/20 "Plan-on-a-Page" and the strategic resource plan that will be followed in order to achieve the Council's financial objectives. The savings required (budget gap) has increased to £1,180k by the end of the MTFS (2023/24) – an increase of £224k when compared to last years "Plan on a Page". **Table 5** below gives a summary of the budget changes:

| Table 5 | | Budget Changes that have reduced the "Plan on a Page" Forecast Savings Required | |
|--|------------------------|---|--------------|
| | | | £m |
| 2018/19 Budget and MTFS – Forecast Savings Required | | | 0.956 |
| Income Generation | Council Tax & Base | (0.580) | |
| | Commercialisation | 0.000 | |
| | Funding Changes | 0.427 | (0.153) |
| Efficiencies & Growth | Budget Review | 0.758 | |
| | Service Growth | 0.207 | |
| | Transformation Savings | (0.588) | 0.377 |
| 2019/20 Budget and MTFS – Forecast Savings Required | | | 1.180 |

7. ROBUSTNESS OF THE 2019/20 BUDGET AND MEDIUM TERM FINANCIAL STRATEGY 2020/21 TO 2023/24

- 7.1 The Council's Responsible Financial Officer (S.151) has to make a statutory statement in respect of the Budget and reserves.
- 7.2 Section 8 of **Appendix 1** provides considerable discussion in respect of Risks that both the Council and the wider local government community face at this time of continued public sector austerity. In addition, sensitivity analysis is applied against these risks and their impact on General Fund reserves is assessed. In summary, the key findings are:

- i. In 2019/20 an excess budget requirement is achieved which makes a direct contribution to Reserve of £3.3m.
- ii. If the Council was to utilise only the General Fund and Budget Surplus Reserves, by 2021/22 the Council would not be able to maintain a 15% minimum level of General Fund (Unallocated) Reserves based on a Pessimistic or Middle-Way view.
- iii. If the Council was to also utilise the Commercial Investment Reserve as well as the reserves noted in ii, the Council is able to maintain the 15% minimum level of General Fund (Unallocated) Reserves.
- iv. Over the 5 years of the MTFFS (next year and the subsequent four years) the total net contribution from reserves is £3.5m.
- v. For 2019/20 the Council can be considered self-financing because any contributions from Reserves do not exceed the NHB bonus contributions that are being set-aside for service investment. However, from 2020/21 onwards this is no longer the case.

7.3 Considering all the factors noted within the “Robustness” statement in respect of the 2019/20 Budget, it is considered that the combination of the:

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

.....the budget proposed for 2019/20 should not give Members any significant concerns over the Council’s financial position.

7.5 With regard to the MTFFS (2020/21 onwards):

- RSG in 2019/20 it will have been removed as a source of central government funding; indeed, current modelling includes a provision for negative RSG;
- with the phasing out of NHB criteria reducing future income stream, and
- The uncertainty surrounding the outcome of the Fair Funding Review

there are inevitably risks as central government funding changes and reduces. However, over the past few years the Council has taken proactive action to address its budgetary concerns and with the planned continuation of its Transformation programme and further commercialisation the Council has a sound financial base.

8. CIPFA “FINANCIAL RESILIENCE INDEX”

8.1 As an addendum to the s.25 Statement “Robustness of Reserves” noted in 7.0 above, there is some commentary in respect of Chartered Institute of Public Finance and Accountancy’s (CIPFA) newly developed “Financial Resilience Index”. This is a new initiative by CIPFA to provide councils with a dashboard in respect of their “Financial Resilience”. Unfortunately, at this time CIPFA have stated that the index should not be made public as it is in ‘development’. However, upon review of the ‘beta version’ of the index does not show the

council in a good light and this is because, of the 10 indices currently included, 7 are in respect of how the council has used Reserves (*the council has used reserves for good reasons i.e. to generate a long-term income stream to support ongoing service delivery*). CIPFA has 'recommended' that a council's s.151 officer (Head of Resources here at Huntingdonshire DC) should refer to this index as part of their commentary on the "Robustness of Reserves"; however members should note that the Head of Resources has:

- i) robustly challenged the "...worth" of the index with CIPFA and other senior officers have challenged with the Local Government Association.
- ii) provided a comprehensive commentary on why he considers the council has strong processes and practices in place to ensure good financial resilience.

8.2 Further, members should note that the council's external auditor has consistently provided a unqualified opinion in respect of the Annual Financial Report and Value for Money.

9. COMMENTS OF OVERVIEW & SCRUTINY

9.1 The comments of the relevant Overview and Scrutiny Panel will be included in this section prior to its consideration by the Cabinet.

10. KEY IMPACTS / RISKS

10.1 The setting of the budget and the Council Tax will directly impact on how Council services are to be delivered to both the residents and businesses of Huntingdonshire. Consequently the delivery of the 2019/20 Budget, when approved, will be proactively managed via the Council's budgetary monitoring processes throughout the year. In addition to the budget itself, it is essential that the Council maintains adequate reserves to ensure that it has an effective safety net to meet unforeseen risks.

11. TIMETABLE FOR IMPLEMENTATION

11.1 The 2019/20 Budget forms an integral part of the service planning process for 2019/20 and therefore actions and timescales required to ensure savings are achieved and service spending is in line with the approved budget will be contained within the final service plans.

12. LINK TO THE CORPORATE PLAN, STRATEGIC PRIORITIES AND / OR CORPORATE OBJECTIVES

12.1 The Budget is the financial interpretation of the Council's strategic and operational priorities that are included within the entire Corporate Plan. However, the budget process itself meets the following specific aims and objectives of the Corporate Plan:

- Becoming a more efficient and effective Council.

12.2 This will assist the Council to:

- Become more efficient in the way we deliver services providing value for money services.

13. CONSULTATION

- 13.1 The Council is currently consulting with the Business and Voluntary Community and the results of this consultation will be available for the February Cabinet meeting

14. LEGAL IMPLICATIONS

- 14.1 As per the Sections 31A and 42A of the Local Government Finance Act 1992, the Council is required to set a balanced budget. This is achieved for 2019/20 so the setting of the Council Tax at the level mentioned within the report is appropriate.

15. RESOURCE IMPLICATIONS

- 15.1 The resource implications have been shown within the main body of this report.

16. OTHER IMPLICATIONS

- 16.1 All implications are contained within the body of the report.

17. REASONS FOR THE RECOMMENDED DECISIONS

- 17.1 To enable Cabinet to approve and understand:
- the changes to the Draft 2019/20 Budget and MTFS as approved by Cabinet on 17 January 2019.
 - The risks and impacts of these changes on the 2019/20 Final Budget and MTFS.

18. LIST OF APPENDICES INCLUDED

Appendix 1: 2019/20 Final Budget & Medium Term Financial Strategy 2020/21 to 2023/24.

Appendix 2: Changes to the Draft Budget 2019/20.


Appendix 3: Plan on a Page.

BACKGROUND PAPERS


Working papers in Resources; Accountancy Services

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