

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter:	2019/20 Budget and Medium Term Financial Strategy (2020/21 to 2023/24)
Meeting/Date:	Council – 27 th February 2019
Executive Portfolio:	Resources: Councillor J A Gray
Report by:	Head of Resources
Ward(s) affected:	All

Executive Summary:

The Council is required to consider and approve:

- The 2019/20 Budget and the Medium Term Financial Strategy (MTFS) for the period 2020/21 to 2023/24.
- The Fees and Charges schedule for 2019/20.
- The Treasury Management Strategy, the Capital Strategy, and the Investment Strategy including the annual prudential indicators and in addition the Flexible Use of Capital Receipts Strategy, for 2019/20.
- The Annual Minimum Revenue Provision (MRP) Statement 2019/20.
- The formal resolution to determine the Council Tax for 2019/20.

Consequently, this report presents the Council's plans in these respects.

Recommendation(s):

It is recommended that Council approves the:

- Overall Budget 2019/20 and MTFS 2020/21 to 2023/24, and **Appendix 1** includes the Revenue Budgets at Section 2; the Capital Programme at Section 3 and the 2019/20 Fees and Charges at Section 7, Annex A.
- Increase of 2.6% Council Tax for 2019/20 i.e. the Band D charge will increase to £142.16 (£138.56 2018/19), and **Appendix 1**, the formal resolution on the Council Tax, Section 6, Item (a) to (e).
- Future savings targets of £1.2m of Net Expenditure by 2023/24, and **Appendix 2**, Revised Plan on a Page.
- 2019/20 Treasury Management, Capital, and Investment Strategies, MRP Statement and Flexible Use of Capital Receipts Strategy to be approved. **Appendix 4**.

1. WHAT IS THIS REPORT ABOUT

1.1 The purpose of this report is to allow Council to consider and decide upon the recommendations made by Cabinet in relation to the 2019/20 Budget, the Medium Term Financial Strategy (MTFS), the Treasury Management, Capital and Investment Strategies, MRP Statement and Use of Capital Receipts Strategy and other associated matters.

1.2 It also seeks Council's formal determination of the Council Tax for 2019/20.

2. BACKGROUND

2.1 During January 2019 and February 2019, the respective Overview & Scrutiny Panels (Performance and Growth) and Cabinet received draft and then final budget proposals:

- detailing the savings and growth proposals for 2019/20 and the MTFS (2020/21 to 2023/24)
- an increase in Council Tax of 2.6% for 2019/20 and for the duration of the MTFS,
- Final Capital Programme 2019/20 to 2023/24,
- Final 2019/20 Budget and MTFS (2020/21 to 2023/24).

2.2 Since 2015/16 the Council has adopted a strategy known as 'Plan on a Page' which sets out the Council's financial strategy. The Council continues to face challenges over the medium term in its obligations to provide cost effective services. The updated Plan on a Page at **Appendix 3** shows that the Budget gap is now £1.2m by 2023/24. This is an increase from the £956k which was reported last year.

3. 2019/20 Budget and MTFS (2020/21 to 2023/24)

3.1 The detailed 2019/20 Budget & MTFS (2020/21 to 2023/24) is shown in **Appendix 1**. The key elements that members should note are as follows:

- i. Paragraph 1.3.1, this shows that for 2019/20:
 - Net expenditure for the Council is £17.2m.
 - The Budget Requirement for the Council is £20.4m.
 - A budgeted contribution to reserves of £3.3m (£1.3m to the General Fund Reserve and £2.0m to the CIS Earmarked Reserve).
 - Council Tax Requirement for the Council is £8.8m.
 - Council Tax Base is 61,749 (see also paragraph 6.2).
 - Council Tax per Band D property is £142.16.

This represents a Council Tax increase of 2.6% for 2019/20.

- For the MTFS period, 2020/21 to 2023/24, Council Tax per Band D property increases by an average of 2.6% each year for the period of the MTFS.
- ii. Paragraph 1.4.1, this shows that:
 - for 2019/20, it is estimated that General Fund reserves at the end of the year will be £2.6m, maintained at the 15% minimum level.
 - By the end of the MTFS period, 2023/24, the 15% minimum level of general fund reserves is maintained.

- iii. Paragraph 2.1 shows the overall spend and income by subjective analysis (i.e. employees, buildings etc.) for all Council services; with Paragraph 2.2 showing, for each service, the spend and income by subjective analysis along with a breakdown by team (objective analysis). These paragraphs show the details of the overall Net Expenditure budget of £17.2m for 2019/20 (£17.3m 2018/19).
- iv. Paragraph 3.1 details the proposed Capital Programme for 2019/20 at £7.7m (£10.3m, forecast outturn 2018/19) and the details for the period 2020/21 to 2023/24.
- v. Paragraph 4.0 and 5.0 indicate the main budgetary issues relating to Treasury Management and the Capital Financing Requirement (CFR). The CFR is increasing from an opening balance of £74.1m in 2019/20 to a closing balance of £94.5m in 2023/24 as a result of MRP that is being set aside and also takes into account the future financing for the CIS and the Capital Programme.
- vi. Paragraph 6.1 is the Formal 2019/20 Council Tax Resolution, with Paragraph 6.2 illustrating the Council Tax Base. Paragraph 6.3 and 6.4 will show the:
 - o 2019/20 Council Tax by Property Band for each Precepting Authority, and the Billing Authority, and the
 - o Total 2019/20 Council Tax by Property Band for each Precepting Authority and the Billing Authority.

The Resolution and accompanying tables are based on the assumption that the Council will support the proposals in the Budget report for Huntingdonshire District Councils' Council Tax for 2019/20.

- vii. Paragraph 7.0 and **Annex A** details the Fees and Charges Schedule for 2019/20. Where the Council has discretion to increase fees and charges, and it has been considered appropriate to do so, relevant fees and charges have been increased. Members should note that some fees and charges will be increased during the financial year.
 - viii. Paragraph 8.0 is the statutory Robustness Report required by the Responsible Financial Officer (Section 151 officer). In summary, the budget proposed for 2019/20 should not give Members any significant concerns over the Council's financial position. In respect of the MTFS 2020/21 to 2023/24; with changes in direct government funding (RSG being withdrawn in 2019/20 and the Fair Funding review affecting 2020/21 onwards) this will inevitably increase funding risk to the provision of services. However, with the Council increasing Council Tax, continually reviewing budgets and along with the MOSAIC Transformation programme it is fair to conclude that the Council is taking proactive action to manage its budgetary concerns.
- 3.2 On an annual basis the Council is required to consult with the Business Community in respect of the budget. This year, the Council sent out Draft Budget Report presented to Cabinet on 17th January 2019 with a covering letter from the Executive Councillor for Resources to over 500 businesses for comment. To date no comments have been received on the proposed budget

and MTFs. The briefing note that was presented to Cabinet on the 14th February 2019 is shown at **Appendix 3**.

4. Treasury Management, Capital and Investment Strategies, the Annual Minimum Revenue Provision Statement, and the Flexible Use of Capital Receipts Strategy for 2019/20

4.1 The Treasury Management Strategy and the Annual Minimum Revenue Provision for 2019/20 are detailed in **Appendix 4**. The key elements that members should note are as follows:

- i. The continued general investment strategy of keeping day-to-day investments highly liquid and lower risk, by investing in mainly money market funds (highly diversified and instantly accessible) and call accounts (overnight deposit accounts). The Council has £4.0m invested long-term with the Church's, Charities and Local Authority Property Fund.
- ii. The treasury function and the MTFs is operating in an economic environment where:
 - Inflation rises have eased slightly although inflation is still above the Bank of England (BoE) target.
 - The credit outlook is improving as new regulations are introduced, but still remains uncertain particularly in relation to the EU withdrawal.
 - EU Brexit negotiations continue to add uncertainty as they progress.
 - Interest rates are very low but have started to increase, with the current BoE rate being 0.75%. The Council's treasury advisors are forecasting two more increases in 2019 to raise the rate to 1.25%.
- iii. The inclusion in the Investment Strategy of the CIS prudential indicators against which the CIS investments will be monitored.
- iv. There are no significant changes to the Council's Minimum Revenue Provision (MRP) Statement (the charge to revenue for the repayment of debt), except that an addendum has been added with regard to voluntary MRP in the case of maturity loans.
- v. Two new statements are now required by new CIPFA guidance and these are now included. The Capital Strategy relates the Council's capital expenditure to its investment, maintenance decisions and the consequential impact on revenue. The Flexible Use of Receipts Strategy outlines the Council's intentions in relation to use on transformational projects. In this respect, the strategy outlines that there are currently no plans to use these receipts in this way.

4.2 The revenue consequences of past capital investment decisions, along with the consequences of new decisions, would be expected to represent a higher proportion of a reducing budget over the medium-term. However, debt as a singular issue should not be a concern providing it is recognised, managed and budgeted for; which is clearly demonstrated by the fact that the Council;

- has in place good processes to approve and monitor capital investment decisions at the officer level via the Finance and Procurement Governance Board, and the Project Management Governance Board. In

addition there is oversight at member level via the Treasury and Capital Management Group.

- uses capital investment as a key means by which it can support its economic development strategy.
- recognises the impact of capital decisions on the Council's budget, as these costs are embedded within the Corporate Finance sub-sections of the budget as well as the overall impact of the MTFS on Reserves (section 1.4, **Appendix 1**). However, as a guiding principle (not a rule), the Council aims to maintain debt at less than 15% of Net Expenditure. However, for the term of this MTFS there will be periods when this will be exceeded (see Table 1 below). This is due to substantial capital investment that will lead to growth in income streams from commercial investment.

Table 1	Analysis of Net Cost of Borrowing or Lending Activity v Net Expenditure				
	2019/20	Medium Term Financial Strategy			
	Budget	2020/21	2021/22	2022/23	2023/24
	£000	£000	£000	£000	£000
Net Expenditure	17,156	16,699	18,010	18,172	18,631
Net Interest and Borrowing Costs					
ST Interest	76	121	121	121	121
MRP	2,422	2,470	2,758	2,849	3,266
Total	2,498	2,591	2,879	2,970	3,387
Does this Exceed 15%	No	Yes	Yes	Yes	Yes

5. OPTIONS CONSIDERED/ANALYSIS

- 5.1 In preparing the budget due consideration has been given to a range of options and these have been reported to Cabinet. This has included reflecting on comments and considerations made by Overview and Scrutiny (Performance & Growth).

6. KEY IMPACTS/RISKS? HOW WILL THEY BE ADDRESSED?

- 6.1 The delivery of the 2019/20 budget will be managed via the Council's budget monitoring processes throughout the year.
- 6.2 However, by 2023/24, there are a number of key savings initiatives or additional income generation schemes that must be delivered in a timely fashion to secure the £1.180m savings required to ensure that the Council has a balanced budget.

7. WHAT ACTIONS WILL BE TAKEN/TIMETABLE FOR IMPLEMENTATION

- 7.1 The 2019/20 Budget forms an integral part of the service planning process for 2019/20. 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 and monitored through normal processes.

8. LINK TO THE CORPORATE PLAN

- 8.1 The budget is the financial interpretation of the Council's strategic and operational priorities that are included within the Corporate Plan.

9. CONSULTATION

Internally

- 9.1 Over the Summer and Autumn of 2018 senior officers, along with their respective Executive Councillors undertook a review of their budgets, including the development of savings and investment proposals; all of which were then reviewed by all Executive Councillors during November and December 2018. Since January 2019, there has been full consultation with Overview and Scrutiny Panel (Performance & Growth), with the Draft Budget & MTFS being reviewed on the 8th January 2019 and the Final Budget & MTFS on the 5th February 2019.

Externally – Business and Voluntary Sector

- 9.2 Since December 2018 the Business and Voluntary Sector communities have been consulted on the budget. The results of this consultation are shown in **Appendix 3**.

10. LEGAL IMPLICATIONS

- 10.1 As per 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.
- 10.2 Over the period of the MTFS (2020/21 to 2023/24) it is forecasting savings are required from 2020/21 of £1.17m per year (average). However, there are sufficient reserves in the general fund to cover this. The Plan on a Page identifies savings by the end of the MTFS period of £1.2m per year.

11. RESOURCE IMPLICATIONS

- 11.1 The Council is required to set a balanced budget for 2019/20 and over the MTFS. **Appendix 1** includes a report from the Head of Resources (as the Responsible Financial Officer) confirming that he considers the budget is sufficiently robust and that there are adequate reserves.

12. REASONS FOR THE RECOMMENDED DECISIONS

- 12.1 To enable members of the Council to consider the:
- 2019/20 Budget and for the Council Tax to be set.
 - implications for the Council in respect of the MTFS for the period 2020/21 to 2023/24.

13. LIST OF APPENDICES INCLUDED

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

Appendix 2: Plan on a Page

Appendix 3: Budget consultation results – Business and Voluntary Sector


Appendix 4: Treasury Management, Capital and Investment Strategies and the Annual Minimum Revenue Provision Statement, and the Flexible Use of Capital Receipts Strategy for 2019/20.

BACKGROUND PAPERS

None.

CONTACT OFFICERS

Clive Mason, Head of Resources

 01480 388157