

**HUNTINGDONSHIRE DISTRICT COUNCIL**

<b>Title/Subject Matter:</b>	Final 2021/22 Revenue Budget and Medium Term Financial Strategy (2022/23 to 2025/26); including the Capital Programme
<b>Meeting/Date:</b>	Cabinet – 11th February 2021
<b>Executive Portfolio:</b>	Executive Councillor for Strategic Resources
<b>Report by:</b>	Chief Finance Officer
<b>Wards affected:</b>	All

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**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 2021/22 and the revised MTFS for the period 2022/23 to 2025/26 for Cabinet approval.

The Budget includes relevant savings, income and growth proposals, implications of the Provisional Financial Settlement and the impact of Covid 19, together with a planned Council Tax freeze for 2021/22 and then 2.6% for the duration of the MTFS. The budget also includes the Capital Programme 2021/22 to 2025/26.

The Final Budget 2021/21 gives a Net Service Expenditure Budget of £20.7m; the detailed Final Budget 2021/22 and MTFS is shown at **Appendix 1**.

For 2021/22, the adjustments increase the contribution to Reserves; over the MTFS period the budget gap by 2025/26 is £0.4m, some £100k less than last year. The 'Plan on a Page' at **Appendix 2** has now been updated to reflect the final budget.

**Recommendations:**

That the Cabinet recommends to Council the approval of the:

- overall Final Budget 2021/22 and MTFS 2022/23 to 2025/26 (**Appendix 1**, this includes the Revenue Budget at Section 2 and the Capital Programme at Section 3)
- the "Plan-on-a-Page" (**Appendix 2**)

## **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 24 February 2021.
- risks associated with the budget and relevant sensitivity analysis.

## **2. BACKGROUND**

2.1 In respect of 2021/22, the Draft Budget shows:

- a Draft 2021/22 Budget with Net expenditure of £20.6m and a Budget Requirement of £21.5m,
- an MTFS that has a profiled decrease in the Budget Requirement to £19.9m by 2025/26.
- a Capital Programme of £18.2m for 2021/22, that reduces to £3.8m by 2025/26; with net internal funding of £3.0m and £0.4m respectively.

2.2 In respect of 2021/22, the Draft Budget included:

- savings and additional income of £0.897m.
- growth of £3.75m.
- the provisional finance settlement of £2.1m in respect of New Homes Bonus and no Revenue Support Grant.
- an estimate of £6.1m for Business Rates related income and the Collection Fund.

## **3. SUMMARY BUDGET 2021/22 AND MEDIUM-TERM FINANCIAL STRATEGY 2022/23 TO 2025/26**

3.1 The 2021/22 Budget and Medium-Term Financial Strategy is shown in **Table 2**.

	Council Services Net Expenditure Budget (2020/21) and MTFS						
	2020/21		2021/22	Medium Term Financial Strategy			
	Budget	Forecast (December)	Budget	2022/23	2023/24	2024/25	2025/26
	£000	£000	£000	£000	£000	£000	£000
Chief Operating Officer	4,425	4,330	4,435	4,616	4,687	4,860	4,998
Assistant Director Transformation	401	303	383	277	491	464	474
Assistant Director Corporate Resources	5,899	5,390	7,025	7,172	6,933	6,900	6,835
Head of Leisure & Health	(215)	579	522	(30)	(108)	(221)	(114)
Head of Operations	3,347	4,037	4,407	3,777	3,546	3,670	3,779
Head of 3C's ICT Shared Service	2,139	2,128	2,253	2,286	2,351	2,418	2,486
Corporate Leadership Team	603	731	619	631	643	656	668
Programmes Delivery Manager	70	36	71	72	74	75	77
Housing Manager	177	208	180	183	186	189	192
Planning Manager	842	745	791	858	877	927	946
<b>Net Expenditure</b>	<b>17,688</b>	<b>18,487</b>	<b>20,686</b>	<b>19,842</b>	<b>19,680</b>	<b>19,938</b>	<b>20,341</b>

	Council Funding Statement Budget (2020/21) and MTFS						
	2020/21		2021/22	Medium Term Financial Strategy			
	Budget	Forecast (December)	Budget	2022/23	2023/24	2024/25	2025/26
	£000	£000	£000	£000	£000	£000	£000
<b>Net Expenditure</b>	<b>17,688</b>	<b>18,487</b>	<b>20,686</b>	<b>19,842</b>	<b>19,680</b>	<b>19,938</b>	<b>20,341</b>
Contribution to/(from) Earmarked Reserves:	0						
- Commercial Investment Strategy	2,212	2,212				0	0
General Reserves	(1,256)	(1,149)	776	(1,145)	(923)	(598)	(436)
<b>Budget Requirement</b>	<b>18,644</b>	<b>19,550</b>	<b>21,462</b>	<b>18,697</b>	<b>18,757</b>	<b>19,340</b>	<b>19,905</b>
Non-Domestic Rates	(6,674)	(6,674)	(6,080)	(6,644)	(6,829)	(7,096)	(7,370)
Non-Domestic Rates (Growth Pilot)	0	0	0	0	0	0	0
S31 Grant	(1,579)	(2,403)	(2,176)	(2,213)	(2,250)	(2,287)	(2,287)
Revenue Support Grant (RSG)	0	0	0	0	0	0	0
Fair Funding Review Adjustment	82	0	82	163	245	326	408
New Homes Bonus	(2,212)	(2,212)	(2,014)	(427)	0	0	0
Collection Fund (Surplus) / Deficit	907	907	(296)	0	0	0	0
Council Tax Support Funding			(189)				
Income Compensation Scheme (Q1)			(595)				
Covid 19 Funding (tranche 5)			(758)				
Local Tier Service Grant			(195)				
<b>Council Tax Requirement</b>	<b>9,168</b>	<b>9,168</b>	<b>9,241</b>	<b>9,576</b>	<b>9,923</b>	<b>10,283</b>	<b>10,656</b>
- Base (*)	62,854	62,854	63,355	63,989	64,628	65,275	65,927
- Per Band D	145.86	145.86	145.86	149.65	153.54	157.54	161.63
- Increase £			£ -	£ 3.79	£ 3.89	£ 3.99	£ 4.10
- Increase %			0.00%	2.60%	2.60%	2.60%	2.60%

### Impact on Reserves

- 3.2 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 2021/22 budget there is a budgeted surplus of £0.776m. However, from 2022/23 to the end of the MTFS period there is a budget gap. Due the impact of the Covid 19 pandemic on the Council's finances, the NHB receipts from 2020/21 have been allocated to the General Fund; this is a change in the Council's desire to show a self-financing position, this is still being achieve by the end of the MTFS. Any NHB not utilised will still be transferred into the Commercial Investment Reserves.
- 3.3 Over the MTFS period the budget gap by 2025/26 is £0.436m, a reduction of £0.1m than shown in 2020/21.
- 3.4 As shown in **Table 3** below, the funding gap from 2022/23 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; £2.715m. 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.

	Reserves and MTFS						
	2020/21		2021/22	Medium Term Financial Strategy			
	Budget £000	Forecast £000	Budget £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
<b>GENERAL FUND (Unallocated) RESERVE</b>							
<b>b/f</b>	<b>2,525</b>	<b>2,534</b>	<b>2,175</b>	<b>2,175</b>	<b>2,175</b>	<b>2,175</b>	<b>2,175</b>
Contribution to Reserve	0	0	0	0	0	0	0
Contribution from Reserve	(1,256)	(1,149)	776	(1,145)	(923)	(598)	(436)
Contribution from(to) Budget Surplus	1,384	790	(776)	1,145	923	598	436
<b>c/f</b>	<b>2,653</b>	<b>2,175</b>	<b>2,175</b>	<b>2,175</b>	<b>2,175</b>	<b>2,175</b>	<b>2,175</b>
Net Expenditure	17,688	18,487	20,686	19,842	19,680	19,938	20,341
<b>Minimum Level of Reserves</b>	<b>2,592</b>	<b>2,175</b>	<b>2,175</b>	<b>2,175</b>	<b>2,175</b>	<b>2,175</b>	<b>2,175</b>
<b>BUDGET SURPLUS RESERVE</b>							
<b>b/f</b>	<b>3,031</b>	<b>4,774</b>	<b>3,984</b>	<b>4,760</b>	<b>3,615</b>	<b>2,692</b>	<b>2,094</b>
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	(1,384)	(790)	776	(1,145)	(923)	(598)	(436)
Contribution from (to) CIS Reserve			0	0	0	0	
Contribution from (to) Earmarked Reserves	(58)						
<b>c/f</b>	<b>1,589</b>	<b>3,984</b>	<b>4,760</b>	<b>3,615</b>	<b>2,692</b>	<b>2,094</b>	<b>1,658</b>
<b>COMMERCIAL INVESTMENT RESERVE</b>							
<b>b/f</b>	<b>3,536</b>	<b>3,382</b>	<b>3,186</b>	<b>3,186</b>	<b>3,186</b>	<b>3,186</b>	<b>3,186</b>
Contribution to Reserve (former NHB)		0	0	0	0	0	0
Contribution from Reserve	(38)	(196)	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	0	0	0	0	0
<b>c/f</b>	<b>3,498</b>	<b>3,186</b>	<b>3,186</b>	<b>3,186</b>	<b>3,186</b>	<b>3,186</b>	<b>3,186</b>

#### 4. PLAN-ON-A-PAGE 2021/22 TO 2025/26

4.1 Since 2015/16 the Council has adopted a strategy known as 'Plan on a Page' which sets out the Council's financial strategy. **Section 3** has shown that the Council continues to face challenges over the medium term in its obligations to provide cost-effective services. **Appendix 2** shows the 2021/22 "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 reduced to £0.436m by the end of the MTFS (2025/26) – a reduction of £0.1m when compared to last years "Plan on a Page". **Table 3** below gives a summary of the budget changes:

Table 3		Budget Changes that have reduced the “Plan on a Page” Forecast Savings Required	
		£m	
<b>2020/21 Budget and MTF5 – Forecast Savings Required</b>			<b>0.5</b>
<b>Income Generation</b>	Council Tax & Base	0.249	
	Commercialisation	0.000	
	Funding Changes	(0.972)	(0.723)
<b>Efficiencies &amp; Growth</b>	Budget Review	0.200	
	Service Growth	0.447	
	Transformation Savings	0.000	0.647
<b>2020/21 Budget and MTF5 – Forecast Savings Required</b>			<b>0.4</b>

## 5. ROBUSTNESS OF THE 2021/22 BUDGET AND MEDIUM-TERM FINANCIAL STRATEGY 2022/23 TO 2025/26

5.1 The Council’s Responsible Financial Officer (S.151) must make a statutory statement in respect of the Budget and reserves.

5.2 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 2021/22 an excess budget requirement is achieved which makes a direct contribution to Reserve of £0.776m.
- ii. If the Council was to utilise only the General Fund and Budget Surplus Reserves, based on the assumptions in the current MTF5, the Council would be able to maintain a minimum level of General Fund (Unallocated) Reserves based on a Pessimistic or Middle-Way view.
- iii. Over the 5 years of the MTF5 (next year and the subsequent four years) the total net contribution from reserves is £2.3m.

5.3 Considering all the factors noted within the “Robustness” statement in respect of the 2021/22 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 2021/22 should not give Members any significant concerns over the Council’s financial position.

5.4 With regard to the period covered by the MTF5; the Council does face some future funding risk with the:

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

However, over the past few years the Council has taken proactive action to address its budgetary concerns and with the planned continuation find efficiencies the Council has a sound financial base upon which it can further develop its aim of financial self-sufficiency.

## **6. COMMENTS OF OVERVIEW & SCRUTINY**

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

## **7. KEY IMPACTS / RISKS**

- 7.1 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 2021/22 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.

## **8. TIMETABLE FOR IMPLEMENTATION**

- 8.1 The 2021/22 Budget forms an integral part of the service planning process for 2021/22 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.

## **9. LINK TO THE CORPORATE PLAN, STRATEGIC PRIORITIES AND / OR CORPORATE OBJECTIVES**

- 9.1 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.

- 9.2 This will assist the Council to:

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

## **10. LEGAL IMPLICATIONS**

- 10.1 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 2021/22 so the setting of the Council Tax at the level mentioned within the report is appropriate.

## **11. RESOURCE IMPLICATIONS**

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

## **12. OTHER IMPLICATIONS**

12.1 All implications are contained within the body of the report.

## **13. REASONS FOR THE RECOMMENDED DECISIONS**

- 13.1 To enable Cabinet to approve and understand:
- the 2021/22 Budget and MTFS
  - The risks and impacts included within 2021/22 Budget and MTFS.

## **14. LIST OF APPENDICES INCLUDED**

**Appendix 1:** 2021/22 Final Budget & Medium-Term Financial Strategy  
2022/23 to 2025/26.


**Appendix 2:** Plan on a Page.

## **BACKGROUND PAPERS**

Working papers in Resources; Accountancy Services

## **CONTACT OFFICER**

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