

**Public
Key Decision - Yes**

HUNTINGDONSHIRE DISTRICT COUNCIL

Title/Subject Matter: 2021/22 Budget and Medium Term Financial Strategy
2022/23 to 2025/26

Meeting/Date: Council – 24th February 2021

Executive Portfolio: Finance and Resources: Councillor J A Gray

Report by: Chief Finance Officer

Ward(s) affected: All

Executive Summary:

The Council is required to consider and approve:

- The 2021/22 Budget and the Medium Term Financial Strategy (MTFS) for the period 2022/23 to 2025/26.
- The Fees and Charges schedule for 2021/22.
- The Treasury Management Strategy, the Capital Strategy, and the Investment Strategy including the annual prudential indicators, for 2021/22.
- The Annual Minimum Revenue Provision (MRP) Statement 2021/22.
- The formal resolution to determine the Council Tax for 2021/22.

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

Recommendation(s):

It is recommended that Council approves the:

- Overall Budget 2021/22 and MTFS 2022/23 to 2025/26, and **Appendix 1** includes the Revenue Budgets at Section 2; the Capital Programme at Section 3 and the 2021/22 Fees and Charges at Section 7, Annex A.
- Increase of 0% Council Tax for 2021/22 i.e. the Band D charge will remain at £145.86 (£145.86 2020/21), and **Appendix 1**, the formal resolution on the Council Tax, Section 6, Item (a) to (e).
- Future savings targets of £0.4m of Net Expenditure by 2025/26, and **Appendix 2**, Revised Plan on a Page.
- 2021/22 Treasury Management, Capital, and Investment Strategies, MRP Statement and Flexible Use of Capital Receipts Strategy to be approved. **Appendix 3**.

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 2021/22 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 2021/22.

2. BACKGROUND

2.1 During February 2021, the respective Overview & Scrutiny Panels (Performance and Growth) and Cabinet received the final budget proposals:

- detailing the savings and growth proposals for 2021/22 and the MTFS (2022/23 to 2025/26)
- a freeze in Council Tax 2021/22 and 2.6% increase for the duration of the MTFS,
- Final Capital Programme 2021/22 to 2025/26,
- Final 2021/22 Budget and MTFS (2022/23 to 2025/26).

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 2** shows that the Budget gap is now £0.4m by 2025/26. This is a decrease from the £0.5m which was reported last year.

3. 2021/22 Budget and MTFS (2022/23 to 2025/26)

3.1 The detailed 2021/22 Budget & MTFS (2022/23 to 2025/26) is shown in **Appendix 1**. The key elements that members should note are as follows:

- Paragraph 1.3.1, this shows that for 2021/22:
 - Net expenditure for the Council is £20.7m.
 - The Budget Requirement for the Council is £21.5m.
 - A budgeted contribution to reserves of £0.776m.
 - Council Tax Requirement for the Council is £9.2m.
 - Council Tax Base is 63,355 (see also paragraph 6.2).
 - Council Tax per Band D property is £145.86.

This represents a Council Tax increase of 0% for 2021/22.

 - For the MTFS period, 2022/23 to 2025/26, Council Tax per Band D property increases by an average of 2.6% each year for the period of the MTFS.
- Paragraph 1.4.1, this shows that:
 - for 2021/22, it is estimated that General Fund reserves at the end of the year will be £2.715m.
- 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.

These paragraphs show the details of the overall Net Expenditure budget of £20.7m for 2021/22 (£17.7m 2020/21).

- iv. Paragraph 3.1 details the proposed Capital Programme for 2021/22 at £18.2m and the details for the period 2022/23 to 2025/26.
- 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 reducing from an opening balance of £83.7m in 2021/22 to a closing balance of £81.1m in 2025/26 as a result of MRP that is being set aside and takes into account the future financing for the CIS and the Capital Programme.
- vi. Paragraph 6.1 is the Formal 2020/21 Council Tax Resolution, with Paragraph 6.2 illustrating the Council Tax Base. Paragraph 6.3 and 6.4 will show the:
 - o 2021/22 Council Tax by Property Band for each Precepting Authority, and the Billing Authority, and the
 - o Total 2021/22 Council Tax by Property Band for each Precepting Authority and the Billing Authority.

The Resolution and accompanying tables assume that the Council will support the proposals in the Budget report for Huntingdonshire District Councils' Council Tax for 2021/22.

- vii. Paragraph 7.0 and **Annex A** details the Fees and Charges Schedule for 2021/22. 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 2021/22 should not give Members any significant concerns over the Council's financial position. In respect of the MTFS 2022/23 to 2025/26; there will inevitably be an increase funding risk to the provision of services, as we recover from the Covid 19 Pandemic. However, with the Council, continually reviewing budgets, it is fair to conclude that the Council is taking proactive action to manage its budgetary concerns.

4. Treasury Management, Capital and Investment Strategies, the Annual Minimum Revenue Provision Statement, and the Flexible Use of Capital Receipts Strategy for 2021/22

4.1 The Treasury Management Strategy and the Annual Minimum Revenue Provision for 2021/22 are detailed in **Appendix 3**. 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 had reduced to 0.3% due to the contraction in the economy from the Covid 19 pandemic and is expected to remain low in the near future.

Interest rates are very low, with the current BoE rate being 0.1%. The Council's treasury advisors are not anticipating any interest rate increases in 2021.

- 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).
- v. 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 (or their equivalent). 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**).

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 2021/22 budget will be managed via the Council's budget monitoring processes throughout the year.

6.2 However, by 2025/26, there are a number of key savings initiatives or additional income generation schemes that must be delivered in a timely fashion to secure the £0.4m savings required to ensure that the Council has a balanced budget.

7. WHAT ACTIONS WILL BE TAKEN/TIMETABLE FOR IMPLEMENTATION

7.1 The 2021/22 Budget forms an integral part of the service planning process for 2021/22. 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 2020 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 2020.

9. LEGAL IMPLICATIONS

9.1 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 2021/22 so the setting of the Council Tax at the level mentioned within the report is appropriate.

10. RESOURCE IMPLICATIONS

10.1 The Council is required to set a balanced budget for 2021/22 and over the MTFs. **Appendix 1** includes a report from the Chief Finance Officer (as the Responsible Financial Officer) confirming that she considers the budget is sufficiently robust and that there are adequate reserves.

11 REASONS FOR THE RECOMMENDED DECISIONS

11.1 To enable members of the Council to consider the:

- 2021/22 Budget and for the Council Tax to be set.
- implications for the Council in respect of the MTFs for the period 2022/23 to 2025/26.

12. LIST OF APPENDICES INCLUDED

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

Appendix 2: Plan on a Page


Appendix 3: Treasury Management, Capital and Investment Strategies and the Annual Minimum Revenue Provision Statement, for 2021/22.

BACKGROUND PAPERS

None.

CONTACT OFFICERS

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