

Committee(s): Policy Resources and Economic Development	Date: 12 th February 2020
Subject: Budget 2020/21	Wards Affected: All
Report of: Jacqueline Van Mellaerts, Director of Corporate Resources	Public
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Summary

The Draft Medium-Term Financial Strategy (MTFS) considered by Policy, Resources and Economic Development Committee on 8th January 2020 gave Members an update on the various significant changes that would impact on the Council's financial position.

The fundamental principles of the Council's MTFS are to:

- (i) Maintain a sustainable financial position against a background of unprecedented financial uncertainty and reduced government funding, including the delivery of efficiency targets.
- (ii) Support the vision of our Borough through appropriate identification of resources required to deliver the key priorities outlined in the Corporate Strategy.
- (iii) Maximise opportunities and mitigate risks associated with the fundamental change to the way in which local government is financed.

This report considers:

- (i) The General Fund budget proposals for 2020/21 to 2022/23.
- (ii) The Council Tax Requirement for 2020/21
- (iii) The Housing Revenue Account (HRA) budget proposals for 2020/21 onwards.
- (iv) The Capital and Investment Strategy for 2020/21 including the Councils capital Programme 2020/21 to 2022/23
- (v) Fees & Charges

- (vi) Pay Policy Statement
- (vii) Section 151 Officers Assurance Statement

The Policy, Resources and Economic Development Committee is required to consider the proposals and make recommendations to Ordinary Council for Approval on 4th March 2020.

The figures presented summarise the detailed service budgets, together with known adjustments including the impact of the provisional central government grant funding.

The key elements of the proposed budget are:

General Fund

- 1) A balanced budget to be set for 2020/21
- 2) An increase of Council Tax for 2020/21 in order to deliver a balanced budget and deliver on the required investment outlined within the budget.
- 3) The continuation of reduction in funding made available by Central Government

Housing Revenue Account

- 1) For 2020/21 a budget that delivers a small surplus of £87k.
- 2) Increase in rents of CPI plus 1% per annum
- 3) Continued investment in the delivery of Decent Homes and Development of Housing within the Borough.

Capital

- 1) Total additional capital investment of £10,564 million in 2020/21
- 2) With an additional investment of £14,724 from 2021 to 2023.

Recommendation(s)

Members are asked to

- R1. Approve the proposals for the General Fund Budget and Medium-Term Financial Strategy as set out in Appendix A and recommend to Ordinary Council for approval on 4th March 2020.**
- R2. Recommend that Council Tax is increased for 2020/21 by £5 per Band D property, increasing the charge for a Band D property from £188.63 to £193.63 per annum. The complete Council Tax Bandings (Brentwood Council Only) are included in Appendix A, Page 23**
- R3. Approve proposals for the HRA budget 2020/21 including the 30 year HRA Business Plan within Appendix B and recommend to Ordinary Council for approval on 4th March 2020.**
- R4. Approve an increase to rents for 2020/21 by CPI plus 1%**
- R5. Approve the Capital and Investment Strategy in Appendix C including the Capital Programme and recommend to Ordinary Council for approval on 4th March 2020.**
- R6. Approve the Fees & Charges Schedule in Appendix D and recommend to Ordinary Council for approval on 4th March 2020.**
- R7. To note the Pay Policy Statement in Appendix E and recommend for approval at Ordinary Council on 4th March 2020.**
- R8. Approve the Section 151 Officers Assurance Statement in Appendix F when recommending all for approval to Ordinary Council on 4th March 2020.**

Main Report

Introduction and Background

1. Appendix A sets out the full detail on all relevant considerations in setting the budget and Council Tax for 2020/21. Key issues have been summarised in this report by way of background.

Government Funding

2. The financial pressures that face Local Government are well known. Despite these pressures however, the Council remains committed to both the maintenance of service delivery and continuing to improve community outcomes that enhance the quality of life for the residents of Brentwood.
3. The financial position set out in Appendix A for the General Fund continues to reflect the ongoing reductions in government support.
 - The Settlement is for a 1-year period only, leaving uncertainty around the Council's funding from 2021/22.
 - The Government's calculation on core spending power assumes councils will increase council tax by 2%. Borough Authorities are allowed to apply the higher of the referendum limit (of 2%) or £5.
 - New Homes Bonus in year allocations will have no legacy payments paid in future years, a review of this system of central allocation has been announced by Government.
 - Business Rates Retention System has applied 1.63% increase to all the elements within the system. It is expected that the increased retention of business rates to 75% will be introduced after 2020/21 however the structure of this proposal is still in development by the Government.
4. The Councils total Government Funding is detailed within Appendix A

Budget Gap

5. The continued significant reduction in government Funding means that although the 2020/21 position is balanced, there is a gap between expenditure and resources of £1,084 by 2022/23. This is outlined below in Table 1.

Table 1 – General Fund Revenue projected Working balances.

	2018/19 Actual £'000	2019/20 Projected Outturn £'000	2020/21 Budget £'000	2021/22 Budget £'000	2022/23 Budget £'000
Total General Fund Net Expenditure	9,389	9,206	8,800	9,087	9,480
Total Funding	(9,201)	(8,993)	(8,800)	(8,726)	(8,757)
Funding Gap	188	213	0	361	723
Working Balance b/fwd	3,305	3,117	2,904	2,904	2,543
Less: - Funding Gap	188	213	0	361	723
Working Balance c/fwd	3,117	2,904	2,904	2,543	1,820

6. There is a requirement that the Council needs to continue delivering budget reductions and income generation in order to deliver a sustainable medium-term financial position.

Investments and Saving Targets

7. In delivering the proposed budget for 2020/21 and financial forecasts, there are a number of specific strands of work that are planned to ensure the Council's resources and the services it delivers alongside the strategic view of the Council are directed in delivering and achieving the Council's new Corporate Strategy. These are summarised in Appendix A (Page 14) and Appendix C (Page 13)
8. As well as delivering investment, the Council has also allocated saving targets to be delivered on in order to achieve the current balance budget for 2020/21. These are detailed with Appendix A (page 12)

Council Tax

9. This committee is to recommend to Council to increase the Council Tax for 2020/21 by £5 per band D property. Increase the Band D charge from £188.63 to £193.63. This decision is to ensure that the Council can deliver a balanced budget alongside the achieving the saving targets and delivering on the outline investments. The government has assumed in its forecast of Local Authority spending power that Council Tax will increase by 2%.

Reserves

10. Appendix A (page 14) summarises the overall level of General Fund Reserves and reflects the realignment of reserves to meet current and anticipated investment requirements.

Housing Revenue Account

11. Appendix B sets out the full detail on all the relevant considerations in respect of setting the HRA budget for 2021.
12. The budget has been prepared on the basis of current levels of service of delivery but taking account of any known priorities and relevant legislation.
13. The HRA capital programme has been prepared by taking account of current known knowledge of stock condition and the asset management priorities arisen

Capital and Investment Strategy

14. As well as detailing the Councils capital programme this strategy (Appendix C) sets out the capital and investment arrangements for 2020/21. This strategy includes the Council's treasury management which relates to the Councils borrowing and investment activities and the effective management of these.
15. This strategy details the levels and boundaries officers must work within in delivering effective financial management of investing and borrowing for Council finances.
16. The full capital programme and detail schemes are also outlined in Appendix C. (page 13)

Fees & Charges

17. Proposed Fees and Charges have been taken to the appropriate Council Committee during the financial year 2019/20. The agreed fees and charges have been collated together to form Brentwood Borough Councils Fees and Charges Schedule attached as Appendix D.

Pay Policy

18. Section 38(1) of the Localism Act 2011 and supplementary guidance issued in February 2013 requires Local Authorities to produce a Pay Policy Statement for

each financial year, which must be approved formally at Ordinary Council by the 31 March each year and must be published on the Council's website. It may be amended during the course of the financial year by further reference to Ordinary Council. The committee is asked to consider the Pay Policy Statement (Appendix E) and endorse it for Ordinary Council approval.

Issue, Options and Analysis of Options

19. The Council is free to set its own Council Tax requirement, within the resources available. The Council must have regard to the robustness of the budget calculations, identified risks and the financial climate. Details on Council Tax Setting are set out in Appendix A (page 21)
20. A local referendum Members should note that excessive council tax increase will be subject to a local referendum. Any referendum would have to take place no later than the first Thursday in May. The cost of conducting the referendum and rebilling would both fall on the Council. The government has determined that for 2020/21 an increase of 2% or £5 which is higher would be excessive and require a positive vote in a referendum.
21. Each year's council Tax level forms the base for measuring future increases against any government referendum criteria. A risk of setting Council Tax too low is that it limits the level of the referendum threshold in the future years too as there is cumulative effect and the Councils ability to sustain service levels in the future become affected. The Section 151 Assurance Statement in Appendix F addresses the robustness of the budget calculations and the adequacy of reserves.

Reasons for Recommendation

22. Effective financial management underpins all of the priorities for the Council and will enable the Council to operate within a sustainable budget environment.
23. The Council is required to approve the Budget as part of the Budget and Policy Framework

Consultation

24. Tenants were consulted with regarding the rent increases through tenant talkback.

References to Corporate Strategy

25. The Budget is linked to achieving the current priorities in the Corporate Strategy.

Implications

Financial Implications

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26. The financial implications are set out within the report and the Appendices accompanying the reports.

Legal Implications

Name & Title: Steve Summers, Chief Operating Officer and Interim Monitoring Officer

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27. The Council is obliged by Section 151 of the Local Government Act 1972 to make proper arrangements for the management of its financial affairs. It is consistent with sound financial management and the Council's obligation under Section 151 of the Local Government Act 1972 for the Council to adopt and monitor a medium-term financial strategy. The medium-term financial strategy informs the budget process and may be viewed as a related function.
28. The report provides information about risks associated with the medium-term financial strategy and the budget. This is consistent with the Council's obligation to make proper arrangements for the management of its financial affairs. It is also consistent with the Council's obligation under the Accounts and Audit (England) Regulations 2011 to have a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

Economic Implications

Name/Title: Phil Drane, Director of Strategic Planning
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29. There are specific parts of the budget in place to enable the Council to facilitate local economic growth within the service area Economic Development. This is in line with the Council's Corporate Strategy, Brentwood 2025, which includes objectives to grow the economy. More generally, and in terms of other parts of the budget, it is important that the Council maintains a robust and resilient

budget for the responsible upkeep of public services, which in turn can help contribute to a healthy borough economy.

Background Papers

30. Budget Report 27th February 2019

Appendices to this report

Appendix A: General Fund Budget 2020/21

Appendix B: Housing Revenue Account Budget & 30-year Business Plan 2020/21

Appendix C: Capital and Investment Strategy 2020/21

Appendix D: Fees & Charges Schedule

Appendix E: Pay Policy Statement

Appendix F: Section 151 Officers Assurance Statement

Appendix G: Corporate Strategy Budget Summary