



**BRENTWOOD  
BOROUGH COUNCIL**

Brentwood Borough Council  
General Fund Budget  
2020/21

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# Medium Term Financial Strategy 2020/21

## Introduction

The Corporate Strategy (Brentwood 2025 Where everyone matters) requires that the council is committed to seeking innovative financial solutions that will allow the Council to deliver a prosperous borough to its residents, businesses and visitors.

In this context the Medium-Term Financial Strategy (MTFS) seeks to:

- Maintain a sustainable financial position against a background of continuing financial uncertainty and reduced government funding.
- Support the delivery of the commitments in the Corporate Strategy.

This section sets out the key considerations for the MTFS together with the budget position through to 2022/23. The forecasts should be treated with caution because:

- 1) The settlement for 2020/21 is for one year only.
- 2) The Government has announced a further review of the New Homes Bonus.
- 3) It is expected that increased retention of business rates locally (at 75%) will be introduced from 2021/22.
- 4) The structure of the 75% retention proposals are still only at development stage.
- 5) The business rates retention scheme will be reset for 2021/22 creating uncertainty over levels of growth that will be retained by local government.
- 6) The outcome of the Fair Funding Review will not be known until some point during the forthcoming year.
- 7) Several key specific grants are awarded on an annual basis only but support key ongoing council responsibilities.

The assumptions used to forecast future income and expenditure are prudent and realistic. The MTFS continues to forecast a gap between the council's need to spend and the available resources. While the approaches to addressing the budget, gap described later in the report mean that the budget for 2020/21 has been balanced there remains a deficit in future years rising to £361k in 2021/22 to £723k in 2022/22.

## Outturn 2019/20

In summary the financial issue facing the Council is that income is not meeting the expenditure requirement. Overall, within expenditure there is a significant underspend within the establishment, this is offset with the increased costs of project management support required. The decision to not take out planned long term borrowing at PWLB rates, has created a saving within the Council's expenditure. However, this is a short-term fix and the borrowing requirement is still required therefore the financial impact has been delayed into future financial years.

To offset the saving made on interest payable within 2019/20 is the reduction in income from rents of the Council Assets. This is predominately due to the delay in letting the residential

units at the new Town Hall and not securing full capacity of Commercial tenants for the units available. Officers, as part of budget setting are looking at ways to ensure the Council is maximising its income potential, by reviewing current Fees & Charges to meet the aim they should work towards full cost recovery as well as ensuring the Council's assets are utilised to generate an income to support the Council's functions.

### Medium Term Financial Strategy Assumptions

The key elements of the forecast are explained in detail as follows:

- Revenue Budget on page 11
- Capital and Investment Strategy (Separate Report)

The following key areas support delivery of the MTFS and have been considered during the development of the budget:

- Fees and Charges
- Value for Money
- Inward Economic Development
- Asset Management
- Seven Arches Investment Limited business plan
- Other Commercial Developments

The Council continues to transform the way that it delivers services for the foreseeable future to ensure financial sustainability and the identification of resources for investment in priority areas identified in the Corporate Strategy, which are:

- Growing our Economy  
A thriving borough that welcomes a wealth of business and culture
- Protecting our Environment  
Developing a clean and green environment for everyone to enjoy.
- Developing our Communities  
Safe and strong communities where the residents live happy, healthy and independent lives.
- Improving Housing  
Access to a range of decent homes that meet local needs.
- Delivering an Efficient and Effective Council  
An ambitious and innovative council that delivers quality services

The Council is continuing to develop its MTFS to deliver the Corporate Strategy outcomes while addressing the budget gap and mitigating risk. The budget gap will be addressed primarily through:

- 1) Generating income through commercial activity and seeking to embed commercial thinking throughout the organisation.
- 2) The ongoing review and redesign of services.
- 3) A focus on supporting inward economic investment.

- 4) Continuously Reviewing fees and charges to ensure full cost recovery, where this is not possible reviewing how the associated services are delivered to reduce costs or accepting a discounted charge in return for an appropriate community benefit.
- 5) Progressing the Leisure Strategy to improve the offer of facilities in the borough generating income and efficiencies.
- 6) Optimising the Council's use of technology to enable new ways of working and improving service quality for our residents.
- 7) Ensuring the Council's assets are used efficiently and effectively
- 8) Creating Green Initiatives internally and throughout the borough.

The MTFs includes allocations for savings to be delivered through process reviews as well as making allowances for business case development and delivery.

The Section 151 Officer has made a statutory assessment of the adequacy of reserves taking into consideration the risk and uncertainties facing the Council included in a separate statement.

This includes an assessment of the risks posed by the Council's increasingly ambitious investment approach to meeting resident needs and financial imperatives. Given potential volatility in the Council's income and the inherent risks and uncertainties in the assumptions used to prepare the MTFs, it is necessary to ensure that reserves and contingencies are maintained at adequate levels throughout the forecast period (Reserves section page 13 and The Section 151 Officers Statement)

### **3 Year Medium Term Financial Strategy**

A 3-year forecast for the General Fund is set out below. It can be seen that the deficit is forecast to rise to £723k by 2022/23. Forecasts beyond 2020/21 should be treated with caution due to the extreme uncertainty over the funding position from that year onwards. The base assumptions used to arrive at this conclusion are shown below and correlate with the table.

- 1) Services have had their expenditure rebased in line with current costs of service.
- 2) Services budgets have been realigned to ensure the base budget correctly reflects the current service provision.
- 3) Inflation of 2% has been applied to contractual obligations.
- 4) There is a pay award assumption of 2% per annum.
- 5) Employer Pension contributions have increased from 17.1% to 19.9%
- 6) Income increases, associated with increasing fees & charges by 2% and revisiting demand, ensuring cost recovery basis
- 7) Funding adjustments considering the Provisional Local government Finance Settlement.
- 8) Growth required to budgets as per budget bids being submitted by budget managers and agreed by Senior Leadership Team.
- 9) Capital Financing, interest on borrowing for lending to commercial ventures and funding the capital program are reviewed annually and updated by on revised

business and project plans. Minimum Revenue Provision is recalculated based on the policy as set out within the Capital and Investment Strategy.

- 10) Efficiencies are predominantly associated with a central vacancy factor held at 4% of the total budgeted establishment.
- 11) Recharges to the HRA are revisited on an annual basis and the allocation is revised on the proposed budget.
- 12) Council tax is proposed to be increased by £5 for 2020/21, no increase for futures years is budgeted. The tax base is expected to grow by 0.5% per annum

Anyone of these assumptions are an estimate at a point in time. Assumptions provide a basis on which to plan in a very uncertain funding climate. Currently the Council is in a situation where it is difficult to predict with certainty on the government's policy on Fair Funding Review, the implications of the UK's exit from the EU or any other factors that may affect funding.

Member Allowances have assumed an increase of 1%, following recommendations of the remuneration panel, this is subject to approval at Annual Council.

#### Summary of changes to the Base Budget

	2020/21 £'000	2021/22 £'000	2022/23 £'000
<b>Funding Gap bfwd</b>	<b>326</b>	<b>400</b>	<b>400</b>
<b>Add:</b>			
Rebasing (1)	(195)	(519)	(456)
Realigning (2)	1,242	1,297	1,345
Inflation (3)	11	50	88
Pay Award (4)	400	769	1,048
Pension Contributions (5)	(114)	(3)	29
Increase in Income (6)	(410)	(439)	(439)
Funding Adjustments (7)	(74)	325	294
Growth (8)	98	98	98
Capital Financing (9)	(496)	(379)	(405)
Efficiencies (10)	(387)	(796)	(804)
Recharges to HRA (11)	(236)	(278)	(308)
<b>Total</b>	<b>(161)</b>	<b>127</b>	<b>489</b>
Revised Funding Gap	165	527	889
Council Tax Increase (12)	(165)	(166)	(166)
<b>Revised Funding Gap</b>	<b>0</b>	<b>361</b>	<b>723</b>
<b>Revised Working Balance c/fwd</b>	<b>2,904</b>	<b>2,543</b>	<b>1,821</b>

## Government Funding

### Provisional Local Government Finance Announcement

The Provisional Local Government Finance Settlement for 2020/21 was announced on 20 December 2019.

The 2020/21 local government finance settlement is for one year only. It is based on the Spending Round 2019 funding levels, with individual authority allocations based upon Spending Review 2015 and subsequent funding announcements.

Key issues from the settlement are outlined below:

- The 2020/21 allocations have been announced. These will be paid with the legacy payments due from previous years (2017/18 to 2019/20). As previously announced, there will be no legacy payments for the 2020/21 in year allocations. The deadweight of 0.4% was maintained.
- As in previous years, the government has decided to eliminate negative RSG amounts, this is to be funded through its share of business rates.
- The three elements of the Business Rates Retention system (Baseline Need, NNDR Baseline and Tariff / Top Up amounts) have all increased by 1.63%, in line with the September 2019 CPI inflation figure
- As previously announced at Spending Round 2019, the council tax referendum limit will be 2% for local authorities with social care authorities allowed a 2% social care precept. The provisional settlement confirmed districts/boroughs will be allowed to apply the higher of the referendum limit of 2% or £5.
- No new business rates pilots were announced for 2020/21, with all areas (aside) from the original 2017/18 pilot areas reverting to the 50% scheme. The 2017/18 pilot areas are to remain at 100%, or 37% for the Greater London Authority.

### New Homes Bonus Grant

The New Homes Bonus was introduced from 2011/12 as a financial incentive and reward for housing growth. The grant is based on a national average Council Tax value of additional homes including any properties brought back into use. There is also an additional premium for affordable homes. The Bonus Grant was intended to be payable for 6 years.

The grant for 2019/20 onwards is based upon 4 years and the scheme will now also only reward growth in homes above 0.4% per annum.

For 2020/21, the Council is due to receive £0688.m in New Homes Bonus Grant. 2020/21 In year allocation will not have future years legacy payments. The profile of the Grant payments is outlined below.

	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	Est £'000	Est £'000	Est £'000
Yr 1	255	255	255	255	255	255						
Yr 2		214	214	214	214	214						
Yr 3			330	330	330	330	330					
Yr 4				416	416	416	416					
Yr 5					241	241	241	241				
Yr 6						167	167	167	167			
Yr 7							1*	1	1	1		
Yr 8								1	1	1	1	
Yr 9									509	509	509	509
Yr 10										177		
<b>TOTAL</b>	<b>255</b>	<b>469</b>	<b>799</b>	<b>1,215</b>	<b>1,456</b>	<b>1,623</b>	<b>1,155</b>	<b>410</b>	<b>678</b>	<b>688</b>	<b>510</b>	<b>509</b>

\* This figure has been reduced as a result of the top slicing decision announced in December 2016, to fund social care authorities

The New Homes Bonus Grant remains a flexible, non-ringfenced fund for Local Authorities to spend as they deem appropriate. This could include:

- Re-investing in housing or infrastructure.
- Support for local services or facilities.
- General financial support to hold down Council Tax levels.

Since its introduction in 2011/12, the Council has used the New Homes Bonus Grant to support the General Fund Budget. For 2020/21, the Council will continue to treat the grant funding as general financial support.

The ministerial statement announced a Spring 2020 consultation on the future of the scheme, stating that *“It is not clear that the New Homes Bonus in its current form is focused on incentivising homes where they are needed most”* and the consultation will *“include moving to a new, more targeted approach that rewards local authorities where they are ambitious in delivering the homes we need, and which is aligned with other measures around planning performance”*. Highlighting the uncertainty of future NHB payments beyond 2020/21.



## Business Rates Retention

The Business Rates retention figure represents the Council's share (40%) of the total amount collected from local businesses, less a tariff payment to central government. The estimated amount for 2019/20 and future year is outlined below.

	2019/20	2020/21	2021/22	2022/23
	£'000	£'000	£'000	£'000
Business Rates Retention	1,800	1,800	1,800	1,800

These amounts include a provision for losses resulting from any successful appeals by rate payers against the rateable value of their properties. Appeals are dealt with by the Valuation Office Agency and their success or failure is beyond the Council's control.

The pressure currently facing the Council and Business Rates Retention is due to a recent trend of offices being converted to flats as well as primary employers leaving the Brentwood area. which has resulted in a loss of business rates yield.

The Council is part of the Essex wide Pool for Business Rates, the pool consists of eleven Essex local authorities including Essex County Council, Essex Fire Authority and nine Borough and District Councils, including Brentwood, as well as one unitary. By pooling, any levy payments that would have been made to Central Government in relation to Business Rates, growth can be saved and distributed to the members of the pool. No additional income has been budgeted for 2020/21 due to the uncertainty of the pool position, and any surplus/deficits are monitored in year.

## Total Government Funding

A table summarising the Medium-Term Financial Strategy's Total Government funding arising from the Local Government Finance Settlement since 2017/18 and Business Rates is shown below.

## Summary of Government Funding

	2017/18 Actual £'000	2018/19 Actual £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
Revenue Support Grant	233	Nil	Nil	Nil	Nil	Nil
Tariff-Top Up Adjustment	Nil	Nil	Nil	Nil	Nil	Nil
News Homes Bonus	1,155	410	678	688	510	509
<b>Total</b>	<b>1,388</b>	<b>410</b>	<b>678</b>	<b>688</b>	<b>510</b>	<b>509</b>
Business Rates Retention	1,798	2,220	1,800	1,800	1,800	1,800
Business Rates Levy Account	Nil	Nil	25	Nil	Nil	Nil
<b>Total</b>	<b>3,186</b>	<b>2,630</b>	<b>2,503</b>	<b>2,488</b>	<b>2,310</b>	<b>2,309</b>

Since 2017/18 to 2022/23 Government Funding without including Business Rates Retention shows a reduction of £0.879m, highlighting the continuous financial pressures the Council has been facing.

## General Fund Revenue Budget

The summary revenue budget and forecast for the budget is outlined below

	2019/20 Forecast £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
<b>Priority Themes</b>				
Growing our Economy	692	801	1,078	1,100
Protecting our Environment	1,422	1,827	1,921	2,014
Developing our Communities	771	863	872	910
Improving Housing	101	143	155	244
Delivering an Efficient and Effective Council	5,597	4,718	4,418	4,569
<b>Total Priorities</b>	<b>8,583</b>	<b>8,352</b>	<b>8,444</b>	<b>8,837</b>
<b>Non-Service Expenditure</b>				
Interest Charges	314	1,785	2,206	2,258
Investment Income	(1,216)	(2,450)	(2,952)	(3,314)
Pension Fund Payments	1,350	1,080	1,108	1,134
MRP	0	55	293	577
<b>Total Non-Service Expenditure</b>	<b>626</b>	<b>470</b>	<b>655</b>	<b>655</b>
<b>Total Cost of Service</b>	<b>9,031</b>	<b>8,822</b>	<b>9,099</b>	<b>9,492</b>
Transfer to from Reserves	(374)	(22)	(12)	(12)
<b>Total Spending Requirement</b>	<b>8,657</b>	<b>8,800</b>	<b>9,087</b>	<b>9,480</b>
<b>Funding</b>				
New Homes Bonus	(678)	(688)	(510)	(510)
Business Rates Retention	(1,900)	(1,800)	(1,800)	(1,800)
Collection Fund Deficit	333	72	0	0
<b>Council Tax Requirement</b>	<b>6,412</b>	<b>6,384</b>	<b>6,777</b>	<b>7,170</b>
Council Tax*	(6,199)	(6,219)	(6,250)	(6,281)
Increase Council Tax	-	(165)	(166)	(166)
<b>Total Funding Gap</b>	<b>213</b>	<b>0</b>	<b>361</b>	<b>723</b>
General Fund working balance Brought Forward	3,117	2,904	2,904	2,543
Funding Gap	213	0	361	723
General Fund working balance Carried Forward	2,904	2,904	2,543	1,820

\*Revision to Council Tax Income base on the increase in the Council Tax Base from 2019/20 forecast

## Saving Targets within the Revenue Budget

Taking into account known pressures and reduced income that the council continues to face, the Council recognises that further Initiatives are required in order to bring the future Reserves above the minimum level to continue to keep the Council sustainable.

Included in Table are the current saving targets built within budget for 2020/21 and future years.

### Proposed Saving Targets

Proposed Saving Targets	2020/21 £'000	2021/22 £'000	2022/23 £'000
Corporate Vacancy Factor (4%)	(418)	(426)	(435)
Capitalisation Staff Costs	(50)	(50)	(50)
Digital Efficiencies	(20)	(20)	(20)
Waste Service Review	(150)	(150)	(150)
<b>Total Efficiency Targets</b>	<b>(638)</b>	<b>(646)</b>	<b>(655)</b>
Leisure Strategy Income	(275)	(475)	(475)
Commercial Income	(1,130)	(1,330)	(1,694)
<b>Total Income Generation Targets</b>	<b>(1,405)</b>	<b>(1,805)</b>	<b>(2,169)</b>
<b>Total Saving Targets</b>	<b>(2,043)</b>	<b>(2,451)</b>	<b>(2,824)</b>

Summary of these savings targets are detailed below:

**Corporate Vacancy Factor** – to align budgets and encourage managers to deliver a natural saving when recruiting new members of staff. Delaying recruitment processes so that it is not detriment to the service can achieve a saving on the establishment as the role is in post for a full year.

**Capitalisation of Staff Costs** – Correct time recording can allow staff members costs to be capitalised if their time is spent on a specific capital project.

**Digital Efficiencies** – Services to begin reviewing their ways of working and how this affects the digital and ICT usage. Through effective management changes in ways of working can reduce costs associated with ICT usage.

**Waste Service Review** – Introduction to the change in dry goods recycling, moving from Orange sacks to Hessian bags and splitting the dry goods between tins and plastic and paper and card.

**Leisure Strategy Income** –Leisure Strategy Investments included in the Capital Programme, propose to seek future revenue savings, on the development of King Georges Pavilion, creation on a Football Hub and the refurbishment and competitive leasing of the Community Halls.

**Commercial Income** – The Council continues to embark on embedding commercialisation as an avenue for achieving a significant revenue stream for the Council’s General Fund, but at the same time securing economic development and housing objectives of the Council. Targeted income with lending up to £60 million to Seven Arches Investment Ltd as well as potentially lending up to £60 million to the Joint Venture Brentwood Development Partnership. The Council will lend at market rates around 4% but will look to borrow these funds at a lower rate (currently assumed at 2.5%) achieving a commercial return on lending of 1.5%.

All Services will need to continue to drive through efficiencies and continually review their working practices and operations to deliver efficiency and effectiveness as part of the Council’s Corporate Strategy.

## Reserves

### Background

Section 32 of the Local Government Finance Act 1992 requires local authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating their Council Tax Requirement.

The Section 151 Officer is responsible for providing advice so that decisions taken on reserves represent proper stewardship of public funds. Reserves should be set at a level at least sufficient to meet any unexpected increase in expenditure or shortfall in income in the ensuing year that cannot be met from within the approved budget. Any decision that fails to take into account his advice may require a report to be made to the Council under Section 114 of the Local Government Finance Act 1988

Section 25 of the Local Government Act 2003 includes a duty on the Section 151 Officer to report, at the time the Council Tax is set, on the robustness of the budget calculations as well as the adequacy of the Council's reserves and other matters (included in Section 151 Officer's Assurance Statement)

The Act also provides an enabling power for the Secretary of State to specify a statutory minimum level of reserves (Section 26 of the 2003 Act). The level of reserves is also a factor the External Auditor will consider in appraising the Council's financial standing. In providing advice to the Council on the level of reserves, the Section 151 Officer has also had regard to professional guidance provided by CIPFA

These safeguards are further reinforced through detailed scrutiny by our External Auditors, which includes a methodology to assess the financial performance and standing of the authority

When reviewing Medium Term Financial Strategy and preparing annual budgets, Members should consider the establishment and maintenance of reserves. These may be held for two main purposes:

- As a working balance (or unallocated reserve) to help cushion the impact of unexpected budgetary pressures.
- As a means of building up funds to meet known or predicted requirements and again to prevent significant fluctuations in net budget cost between years (earmarked reserves).

## General Fund Reserves

General Fund reserves consist of several earmarked reserves, together with an unallocated general reserve (General fund Working Balance).

All reserves and balances form part of the General Fund but the Housing Revenue Account balance is specifically 'ring fenced' for use in connection with that account

In addition to the cash-backed reserves described above, local authorities maintain several other reserves in the Balance Sheet. Some are required for statutory reasons and other reserves are required to comply with proper accounting practice. In either case these balances are not available for investment

## General Fund Working Balance

When determining the budget position for 2020/21 Members have to make a balanced judgement as to the level of unallocated reserves to set for general purposes at March 2021 when considering the medium-term position. They should consider the Council's overall financial strategy for the year and the implications for the forward financial position. This is important given the uncertainties surrounding future years' expenditure and income levels, inflation, interest rates, legislative changes, partnership schemes, other external factors, level of Government grant and areas of identified risk

As part of the budget approved in March 2019, a minimum General Fund Working Balance of was agreed. In accordance with best practice, an annual risk assessment is undertaken to check the level required for 2020/21. This assessment has been assessed alongside the Council's strategic Risk register. Calculations show that the assessed level should remain at £2.2million.

Although this report on adequacy of reserves is specific to 2020/21, the Council should bear in mind that adequacy should also be judged against longer-term plans.

The Council is currently predicting the continuation of significant financial pressures every year with the General Fund Reserves further depleted. Whilst it is not permissible or feasible for the Council to rely on the use of reserves on an ongoing basis to balance its budget, it may apply reserves as part of a short-term strategy to manage, for example, a period of transition during which efficiency savings or income generation ideas are identified to provide a longer-term solution. Until the budgets for each year are balanced it is prudent for the Council to maintain a level of reserves in excess of the minimum recommended level. This is the approach that the Council is taking.

In addition to the General Fund Working Balance, the Council keeps several Earmarked Reserves on the Balance Sheet. These Reserves are required in order to comply with proper accounting practice, whilst others have been created to earmark resources for known or predicted liabilities

## Earmarked Reserves

The reserves are grouped into 4 types of reserves

- **Service** – Monies set aside for services from existing budgets to be used on specific investment Initiatives or projects.
- **Trading** – Trading Accounts are held so that over a period of three financial years the account should balance to zero. Any surplus is considered when setting future years fees and charges.
- **Specific** – Monies that the Council has received that have restricted conditions on how the money can be used.
- **Funding** – Earmarked specifically to mitigate financial risks to the Council.

### Service Reserves

**Community Alarms** – funds to be used to develop the community alarm service

**Electoral Registration** – fund to be utilised for any unexpected upcoming elections

**ICT Investment** – for investment in the Councils ICT structure

**High Street Fund** – Held to invest in improving the high streets, generating and retaining economic growth.

**Environmental Initiatives** – specifically set aside to support the green agenda for the Council. Funds will only be draw down once business cases are presented and approved.

**Planning Enforcement** – To aid in supporting the planning enforcement work across the borough.

**Insurance and Risk Management** – To support and mitigate high risks identified through the risk register.

**Economic Development** – To be drawn down in delivering the corporate strategy aim of growing the economy.

**Service Investment and Initiatives Reserve** – to support the Council in mitigating one off costs against the agreed budget for any identified service investment or initiatives in year.

### Specific Reserves

**Brentwood Community Hospital** – contribute to the costs of maintaining the grounds at the former hospital site.

**Community Rights** – Government grant provided to assist in the implementation of the Localism act.



**Nightingale Maintenance** – Meet the cost of grounds maintenance at the housing development site.

**Health & Wellbeing** – Available for projects determined by the Brentwood health & Wellbeing board

**Section 106** – For contributing to costs for public open space improvements

**Neighbourhood Plan** – A carry forward of government grants to be used in the connection with Doddinghurst and West Horndon neighbourhood plans.

**Preventing Homelessness** – to aid in meeting the requirements of homelessness and any legislative changes

**Waste Management** – aiding and developing waste management in the borough

**Play Area** – park improvement funding that was received as a grant to contribute to costs associated with the play area strategy workstreams.

#### Funding Reserves

**Funding Volatility** - Fund to mitigate the uncertainty and financial risks regarding the Government Funding

**Housing Benefit Subsidy** - To support the funding of subsidy claims and the implementation of Universal Credit.

**European Union Exit** - Funds set aside for the necessary preparations required of the Council when the UK exits the EU. Due to the uncertainty around the impact of leaving the EU the funds have been set aside to support any financial pressures the Council may face when leaving.

Currently the table of reserves assumes no drawn down on the reserves set aside for, High Street Fund, Environmental Initiatives, Planning Enforcement and Service Investment and Initiatives. These funds will only be utilised when business cases for the monies specific to these funds are requested and approved. At this point in time, these draw down requests are known and will be reported through regular budget updates.

## General Fund Earmarked Reserve Forecast Balances

Reserve	Opening Balance 2019/20	Forecast Balance 19/20	Balance 20/21	Balance 21/22	Balance 22/23
Funding Volatility Reserve	1,705	1,060	930	930	930
Housing Benefit Subsidy Reserve	150	150	150	150	150
European Union Exit Reserve	117	117	117	117	117
<b>Total Funding Reserves</b>	<b>1,972</b>	<b>1,327</b>	<b>1,197</b>	<b>1,197</b>	<b>1,197</b>
Asset Management Reserve	165	0	0	0	0
Brentwood Community Fund Reserve	9	0	0	0	0
Organisational Transformation Reserve	962	0	0	0	0
Community Alarms Reserve	138	128	118	118	118
Economic Development Reserve	0	300	300	300	300
Electoral Registration Reserve	43	43	43	43	43
Leisure Strategy Reserve	15	0	0	0	0
ICT Investment Reserve	100	50	50	50	50
High Street Fund Reserve	0	200	200	200	200
Environmental Initiatives Reserve	0	100	100	100	100
Planning Enforcement Reserve	0	200	200	200	200
Insurance and Risk Management Reserve	0	25	25	25	25
Service Investment and Initiatives Reserve	0	200	200	200	200
<b>Total Service Reserves</b>	<b>1,432</b>	<b>1,246</b>	<b>1,236</b>	<b>1,236</b>	<b>1,236</b>
Brentwood Community Hospital Reserve	45	45	45	45	45
Community Rights Grants Reserve	38	38	38	38	38
Duchess of Kent/Nightingale Reserve	306	294	282	270	258
Dunton Hills Development Reserve	120	125	0	0	0
Health and Wellbeing Reserve	55	75	75	75	75
Land at Hanover House Reserve	16	16	16	16	16
Neighbourhood Plan Reserve	26	26	26	26	26
Planning Delivery Grant Reserve	55	0	0	0	0
Preventing Homelessness Reserve	153	117	93	69	45
S106 Monies Reserve	7	3	3	3	3
Waste Management Reserve	584	360	360	360	360
Play Area Grant Reserve	12	12	12	12	12
<b>Total Specific Reserves</b>	<b>1,417</b>	<b>1,111</b>	<b>950</b>	<b>914</b>	<b>878</b>
<b>Total General Fund Earmarked Reserves</b>	<b>4,821</b>	<b>3,684</b>	<b>3,383</b>	<b>3,347</b>	<b>3,311</b>

## Council Tax Base

### Council Tax Base calculation

Under section 33 of the Local Government Finance Act 1992 (as amended) and supporting Regulations, the Council must make an annual calculation of its tax base. The tax base is the total number of properties on which Council Tax will be charged expressed as a Band D equivalent, after allowing for discounts, exemptions and losses on collection. The method of calculation is prescribed in the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012

The tax base is used in the calculation of the Council Tax Requirement, to produce the standard amount of Council Tax for a Band D property, in relation to both the Borough and the major precepting authorities.

As in previous years, the calculation of the tax base has been amended to take account of the Local Council Tax Support (LCTS) Scheme. The replacement of Council Tax Benefit with LCTS effectively reduces the tax base as LCTS is provided as a discount against the Council Tax liability rather than a rebate which was previously repaid to the Council via Government Subsidy.

The impact of LCTS, has, in part, been offset by the approved changes to the discounts and exemptions awarded to empty homes. The resultant tax base for 2020/21 is 32,968. This compares to a figure of 32,863.20 for 2019/20. An assumed growth of 0.5% has been included within the MTFP for future years.

The calculation of the Council Tax Base for a given year includes an assumption of the percentage of amounts due which are actually collected. The forecast collection rate has been assumed as 98.5% and has been incorporated within the Medium-Term Financial Strategy calculations.

### Council Tax Technical Changes

At Ordinary Council 22<sup>nd</sup> January 2020, members approved to exercise of powers granted to billing authorities in the Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018, to make amendments to the Council's scheme of council tax premiums chargeable on empty dwellings as follows.

- 100% where empty and substantially unfurnished for more than two years, commencing 1 April 2020
- 200% where empty and substantially unfurnished for more than five years, commencing 1 April 2021
- 300% where empty and substantially unfurnished for more than ten years, commencing 1 April 2022

## Council Tax Reduction Scheme

At Ordinary Council 22<sup>nd</sup> January 2020, members approved to replace the current Council Tax Support (CTS) scheme to a Council Tax Reduction (CTR) scheme. By changing the scheme to a simple table matrix means:

A simpler reduction scheme can easily increase efficiencies for the service.

- Customers should receive a greatly improved simplified journey and will see their Council Tax Reduction as part of the application process, making it more helpful to manage their finances.
- Processing claims and changes in circumstances would reduce to 48 hours to produce a council Tax bill for the customer.
- Bills are sent to customers earlier which allows the maximum number of instalments available to them.
- Long and complicated benefit notification letters will no longer be required.
- Reduces peaks and troughs within workloads
- Emphasise can be focused on collection and recovery.

Implementation of a new Council Tax Reduction Scheme (CTR) will include:

- Pension age customers remain protected from any financial changes.
- Working-age customers will receive a percentage reduction of either 100%, 75%, 50%, or 25%, this depends on the level of their net Income, the Household band they fall into and if the customer or their partner are disabled or they have disabled dependent child resident.
- Singles or Couples with more than 2 children will be restricted to a Council Tax Reduction as if having 2 children.
- Unless the customer or their partner are disabled, or they have disabled dependent child resident all other residents in council tax bands F, G and H are excluded from the scheme.

Other relevant changes to the new Council Tax Reduction Scheme, following results of the consultation.

- To retain the incentive that work pays, the new Reduction scheme will retain an award of 4 weeks' extended Council Tax Reduction to cover the customers first 4 weeks of work.
- A reduction in the maximum level of savings that a working aged customer can hold from £16,000 reduced to £6,000. If more than £6,000 they will not qualify.
- Removing second adult rebate (2AR). Second adult rebate is awarded when a person has a second adult living in their home that is on a low income.

## Council Tax

### Council Tax Requirement

The Council must set its revenue budget and Council Tax Requirement on or before 11 March of the preceding year in accordance with a statutory formula set by Government as described below:

- The amount calculated by the authority under Section 31A of the Local Government Finance Act 1992 as its Council Tax Requirement for the year (this is the net spending on services adjusted for any movements in reserves and transfers to or from the Collection Fund in recognition of a surplus or deficit on that Fund, and includes town, parish and village council precepts);

divided by:

- The amount of the Borough's Council Tax Base calculated in accordance with the 1992 Act and relevant statutory instruments. The tax base for 2020/21 is 32,968 which assumes a 98.5% collection rate (inclusive of sums outstanding from prior years).

This will produce the Basic Amount of Council Tax for the year, which is the combined Borough and Parish Council Tax level at Band D.

The Council must then determine whether its 'relevant' Basic Amount of Council Tax, i.e. adjusted to exclude the element relating to, Parish precepts, is 'excessive'. The Secretary of State has indicated that, for 2020/21 for District/Borough councils, any increase of 2% or £5 (whichever is the greater) more than the equivalent figure for 2019/20 would be considered excessive.

If the Council determines that its proposed relevant Basic Amount of Council Tax is excessive, then it must also make substitute calculations that produce an amount which is not excessive and put both amounts to a local referendum. More information on this option is given below.

The council tax level consists principally of the Collection Fund precepts of the major preceptors and Brentwood Borough Council. This is the basic amount required by each authority to provide its budgeted level of service after allowing for government grant, use of reserves and that authority's share of any surplus or deficit on the Collection Fund. In addition to the precepts of the principal authorities, there will be further precepts for the 9 parishes.

The estimated balance on the Collection Fund at 31 March 2020 is required to be considered in the calculation of the Council Tax level for 2020/21. The calculation of the balance must be notified no later than 31 January to the major precepting authorities, who are each responsible for their share of any balance. Further information is given in the Collection Fund Section of this report.

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## Council Tax Increase options

By increasing the Council Tax by £5 or 2% for 2020/21 there is a cumulative effect for future years and applying the same increase in future years the Council would be able to increase income as well as its budget base by

Year	0% Increase in Council Tax £'000	2% Increase in Council Tax £'000	£5 Increase in Council Tax £'000
2020/21	0	124	165
2021/22	0	249	331
2022/23	0	374	497

The MTFs assumes that Council Tax is increased by £5.00 The impact of the other options as follows. By increasing Council Tax by £5 for 2020/21 band D equivalent increases, from £188.63 to £193.63. This equates to 10p increase per week for a band D property.

### Financial Impact of Council Tax Increase options.

	2020/21 £'000	2021/22 £'000	202/23 £'000
Funding Gap before Council Tax Options	165	527	889
<b>Options – Funding Gap Impact</b>			
0% increase	0	0	0
2% increase	(124)	(125)	(125)
£5.00 increase	(165)	(166)	(166)
<b>Funding Gap after Council Tax Options</b>			
0% increase	165	527	889
2% increase	41	402	764
£5.00 increase	0	361	723
<b>Working Balance Impact</b>			
0% increase	2,739	2,212	1,323
2% increase	2,863	2,461	1,697
£5.00 increase	2,904	2,543	1,820

By increasing Council Tax by £5.00, this has a cumulative effect on General Fund working balances of £497k over 3 years.

The above excludes Parish Councils, Parish Councils are not subject to the referendum limit.

## Brentwood Bandings Council Tax

Below, is the increase on the, Council Tax element retained by the Council per banding of property, if the Council Tax is increased by £5 for a Band D Property. These exclude any other precepts and parish precepts.

	A	B	C	D	E	F	G	H
2019/20	125.75	146.71	167.67	188.63	230.55	272.47	314.38	377.26
Proposed Rate	129.09	150.60	172.12	193.63	236.66	279.69	322.72	387.26
Increase	3.34	3.89	4.45	5.00	6.11	7.22	8.34	10.00
Weekly increase	0.06	0.07	0.09	0.10	0.12	0.14	0.16	0.19

## Collection Fund

### Council Tax

Following a calculation of the income and expenditure in the Collection Fund relating to Council Tax for this year, it is estimated that there will be an accumulated surplus of £319,384 to be distributed in respect of Council Tax by 31 March 2020.

### Estimated Collection Fund Surplus Distribution

Authority	Amount £
Brentwood Borough Council	37,663
Essex County Council	233,037
Police and Crime Commissioner	35,395
Essex Fire Authority	13,289
Total	319,384

The Council must take the amount of £37,663 into account when it sets its element of the Council Tax for 2020/21.

This transaction is covered by legislation. Since the Council Tax receipts collected have exceeded our forecast there is additional income. This has to be shared amongst all precepting authorities in accordance with their original precept value (for Brentwood Borough Council that equates to about 12%). This amount must then be included within the budget for 2019/20 to reduce our Council Tax Requirement for that year.



## Retained Business Rates

It is estimated that there will be a deficit of £274,017, of which Brentwood Borough Council's share is £109,607.

## Estimated Business Rates Collection Fund Deficit Distribution

Authority	Amount £
Brentwood Borough Council	109,607
Essex County Council	24,661
Essex Fire Authority	2,740
Central Government	137,009
Total	274,017

The Business Rates retention figure represents the Council's share (40%) of the total amount collected from local businesses, less a tariff payment to central government. The deficit has to be shared amongst the authorities and then included within the budget for 2020/21 to reduce General Fund Working Balance by the deficit amount. The deficit is mainly due to the emerging trend during 2018/19 of offices being converted to flats and primary employers leaving the Brentwood area resulting in a loss of business rates yield.