

Committee(s): Policy Resources and Economic Development	Date: 3 rd February 2021
Subject: Budget 2021/22	Wards Affected: All
Report of: Jacqueline Van Mellaerts, Corporate Director of Finance & Resources	Public
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Summary

This report and appendices sets out all the relevant information in support of setting the Councils Budget for General Fund services and Council Tax for 2021/22, together with financial forecast information through to 2023/24. Also included is information on the Housing Revenue Account (HRA) budget for 2021/22 and the Capital Programme 2021/22 to 2023/24.

- (i) Appendix A - The General Fund budget proposals for 2021/22 to 2023/24.
- (ii) Appendix B - The Housing Revenue Account (HRA) budget proposals for 2021/22 onwards.
- (iii) Appendix C - The Capital and Investment Strategy for 2021/22 including the Councils capital Programme 2021/22 to 2023/24
- (iv) Appendix D - Fees & Charges Schedule 2021/22
- (v) Appendix E - Pay Policy Statement
- (vi) Appendix F - Section 151 Officers Assurance Statement.
- (vii) Appendix G: Corporate Strategy Budget Summary

The Policy, Resources and Economic Development Committee is required to consider the proposals and make recommendations to Ordinary Council for approval on 24th February 2021

The figures presented summarise the detailed service budgets, together with known adjustments including the impact of the provisional central government grant funding along with financial implications of COVID-19.

The key elements of the proposed budget are:

General Fund

- 1) To remove the forecasted General Fund budget gap of £1m to 2022/23 and increase working balances to sustainable levels above the minimum.
- 2) 0% increase in Council Tax for 2021/22 for Brentwood Council services.
- 3) Increasing Earmarked Reserves to set aside appropriate balances to mitigate future financial risk.
- 4) Future uncertainty of Local Government Financing.

Housing Revenue Account

- 1) For 2021/22 a budget that delivers a small surplus of £434k.
- 2) Increase in rents of CPI plus 1% per annum; equating to 1.5%.
- 3) Continued investment in the delivery of Decent Homes and Development of Housing within the Borough.
- 4) Significant investment in the Strategic Housing Delivery Program ensuring the 30 year business plan is sustainable.

Capital

- 1) Total capital investment of £8.5 million in 2021/22
- 2) Subsequent investment of £2.4 million pa from 2022 to 2024.

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 24th February 2021.

R2. Recommend that Council Tax has a 0% increase for 2021/22, the charge of Band D property remaining at £193.63 per annum for Brentwood Council services only.

R3. Approve proposals for the HRA budget 2021/22 including the 30 year HRA Business Plan within Appendix B and recommend to Ordinary Council for approval on 24th February 2021

R4. Approve an increase to rents for 2021/22 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 24th February 2021.

R6. Approve the Fees & Charges Schedule in Appendix D and recommend to Ordinary Council for approval on 24th February 2021.

R7. To note the Pay Policy Statement in Appendix E and recommend for approval at Ordinary Council on 24th February 2021.

R8. To note the Section 151 Officers Assurance Statement in Appendix F when recommending all for approval to Ordinary Council on 24th February 2021.

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 2021/22. Key issues have been summarised in this report by way of background.
2. All figures in Appendix A should be considered to be draft at this stage. The final local government finance settlement has not yet been issued. It is expected at the end of January or early February.

Financial Implication of the Pandemic

3. During the past year, the COVID pandemic has had a significant financial impact on the council in its role as community leader.
4. This has included the direct costs of managing COVID 19 activities, supporting businesses and protecting the vulnerable. This is in respect of a wide range of areas, particularly building and co-ordination of the community and business support response, payment of grants and business reliefs, supporting testing and vaccinations, and encouraging the adoption of the Government's COVID 19 guidelines.
5. In accordance with COVID restrictions, the council has suspended a number of revenue generating services mainly including leisure facilities. It has also experienced material contraction in other income streams as the community has adapted to new working practices and lockdown restrictions e.g. parking, trade waste, building control.
6. The estimated impact on the council of additional expenditure and reduced income in 2020/21 is approx. £3.4 million. To offset this, the Government has provided a total of £0.982million in grants. In addition, an income compensation scheme for lost sales and fees and charges has been put in place, which is anticipated to compensate the council for around £0.900 million in lost income.
7. Looking forward into 2021/22 and the future, there is optimism the situation will improve with the continued roll out of the vaccination programme, however, there remains significant uncertainty and ongoing financial risk.
8. The council will continue to support its residents and businesses through these challenging times, particularly the vulnerable and those in need of significant

intervention to ensure they are protected. Alongside this the council is working with communities to support the pandemic recovery.

9. As part of the draft financial settlement the council has been awarded £0.309 million in additional COVID support and the Government has announced the continuation of the income compensation scheme into the first quarter of 2021/22. The income loss is estimated to be in the region of £0.25 million.
10. In addition to this grant funding, the council is anticipating to provide a specific COVID Earmarked Reserve of £0.400 million from the 2020/21 outturn. This will be available to support other costs and income shortfalls that arise.
11. The impact of the pandemic can obviously not be accurately assessed and is dependent on many factors outside the control of the council. This will be monitored on an ongoing basis and resources may need to be re-prioritised from other service areas or additional support appropriated from reserves. Central Government has also stated it will keep the level of local authority support under review.
12. The budget has been based on the delivery of normal operations. It is unlikely that normal operations will resume fully for a considerable period of time to come. The financial pressures arising from this situation will be managed within the grants and contingencies mentioned above. Should these prove not to be sufficient it may be necessary to reprioritise the use of resources during the year.

Government Funding

13. 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.
14. The financial position and the Council's total Government funding is detailed within Appendix A for the General Fund, which continues to reflect the ongoing reductions and uncertainty 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.

Council Tax

15. This committee is to recommend to Council to freeze the Council Tax for 2021/22 per band D property at 2020/21 levels. The Band D charge will remain at £193.63 per annum. The government has assumed in its forecast of Local Authority spending power that Council Tax will increase by 2%.

General Fund

16. The continued significant reduction in Government Funding and the pressures of COVID-19 means that 2020/21 is forecasted to be in a deficit position. However through proposed savings and Investment Targets, the Council is expected to balance its 2021/22 budget and increase surpluses to strengthen the working balance position for future years. This is outlined below in Table 1.

Table 1 – General Fund Revenue projected Working balances.

	2019/20 Actual £'000	2020/21 Forecast £'000	2021/22 Budget £'000	2022/23 Budget £'000	2023/24 Budget £'000
Total General Fund Net Expenditure	8,670	11,043	8,570	8,118	7,700
Total Funding	(8,670)	(10,682)	(8,810)	(8,322)	(7,846)
Deficit/(Surplus)	0	361	(240)	(204)	(146)
Working Balance b/fwd	3,117	3,117	2,756	2,996	3,200
(Deficit)/Surplus	0	(361)	240	204	146
Working Balance c/fwd	3,117	2,756	2,996	3,200	3,346

17. However, 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

18. In delivering the proposed budget for 2021/22 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 Councils Corporate Strategy. These are summarised in Appendix A and Appendix C.
19. 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 2021/22 and working balance surpluses. These are detailed with Appendix A.

Reserves

20. Appendix A summarises the overall level of General Fund Reserves and reflects the realignment of reserves to meet current and anticipated investment requirements.

Housing Revenue Account

21. Appendix B sets out the full detail on all the relevant considerations in respect of setting the HRA budget for 2021/22
22. 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.
23. 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

24. As well as detailing the Councils capital programme this strategy (Appendix C) sets out the capital and investment arrangements for 2021/22. This strategy includes the Council's treasury management which relates to the Councils borrowing and investment activities and the effective management of these.
25. This strategy details the levels and boundaries officers must work within in delivering effective financial management of investing and borrowing for Council finances.
26. The full capital programme and detail schemes are also outlined in Appendix C.

Fees & Charges

27. Proposed Fees and Charges have been taken to the appropriate Council Committee during the financial year 2020/21. The agreed fees and charges for 2021/22 have been collated together to form Brentwood Borough Councils Fees and Charges Schedule attached as Appendix D.

Pay Policy

28. 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

29. 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.
30. 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 2021/22 an increase of 2% or £5 which is higher would be excessive and require a positive vote in a referendum.
31. 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

32. Effective financial management underpins all of the priorities for the Council and will enable the Council to operate within a sustainable budget environment.

33. The Council is required to approve the Budget as part of the Budget and Policy Framework

References to Corporate Strategy

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

Implications

Financial Implications

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

Legal Implications

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36. 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.

37. 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

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38. 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

39. None

Appendices to this report

Appendix A: General Fund Budget 2021/22

Appendix B: Housing Revenue Account Budget & 30-year Business Plan 2021/22

Appendix C: Capital and Investment Strategy 2021/22

Appendix D: Fees & Charges Schedule

Appendix E: Pay Policy Statement

Appendix F: Section 151 Officers Assurance Statement

Appendix G: Corporate Strategy Budget Summary