



**BRENTWOOD
BOROUGH COUNCIL**

Brentwood Borough Council
General Fund Budget
2021/22

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Medium Term Financial Strategy 2021/22

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

This section sets out the key considerations for the MTFS together with the budget position through to 2023/24. The forecasts should be treated with caution because:

- 1) The settlement for 2021/22 is for one year only;
- 2) A formal review of the New Homes Bonus scheme was scheduled for Spring 2020 but has been postponed due to the pandemic. The budget and financial forecast assume continuation of the current scheme.
- 3) In April, the Secretary of State announced that the increased share of business rates locally (from 50% to 75%) would not now be introduced in 2021/22. No alternative date was indicated and no further information has been provided at this stage. The structure of the 75% proposals is still at an early development stage only.
- 4) The announcement postponed the Fair Funding Review to a date unknown. Baseline funding, i.e. the shares of funding for local government between tiers and between individual authorities, is assumed therefore to remain in real terms at the levels set in 2013/14.
- 5) The baseline for business rates retention was due to be reset for all authorities in 2020/21. In November, the Spending Review confirmed that this is to be deferred. The draft budget and financial forecast therefore assumes a continuation of the present baselines and full retention of local shares of growth, but there is still no certainty for any year beyond 2021/22.
- 6) The business rate multiplier would be frozen in 2021/22. It is unlikely that any other significant changes will take place until 2022/23 or later.
- 7) In response to Covid-19, the existing scheme of retail discounts was considerably expanded, removing rate liability altogether for the whole of 2020/21 for most retail, hospitality and leisure businesses, for nursery schools and for certain other ratepayers. All these concessions, including most non-Covid-19 reliefs, are due to expire in March 2021 and have been forecasted on that basis.

- 8) In July 2020, the Government announced that the 2017 Rating List will be revalued with effect from April 2023 based on a formal review of market conditions (rent levels, etc.) prevailing in April 2021, assuming a recovery by then from the influence of Covid-19. No allowance has been made in the forecast for any change in local business rates income from 2023/24.
- 9) There is continued uncertainty over the financial impact of the pandemic on the council. The budget has been prepared on the basis of normal business and issues will therefore be dealt with as they arise during the year.

Taking the above into consideration, the assumptions used to forecast future income and expenditure are prudent and realistic.

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 in 2020/21. However through proposed savings and Investment Targets, the MTFs is expected to balance its 2021/22 budget and increase surpluses to strengthen the working balance position for future years. This is outlined below.

Table 1 – General Fund Summary

	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

Outturn 2020/21

The Medium Term Financial Forecast reflects the latest outturn projections regarding the delivery of the 2020/21 budget.

The outturn for 2020/21 is dominated by the impact of the pandemic on the council's financial position. 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 £0.982 million 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 £0.9 million in lost income.

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, due to the surplus cash within local government. 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. Due to these underspends the Council is expecting to breakeven for 2020/21.

However, the Council is expecting to contribute towards earmarked reserves to mitigate future financial risks of the pandemic for 2021/22 and any pressures that may arise in conjunction with providing leisure facilities at the Brentwood Centre.

Taking all this together means that the council is currently forecasting a deficit of £361k in 2020/21.

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 Appendix)

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
- Leisure Strategy
- Digital Strategy
- Asset Management
- Seven Arches Investment Limited business plan
- Other Regeneration 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 key 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 maintaining working balances and mitigating risk. This will be addressed primarily through:

- 1) Generating income through regeneration activity and redevelopment within the borough.
- 2) The ongoing review and redesign of services which includes an organisational review of the establishment.
- 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 and The Section 151 Officers Assurance 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 2021/22 budget is balanced and surpluses arise to replenish the General Fund working balance as well as future years which could rise to £3.3m by 2023/24, whilst also contributing to earmark reserves to mitigate future financial risk.

Forecasts beyond 2021/22 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) **Rebasing** - Services have had their expenditure rebased in line with current costs of service.
- 2) **Realigning** - Services budgets have been realigned to ensure the base budget correctly reflects the current service provision.
- 3) **Inflation** - 1.9% has been applied to contractual obligations.
- 4) **Establishment** - There is a pay award assumption of 2% per annum; plus incremental drift. Pay Award will be deferred until later in the year to review NJC outcome.
- 5) **Income** - increases, associated with increasing fees & charges by 2% and revisiting demand, ensuring cost recovery basis
- 6) **Funding** - Funding adjustments considering the Provisional Local government Finance Settlement.
- 7) **Growth** - required to budgets as per budget bids being submitted by budget managers and agreed by Senior Leadership Team.
- 8) **Recharges to the HRA** - are revisited on an annual basis and the allocation is revised on the proposed budget.
- 9) **Reserves** – Contributions to/from Earmarked Reserves
- 10) **Non Service** – Predominantly Capital Financing, Interest on borrowing for funding the capital program are reviewed annually and updated on revised business and project plans. Minimum Revenue Provision is recalculated based on the policy as set out within the Capital and Investment Strategy.

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 financial implications of COVID-19 or any other factors that may affect funding.

Table 2 - Summary of changes to the Base Budget

	2021/22 £'000	2022/23 £'000	2023/24 £'000
Funding Gap b/wd	361	723	723
Add:			
Rebasing (1)	(223)	(238)	(305)
Realigning (2)	808	830	846
Inflation (3)	43	55	105
Establishment (4)	152	6	283
Increase in Income (5)	(1,118)	(1,803)	(2,038)
Funding Adjustments (6)	(86)	432	910
Growth (7)	238	208	208
Recharges to HRA (9)	(237)	(261)	(287)
Reserves	2,716	1,797	1,518
Non Service	(2,894)	(1,953)	(2,109)
Total	(240)	(204)	(146)
Revised Working Balance b/wd	2,756	2,996	3,200
(Deficit)/Surplus	240	204	146
Revised Working Balance c/wd	2,996	3,200	3,346

Government Funding

Provisional Local Government Finance Announcement

The Provisional Local Government Finance Settlement for 2021/22 was announced on 17 December 2020.

The 2021/22 local government finance settlement is for one year only. It is based on the Spending Round 2020 funding levels, with individual authority allocations based upon Spending Review 2015 and subsequent funding announcements.

Key headlines from the settlement are outlined below:

- **Council Tax** - The provisional settlement confirmed districts/boroughs will be allowed to apply the higher of the referendum limit of 2% or £5.
- **New Homes Bonus** - The 2021/22 new Homes Bonus allocations have been announced. These will be paid with the legacy payments due from previous years (2018/19 to 2019/20). As like last year there will be no legacy payments for the 2021/22 in year allocations. The deadweight of 0.4% was maintained.
- **Top Up/Tariff Adjustments (Negative RSG)** - As in previous years, the government has decided to eliminate negative RSG amounts, this is to be funded through its share of business rates.
- **Business Rate Retention** - The three elements of the Business Rates Retention system (Baseline Need, NNDR Baseline and Tariff / Top Up amounts) have been frozen, as announced at the Spending Round 2020.
- **Lower Tier Service Grant** – A new unringfenced lower tier services grant of £111m has been established. Brentwood's allocation is £71k.
- **COVID-19 Funding** - £2.2bn of funding was announced to support local government in 2021/22. Brentwood's allocation was £309k.
- **Local Government Funding reform** – Fair funding review has been postponed to a date yet unknown.

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 2021/22, the Council is due to receive £0.529m in New Homes Bonus Grant. 2021/22 In year allocation will not have future years legacy payments. The profile of the Grant payments

is outlined below. The government has restated its intention to review and reform the scheme but no details have yet been provided. It is considered prudent, therefore, not to forecast any further income arising from this scheme until the position is clear.

Table 3 – New Homes Bonus Grant

	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24
	£'000	£'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			
Yr 11											19		
TOTAL	255	469	799	1,215	1,456	1,623	1,155	410	678	688	529	509	0

* 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 2021/22, the Council will continue to treat the grant funding as general financial support.

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 2021/22 and future year is outlined below.

Table 4 – Business Rates Retention

	2020/21	2021/22	2022/23	2023/24
	£'000	£'000	£'000	£'000
Business Rates Retention	1,800	1,634	1,535	1,535

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 2021/22 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.

Table 5 - Summary of Government Funding

	2017/18 Actual £'000	2018/19 Actual £'000	2019/20 Actual £'000	2020/21 Forecast £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
Revenue Support Grant	233	Nil	Nil	Nil	Nil	Nil	Nil
Tariff-Top Up Adjustment	Nil	Nil	Nil	Nil	Nil	Nil	Nil
News Homes Bonus	1,155	410	678	688	529	509	Nil
Lower Tier Service Grant	Nil	Nil	Nil	Nil	71	Nil	Nil
Covid-19 Funding	Nil	Nil	Nil	982	309	Nil	Nil
Total	1,388	410	678	1,670	909	509	Nil
Business Rates Retention	1,798	2,220	1,800	1,800	1,634	1,535	1,535
Business Rates Levy Account	Nil	Nil	25	Nil	Nil	Nil	Nil
Total	3,186	2,630	2,503	3,470	2,543	2,044	1,535

Since 2017/18 to 2023/24 Government Funding without including Business Rates Retention shows a reduction of £1.388m, 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

Table 6 – General Fund Revenue Budget

	2020/21 Forecast £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
Growing Our Economy	1,318	1,180	1,208	1,236
Protecting Our Environment	2,521	1,522	1,552	1,625
Developing Our Communities	1,097	1,019	1,028	1,053
Improving Housing (GF)	68	(612)	(1,139)	(1,185)
Delivering an Effective and Efficient Council	5,643	4,885	4,815	4,749
Total Corporate Priorities	10,647	7,994	7,463	7,478
Total Non-Service Expenditure	18	(2,127)	(1,130)	(1,284)
Total Cost of Services	10,665	5,867	6,333	6,194
Transfer to/(from) Reserves	378	2,703	1,785	1,506
<u>Total Spending Requirement</u>	<u>11,043</u>	<u>8,570</u>	<u>8,118</u>	<u>7,700</u>
<u>Funding</u>				
New Homes Bonus	(688)	(529)	(509)	0
Business Rates Retention	(1,800)	(1,634)	(1,535)	(1,535)
Other Non-Specific Grants	(1,882)	(379)	0	0
Collection Fund Deficit	72	170	192	192
Council Tax Requirement - 0% Increase	(6,384)	(6,438)	(6,470)	(6,503)
<u>Total Funding</u>	<u>(10,682)</u>	<u>(8,810)</u>	<u>(8,322)</u>	<u>(7,846)</u>
Total Deficit/(Surplus)	361	(240)	(204)	(146)
General Fund working balance Brought Forward	3,117	2,756	2,996	3,200
Total (Deficit)/Surplus	(361)	240	204	146
General Fund working balance Carried Forward	2,756	2,996	3,200	3,346

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 2021/22 and future years.

Table 7 - Proposed Saving Targets

Proposed Saving Targets	2021/22 £'000	2022/23 £'000	2023/24 £'000
Corporate Vacancy Factor/Organisation Review*	(426)	(435)	(445)
Capitalisation Staff Costs *	(50)	(50)	(50)
Digital Efficiencies*	(20)	(20)	(20)
Waste Service Review*	(180)	(180)	(180)
Total Efficiency Targets	(676)	(685)	(695)
Leisure Strategy Income*	Nil	(150)	(300)
Investment Income*	(1,660)	(1,660)	(1,660)
Total Income Generation Targets	(1,660)	(1,810)	(1,960)
Strategic Employment Acquisition	(1,351)	(968)	(951)
Housing Delivery Model	(759)	(1,293)	(1,240)
Total Asset Delivery	(2,110)	(2,261)	(2,191)
Total Saving Targets	(4,446)	(4,756)	(4,846)

*Previously in part incorporated within the 2021/22 base budget

Summary of these savings targets are detailed below:

Corporate Vacancy Factor/Organisation Review – to align budgets and encourage managers to deliver a natural saving when recruiting new members of staff. Delay in recruitment processes so that it is not detrimental to the service can achieve a saving on the establishment as the role is in post for a full year. Undertake an organisational review on the establishment to ensure the resources best meet the organisation requirements to deliver the Corporate Strategy whilst making pay scales competitive within the County.

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 continue to maintain 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 – Maintain efficiencies to the change in dry goods recycling, moving from the non-environmental friendly 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. This income has been deferred slightly due to delays following the pandemic.

Investment Income – The Council continues to achieve a significant revenue stream for the Council's General Fund, but at the same time securing economic development and housing objectives of the Council. The Council loans £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 lends at market rates around 4% but borrow these funds at a lower rate (currently assumed at 1.6%) achieving a return on lending of 2.4%.

Strategic Employment Acquisition – The Council intends to purchase strategic sites within the borough for redevelopment and maintain employment.

Housing Delivery Model – To assist the Council to meet its housing delivery needs whilst making a long term income stream.

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 5 of the Council's Financial Regulations sets out the arrangements for managing and establishing reserves. 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 this advice may require a report to be made to the Council under Section 114 of the Local Government Finance Act 1988

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 2021/22 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 2020, 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 2021/22. This assessment has been assessed alongside the Council's strategic Risk register. Calculations show that the assessed level should be at £2.5million.

Although this report on adequacy of reserves is specific to 2021/22, 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 due to the decrease in Government Funding. 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

- **Mitigation** – Earmarked specifically to mitigate financial risks to the Council.
- **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 specific restrictions on how the money can be used.

Mitigation Reserves

- a) **COVID-19** – To support the Council with the uncertainty of the pandemic recovery.
- b) **Funding Volatility** - Fund to mitigate the uncertainty and financial risks regarding the Government Funding
- c) **Housing Benefit Subsidy** - To support the funding of subsidy claims and the implementation of Universal Credit.
- d) **Insurance and Risk Management** – To support and mitigate high risks identified through the risk register.
- e) **Financing Volatility** – mitigate future financial risk following strategic acquisitions and SAIL investments.
- f) **In Borough Regeneration** – Specifically set aside to mitigate future financing risk on redevelopment of Town Centre project.

Service Reserves

- g) **Asset Management** – Support Asset management team for reactive compliance works.
- h) **Brentwood Centre** – Set aside to support the management of the Brentwood centre
- i) **Economic Development** – To be drawn down in delivering the corporate strategy aim of growing the economy.
- j) **Electoral Registration** – fund to be utilised for any unexpected upcoming elections
- k) **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.
- l) **High Street Fund** – Held to invest in improving the high streets, generating, and retaining economic growth.
- m) **Legal Resource** – To support legal services with unexpected case work.
- n) **Local Election** – Carry forward 2020/21 budget as local elections were postponed.
- o) **Planning Enforcement** – To aid in supporting the planning enforcement work across the borough.

- p) **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

- q) **Community Rights** – Government grant provided to assist in the implementation of the Localism act.
- r) **COVID-19 Support Grants** – Grants received to support COVID-19 resources.
- s) **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.
- t) **Health & Wellbeing** – Available for projects determined by the Brentwood health & Wellbeing board
- u) **Neighbourhood Plan** – A carry forward of government grants to be used in the connection with Doddinghurst and West Horndon neighbourhood plans.
- v) **Preventing Homelessness** – to aid in meeting the requirements of homelessness and any legislative changes
- w) **Section 106** – For contributing to costs for public open space improvements; maintaining grounds from previous S106 receipts.
- x) **Waste Management** – aiding and developing waste management in the borough.

Table 8 - General Fund Earmarked Reserve Forecast Balances

Reserve	Opening Balance 2019/20	Forecast Balance 20/21	Balance 21/22	Balance 22/23	Balance 23/24
COVID-19 Volatility	0	400	709	709	709
Housing Benefit Subsidy	150	150	150	150	150
Insurance and Risk Management	25	25	25	25	25
In Borough Regeneration	0	0	1,022	1,900	3,018
Financing Volatility	0	0	1,500	2,500	2,900
Funding Volatility	1,345	1,231	1,231	1,231	1,231
Total Mitigation Reserves	1,520	1,806	4,637	6,515	8,033
Asset Management	165	165	165	165	165
Brentwood Centre	0	200	200	200	200
Brentwood Community Fund	2	0	0	0	0
Community Alarms	112	0	0	0	0
Economic Development	300	300	270	270	270
Electoral Registration	43	43	43	43	43
Environmental Initiatives	100	92	44	0	0
High Street Fund	200	200	200	200	200
ICT Investment	100	0	0	0	0
Legal Resource	0	100	100	100	100
Local Election	0	70	0	0	0
Planning Enforcement	200	200	200	200	200
Service Investment and Initiatives	200	194	194	194	194
Total Service Reserves	1,422	1,564	1,416	1,372	1,372
Community Rights Grants	38	38	38	38	38
Covid-19 Support Grants	29	131	131	131	131
European Union Exit	153	53	53	53	53
Dunton Hills Development	15	0	0	0	0
Health and Wellbeing	61	61	61	61	61
Neighbourhood Plan	26	26	26	26	26
Planning Delivery Grant	53	0	0	0	0
Play Area Grant	12	0	0	0	0
Preventing Homelessness	119	101	64	28	28
S106 Receipts	361	349	337	325	313
Waste Management	595	275	275	275	275
Total Specific Reserves	1,462	1,034	985	937	925
Total General Fund Earmarked Reserves	4,404	4,404	7,039	8,824	10,330

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 2021/22 is 33,250.30. This compares to a figure of 32,968 for 2020/21. An assumed growth of 0.5% has been included within the Medium Term Financial Strategy 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

No changes from last year have been proposed.

Council Tax Reduction Scheme

The arrangements provide for a banded scheme that is easier for customers to apply for and simpler for officers to administer. The basis of the reduction scheme is a calculation based on household income compared with household size, up to a maximum of 100%. The application process is through a simple intelligent online form which, once completed, will make it clear to the customer where they fall within the scheme.

The main elements of the scheme are:

- Entitlement is based on a banded table which compares household income and the members of a household
- Depending on the level of their net income and the household band they fall into,

- working-age customers will receive a percentage reduction of either 100%, 75%, 50%, or 25% 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
- Residents with over £6,000 in savings are unable to claim
- Pension age customers remain protected

At Ordinary Council on 20th January, members approved in addition, the scheme for 2021/22, will contain the following additional elements

- Where an apprentice earns more than £195.01 but less than £300 per week and they are the only other adult in a property, they can be disregarded for Council Tax purposes for the term of their apprenticeship – this is to support single parents and school leavers into employment

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 2021/22 is 33,250.30 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 2021/22 for District/Borough councils, any increase of 2% or £5 (whichever is the greater) more than the equivalent figure for 2020/21 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 within the Borough of Brentwood.

The estimated balance on the Collection Fund at 31 March 2021 is required to be considered in the calculation of the Council Tax level for 2021/22. 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.

Precepts and Council Tax Levels

The Council is required by law to approve a council tax requirement for the Council's services and to set the council tax to be levied in the Borough, after taking account of the following preceptors:

- Essex County Council - issues the largest precept on Brentwood's collection fund which means they receive around 70% of Council Tax (before local precepts). The County Council is scheduled to meet on 11 February 2021 to agree its precept.
- The Police, Fire and Crime Commissioner for Essex - is an independent body and is responsible for setting its own budget. The Police and Crime Panel will meet in January 2021 (date to be confirmed) to agree its precept. The precept in respect of the fire service is also due in January 2021 (date to be confirmed).
- Local Parish, Town and Village Councils. - are separate and autonomous bodies within the Borough that approve their own spending and precept levels for each financial year. The precept for each parish, town and village council has to be included as part of the Borough Council's net overall Council Tax requirement. They are added to the statutory calculation as an average for the Borough as a whole but are levied only in the areas of the Borough affected, according to their precept requirements. Where a precept demand has not been received by the date of the council tax setting meeting an anticipated amount is used as permitted by legislation.

Below, is the projected Council Tax element retained by the Council per banding of property, which has been set at a 0% increase from 2020/21. These exclude any other precepts and parish precepts.

Table 9 – Proposed Brentwood Borough Council Bandings 21/22

Band D Brentwood	A	B	C	D	E	F	G	H
2021/22	129.09	150.60	172.12	193.63	236.66	279.69	322.72	387.26

The table below compares Parish, Town and Village Council precepts for 2021/22 with 2020/21. This table will be updated for Full Council when all Parish Precepts have been received.

Table 10 – Comparison of Parish Precepts

Parish	Tax Base for Area Band D equivalent	Precept 2020/21 £	Precept 2021/22 £	Change %
Blackmore	1,505.30	86,330.00	97,421.00	12.85%
Doddinghurst	1,198.90	75,175.00	76,014.00	1.12%
Herongate	1,053.90	48,000.00	48,000.00	0.00%
Ingatestone and Fryerning	2,381.80	173,839.00	173,839.00	0.00%
Kelvedon	1,070.40	77,365.00	90,023.00	16.36%
Mountnessing	590.50	38,060.00	40,000.00	5.10%
Navestock	245.30	22,000.00	22,000.00	0.00%
Stondon Massey	340.60	22,852.50	23,995.00	5.00%
West Horndon	683.10	32,500.00	32,500.00	0.00%
Total	9,069.80	576,121.50	603,792.00	4.80%

The table below sets out all the Band D calculations across the major and local preceptors and shows the percentage change compared with 2020/21. This table will be updated for Full Council when all Parish Precepts have been received.

Table 11 – Proposed Band D Calculations

Parish	Band D	Band D	Change	Change
	2020/21 £	2021/22 £	£	%
Brentwood Council Only	193.63	193.63	0	0.00
Essex County Council	1,321.11	1,340.91	19.8	1.50
Police, Fire and Crime Commissioner for Essex	198.63	208.53	9.9	4.98
Essex PFCC Fire and Rescue Authority	73.89	73.89	0	0.00
Blackmore	57.75	64.72	6.97	12.07
Doddinghurst	62.45	63.4	0.95	1.52
Herongate	45.21	45.55	0.34	0.75
Ingatestone and Fryerning	73.2	72.99	-0.21	-0.29
Kelvedon	72.33	84.1	11.77	16.27
Mountnessing	65.02	67.74	2.72	4.18
Navestock	90.35	89.69	-0.66	-0.73
Stondon Massey	69.27	70.45	1.18	1.70
West Horndon	48.98	47.58	-1.40	-2.86

Collection Fund

Background

The Collection Fund is the account into which all council tax and business rate income is paid before being distributed to precepting authorities and central government. It is managed by this Council as the billing authority.

Within the Collection Fund, the accounts for council tax and business rates are separated.

Distribution of Collection Fund Balances

Council Tax and Business Rate income for any particular year is distributed over a three year cycle based on information known at the time of calculating the Council Tax Requirement.

A surplus on the Collection Fund arises when actual income collected is greater than the original estimate; conversely when, actual income is lower than estimated a deficit on the Collection Fund occurs. This surplus or deficit is distributed at a later stage with the difference between the original estimate and the revised estimate normally being accounted for in the following year and the difference between the revised estimate and the actual outturn being accounted for in the year after that. However, due to the impact of Covid-19 in 2020/21, the regulations have been amended to allow the spreading of the 2020/21 deficit over the following three years.

Council Tax

It is estimated that by 31 March 2021, the balance on the Collection Fund (including that attributable to preceptors) for Council Tax will be a surplus of £0.146 million. Of this, £0.138m relates to the remaining deficit for 2019/20 to be distributed in 2021/22. Although the Council has seen a decline in collection during 2020/21 plus an increase in Council Tax Relief claimants as a direct result of Covid-19; there is estimated surplus balance of £0.285m for 2020/21.

Since the total 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 11.6%). This amount must then be included within the budget for 2021/22 to reduce our Council Tax Requirement for that year, the breakdown to the precepting authorities are shown below.

Table 12 - Estimated Collection Fund Surplus Distribution

Authority	Amount £
Brentwood Borough Council	(17,101)
Essex County Council	107,020)
Police and Crime Commissioner	(16,090)
Essex Fire Authority	(5,986)
Total (Surplus)/Deficit	(146,197)

Business Rates

It is estimated that by 31 March 2021, the balance on the Collection Fund (including that attributable to preceptors and Government) for Business Rates will be a deficit of £13.8m. Of this, £0.901m relates to the remaining deficit for 2019/20 to be distributed in 2021/22. Of the £12.9m deficit for 20/21, £11.48m is due to the Government's expanded relief scheme announced in April 2020 to assist the leisure, hospitality, and retail industry impacted by Covid-19. Compensation for these expanded reliefs has been paid to Billing Authorities in 2020/21. Therefore, this part of the deficit will be distributed in 2021/22 and will be offset by the compensation received, which will also be distributed to preceptors in 2021/22. The remaining deficit of £1.44m for 2020/21, referred to as the "exceptional balance", is largely a result of the decline in collection rate due to Covid-19 as well as the emerging trend of offices being converted into residential developments. This will be spread in three equal instalments over the following three years commencing 2021/22.

On 25 November, the Government announced that 75% of irrecoverable losses would be compensated through additional funding although the mechanism for this is yet to be announced.

Table 13 - Estimated Business Rates Collection Fund Deficit Distribution

Authority	Prior year deficit 2019/20 £	Expanded BR reliefs 2020/21 £	Exceptional balance 2020/21 £	Sub total £	Less spreading of exceptional balance £	Amount £
Brentwood Borough Council	360,330	4,590,627	574,700	5,525,657	(383,133)	5,142,524
Essex County Council	81,074	1,032,891	129,307	1,243,272	(86,205)	1,157,067
Essex Fire Authority	9,008	114,766	14,367	138,141	(9,578)	128,563
Central Government	450,413	5,738,284	718,375	6,907,072	(478,916)	6,428,156
Total Deficit	900,825	11,476,568	1,436,749	13,814,142	(957,832)	12,856,310

Business Rates Retention Scheme

Brentwood is the billing authority for business rates in the Borough. The Collection Fund passes 50% (the central share) to the Government with the other 50% (the local share) being retained locally. This means that the risks affecting collection rates, rateable value adjustments and appeals, new premises, demolitions, discounts and reliefs, and rewards are borne by the Borough (40%), Essex County Council (9%), Fire service (1%) and the Government (50%). The police service is not part of the rates retention scheme. Any year-end surpluses and deficits on this part of the Fund will be accounted for and adjusted in the following year in proportion to the Central and Local Shares.