

Bolsover District Council

Budget Scrutiny Committee

30th January 2020

Medium Term Financial Plan 2020/21 to 2023/24

Report of Head of Finance + Resources

This report is public

Purpose of the Report

- To enable the Budget Scrutiny Committee to consider the proposed budget for 2020/21 for the General Fund, Housing Revenue Account and Capital Programme as part of the Council's Medium Term Financial Plan covering the years 2020/21 to 2023/24, prior to the report being taken to Executive and Council.
- To provide Elected Members with an overview of the Council's financial position in order to inform the decision making process. Any comments expressed by the Budget Scrutiny Committee will be reported verbally to Executive.

1 Report Details

Introduction

1.1 This report presents the following budgets for Members to consider:

- General Fund – **Appendix 1 and 2**
- Housing Revenue Account (HRA) – **Appendix 3**
- Capital Programme – **Appendix 4**

In particular financial projections are provided for:

- 2019/20 Current Budget Position – this is the current year budget, revised to take account of changes during the financial year that will end on 31st March 2020.
- 2020/21 Original Budget – this is the proposed budget for the next financial year, on which the Council Tax will be based, and will commence from 1st April 2020.
- 2020/21 Original Budget – this includes proposed increases to rents and fees and charges for the next financial year for the Housing Revenue Account.

- 2021/22 to 2023/24 Financial Plan - In accordance with good practice the Council agrees its annual budgets within the context of a Medium Term Financial Plan (MTFP). This includes financial projections in respect of the next three financial years.

1.2 Once Executive has considered this report and the appendices, recommendations agreed by Executive and Budget Scrutiny will be referred to the Council meeting of 19th February 2020 for Members' consideration and approval.

General Fund

2019/20 Current Budget

1.3 In February 2019, Members agreed a budget for 2019/20 to determine Council Tax. The original budget showed a deficit of £0.083m. Throughout the year budgets have been actively managed with savings removed from the budget once they have been agreed.

1.4 The Revised Budget was considered by Budget Scrutiny on 28th November and by Executive at its meeting on the 16th December 2019. There have been no changes to the budget position since this time.

1.5 The final in-year surplus will be dependent on the actual financial performance out-turning in line with the revised budgets as there may be further costs and/or savings identified as the year progresses. Whilst these estimates reflect the position at the time of setting there can be some volatility from the budget to the outturn position.

1.6 It was agreed that the estimated surplus of £0.261m, be allowed to increase the General Fund balance and be utilised to mitigate the expected increase in the contribution to the Local Government Pension Scheme over the next three financial years.

2020/21 Original Budget and 2021/22 to 2023/24 Financial Plan

1.7 The financial projection for 2020/21 to 2022/23 was approved by Members in February 2019. The 2019/20 budget process has updated those projections and established a base for 2023/24.

1.8 The proposed budget for 2020/21 currently shows a deficit of £0.290m. Based on current information the requirement to achieve financial savings for future years is 2021/22 £0.441m; 2022/23 £0.594m; 2023/24 £0.682m (**Appendix 1**). **Appendix 2** details the net cost of each cost centre by Directorate.

1.9 The table on the following page shows the updated figures resulting from the budget process together with estimates of future assumptions for vacancy management, tax base growth and council tax increases. Also included is the funding from the general fund balance of the expected increase in the

contribution to the Local Government Pension Scheme over the next three financial years.

	2019/20 Revised Budget £000	2020/21 Forecast £000	2021/22 Forecast £000	2022/23 Forecast £000	2023/24 Forecast £000
General Fund (surplus)/Budget Shortfall	(261)	290	441	594	682
Estimate of one-off vacancies each year	0	(100)	(100)	(100)	(100)
Estimate of taxbase growth	0	0	(40)	(80)	(120)
Assumption for future council tax increases	0	(111)	(220)	(332)	(443)
Pension costs to be funded by 19/20 t/f to GF balance	0	(79)	(81)	(82)	(19)
Closing Budget (surplus)/Budget Shortfall	(261)	0	0	0	0

1.10 The main factors taken into account in developing the Council's financial plans are set out within the sections below.

Level of Government Funding

1.11 The current financial year 2019/20, is the final year of the four year settlement announced in December 2015. The Spending Review 2019 was originally planned to cover the three-year period 2020/21 – 2022/23. It has been widely publicised that the three-year Spending Review and its expected changes have been delayed for one year.

1.12 Therefore the Spending Review 2019 is effectively an extension to the four-year settlement that covered the period 2016/17 – 2019/20. With a delay to both the Fair Funding Review and reform of business rates, combined with a one-year spending review, 2020/21 is a roll-over settlement. Funding from Government has broadly been rolled-over either in cash terms from 2019/20 or increased in line with the change in the business rate multiplier.

1.13 The Spending Review 2020, which is likely to cover the years 2021/22, 2022/23 and 2023/24 should be announced in the autumn of 2020.

1.14 The continued uncertainty surrounding local government funding means we have had to make some significant assumptions for future years as follows:

New Homes Bonus

- 1.15 There have been many changes made over recent years by the Government, to the way New Homes Bonus grant operates. Most of the changes made since 2017/18 have meant a loss of income for us. We knew when we carried out the budget process last year that during 2019 the Government would be consulting on the future of New Homes Bonus grant. We were cautious in our estimates for grant to be received as we suspected the scheme would be ended in 2020.
- 1.16 As we have effectively had a bonus year for New Homes Bonus to be received with the delay of its abolition and the roll-over from 2019/20, we have been able to include an extra £0.343m in grant income for 2020/21.
- 1.17 For 2021/22 onwards we have reverted back to our estimates from last year as they are still true. New Homes Bonus grant is predicted to end by 2023/24. We have therefore not included any new allocation for any year after 2020/21. We have included legacy payments from 2018/19 and 2019/20 only. We have estimated we will receive a share of the New Homes Bonus returned funding pot of £0.101m for 2021/22, £0.145m for 2022/23 and £0.192m for 2023/24, all to be received in that year only.

Fair Funding Review

- 1.18 Although delayed as mentioned earlier, it is still not known with any clarity what the impact of the Fair Funding Review will be. Last year, initial modelling showed that the recalculated Settlement Funding Assessment (SFA) was redirecting resources to those based on “need” which would impact negatively on most shire districts.
- 1.19 The risk of losses from the Fair Funding Review are also much greater for district councils because of our ability to raise council tax. This puts a greater burden on the local decision making with regards council tax setting each year.
- 1.20 It has been suggested that the parliamentary majority resulting from the recent election, might change the dynamics in the Fair Funding Review. It is too early however, to tell how or if the change in the places the government represents will result in a change in the outcome of the Fair Funding Review.
- 1.21 For now, the lack of any concrete figures means we have not been able to include an estimate of the likely impact of the Fair Funding Review in the budgets. When information is received to enable a value to be attributed to the changes, Members will be updated at the first opportunity.

Business Rates

- 1.22 As with New Homes Bonus, we have effectively had a bonus year for Business Rates due to the one year delay too. We have been able to include an extra £0.519m income for 2020/21.

1.23 For future years although delayed, the implications of Business Rates Retention Reform have not changed. The issues are around resetting our business rates baseline and therefore potentially wiping out any growth since 2013/14 and also changing the share for business rates from 50% to 75% from 2021/22 (although increases are likely to go to county councils).

1.24 The figures for Business Rates were revised last year to include estimates of likely changes to our baseline funding level information, tariff amounts and the impact of a business rate reset. It must be stressed these were initial estimates of the changes and are subject to change but they remain valid again this year. As protection against further negative adjustments, no growth in business rates has been included for any year. During this years' budget process figures have only been amended by the change in the business rates multiplier. This has resulted in a reduction of income to the financial plan of 2021/22 £0.123m and 2022/23 £0.141m.

Revenue Support Grant

1.25 The one year delay has meant a further year of receiving Revenue Support Grant. We will receive £1.190m in this bonus year of receiving the grant. No grant will be received from 2021/22 onwards.

Mitigating losses in Government Funding

1.26 To help mitigate losses caused by funding changes the NNDR Growth Protection Reserve was created a number of years ago. Originally this included transfers of income from the general fund when Business Rates income calculations were updated for new growth.

1.27 This meant income received would be more than initially estimated for that year and the extra amount to be received would be transferred into the reserve, almost as a savings account to be returned back to the general fund when income was reduced in future years.

1.28 In recent years extra income received from all sources of Government funding mentioned above have been transferred into the reserve if the budget for that year has already been in surplus when the extra funding has been realised.

1.29 The balance accumulated has meant we are able to use the reserve to even out the government funding losses over the life of the current MTFP. A transfer from general fund to the reserve will be made in 2020/21 of £0.336m. Latest estimates for transfers back to general fund are £1.027m 2021/22, £1.033m 2022/23 and £1.246m in 2023/24. A balance of £0.481m remains in the reserve for use in 2024/25.

1.30 When savings are found through the Transformation Programme the transfers from the reserve are reduced.

Expenditure, income levels and efficiencies

1.31 In developing the financial projections covering the period 2020/21 to 2023/24, officers have made a number of assumptions. The major assumptions are:

- For 2020/21 to 2023/24, 2% has been included in staffing budgets as an estimate for a pay award.
- Employer superannuation contributions for 2020/21 to 2023/24, a 1% increase on the 2019/20 cost has been assumed.
- Inflation specific budgets such as energy costs and fuel have been amended to reflect anticipated price changes.
- With respect to planning fees, a base level for income has been included for all future years of £0.400m. The rules of the Government's 20% increase to planning fees means we have to set-aside the additional 20% income we receive, to be spent specifically on the planning function.
- Fees and charges – service specific increases as agreed by Members.
- Brexit – no provision has been made in the budget for costs that may be incurred. Any significant impact will be dealt with in a future report, if necessary with financing from reserves and a small Government grant we have already received of £0.034m.

1.32 Additionally, the Council's transformation programme seeks to contribute to the financial challenges faced through the progression of innovative and forward thinking ideas.

Council Tax Implications

Council Tax Base

1.33 In preparation for the budget, the Chief Financial Officer under delegated powers has determined the Tax Base at Band D for 2020/21 as 22,169.60.

Council Tax Options

1.34 The Council's part of the Council Tax bill in 2019/20 was set at £176.29 for a Band D property. This was an increase of 2.99%.

1.35 The Council has a range of options when setting the Council Tax. The Government indicate what upper limit they consider acceptable. For 2020/21 District Councils are permitted to increase their share of the Council Tax by the greater of 2% or £5 without triggering the need to hold a referendum. This is a reduction compared to the maximum percentage increase allowed in 2019/20 of 3%.

1.36 The table below shows some of the options and the extra revenue generated.

Increase	New Band D £	Annual Increase £	Weekly Increase £	Extra Revenue £
1.00%	178.05	1.76	0.03	39,023
2.00%	179.81	3.52	0.07	78,105
2.83%	181.29	5.00	0.10	110,789

- 1.37 The level of increase each year affects the base for future years and the proposed increase for 2020/21 is 2.83%, generating additional revenue of £110,789.

Financial Reserves – General Fund

- 1.38 The Council's main uncommitted Financial Reserves are the General Fund Working Balance of £2.0m and the uncommitted element of the Transformation Reserve of £2.159m. Due to the uncertainty surrounding local authority income and the fact that the Council has reduced budgets to a minimal level, it is important that the Council continues to review whether we have an acceptable General Fund Working Balance.

Housing Revenue Account (HRA)

2019/20 Current Budget

- 1.39 In February 2019, Members agreed a budget for 2019/20. Rent levels were set in line with Government regulations with a reduction of 1%, effective from 1st April 2019. HRA fees and charges were also set, effective from the same date.
- 1.40 The Revised Budget was considered by Budget Scrutiny on 28th November and by Executive at its meeting on the 16th December 2019. There have been no changes to the budget position since this time.
- 1.41 A surplus of £0.155m was estimated, which was £0.132m higher than the current budget of £0.023m. It was agreed that the estimated surplus of £0.155m, be allowed to increase the HRA balance and be utilised to mitigate the expected increase in the contribution to the Local Government Pension Scheme over the next three financial years.

2020/21 Original Budget and 2021/22 to 2023/24 Financial Plan

- 1.42 The proposed budget for 2020/21 currently shows a surplus of £0.106m. Based on current information the surplus for future years is 2021/22 £0.047m; 2022/23 £0.087m; 2023/24 £0.047m (**Appendix 3**). The proposal is to transfer the surplus into the HRA Revenue Reserve in all years.
- 1.43 The HRA budget is made up of the same assumptions as the General Fund budget for staff costs, superannuation costs and inflation. There are however, some assumptions that are specific to the HRA. The main factors taken into account in developing the Council's financial plans for the HRA are set out within the sections below.

Level of Council Dwelling Rents

- 1.44 The MHCLG Policy Statement on rents for social housing – published February 2019 states, *'In October 2017, the government announced its intention to set a long-term rent deal for both local authority landlords and housing associations. This would permit annual rent increases on both social rent and affordable rent*

properties of up to CPI (Consumer Price Index) plus 1 percent from 2020, for a period of at least five years.'

- 1.45 Therefore for 2020/21 the income for dwelling rents has been included in the budget at CPI rate 1.7% plus 1%. For future years it has been assumed the same policy will apply.

Fees and Charges

- 1.46 Although the main source of income for the HRA is property rents, the HRA is also dependent for its financial sustainability on a range of other charges. These charges are set on the principle that wherever possible charges for services should reflect the cost of providing those services.
- 1.47 A schedule of the proposed charges is set out at **Appendix 3, table 1**. For 2020/21 in most cases the charges are recommended to be increased by CPI 1.7% plus 1%.

Financial Reserves - HRA

- 1.48 The Council's main uncommitted Financial Reserves are the Housing Revenue Account Working Balance of £2m. In addition to the Working Balance there are further reserves for the HRA used only to fund the Council's HRA capital programme. These are the Major Repairs Reserve, New Build Reserve, Vehicle Repair and Renewal Reserve and Development Reserve.

Capital Programme

- 1.49 There will be three separate reports to Council on 19th February 2020 concerning the Council's Treasury Management Strategy, Investment Strategy and Capital Strategy. The Capital Strategy report will consider capital financing such as borrowing which enables the proposed capital programme budgets to proceed.

2019/20 Current Budget

- 1.50 In February 2019, Members approved a Capital Programme in respect of 2019/20 to 2022/23. Scheme delays and technical problems can cause expenditure to slip into following years and schemes can be added or extended as a result of securing additional external funding. Where capital expenditure slipped into 2019/20, the equivalent amount of funding was not applied during 2018/19 and is therefore available in 2019/20 to meet the delayed payments.
- 1.51 The Revised Capital Programme was considered by Budget Scrutiny on 28th November and by Executive at its meeting on the 16th December 2019. There have been no changes to the budget position since this time.

General Fund Capital Programme 2020/21 to 2023/24

- 1.52 The proposed Capital Programme for the General Fund totals £1.868m for 2020/21; £2.465m for 2021/22; £1.954m for 2022/23 and £2.870m for 2023/24 (**Appendix 4**).

Housing Revenue Account Capital Programme 2020/21 to 2023/24

- 1.53 The proposed Capital Programme for the Housing Revenue Account totals £4.172m for 2020/21; £4.177m for 2021/22; £5.072m for 2022/23 and £5.288m for 2023/24 (**Appendix 4**).
- 1.54 A list of all the schemes and associated funding are attached as **Appendix 4** to this report.

Robustness of the Estimates

- 1.55 Under the provisions of the Local Government Act 2003, the Council's Section 151 Officer is required to comment on the robustness of the estimates made and on the adequacy of the financial reserves.
- 1.56 The Council's Section 151 Officer (The Head of Finance and Resources) is satisfied that the estimates are considered to be robust, employee costs are based on the approved establishment, investment income is based on the advice of the Council's Treasury Management Advisors and income targets are considered to be achievable.
- 1.57 Likewise the Section 151 Officer is satisfied that the levels of reserves are considered to be adequate to fund planned expenditure and potential issues and risks that face the Council.

2 Conclusions and Reasons for Recommendations

- 2.1 This report presents a budget for consideration by Budget Scrutiny. It seeks to ensure approval to budgets in respect of the General Fund, the Housing Revenue Account and the Capital Programme.

3 Consultation and Equality Impact

- 3.1 The Council is required to consult with stakeholders on the proposed budget. This consultation is part of the Council's service planning framework and has effectively been taking place throughout the financial year. These mechanisms include active participation in the Local Strategic Partnership, a range of meetings with local groups and associations and a performance management framework. These meetings help to inform the Council's understanding of what is expected of it by our local communities.
- 3.2 There are no equality impact implications from this report.

4 Alternative Options and Reasons for Rejection

- 4.1 Alternative options are considered throughout the report.

5 Implications

5.1 Finance and Risk Implications

- 5.1.1 Financial issues and implications are covered in the relevant sections throughout this report.
- 5.1.2 The Council has a risk management strategy and associated framework in place and the Strategic Risk Register is regularly reviewed through the Council's performance management framework. Strategic risks along with the mitigation in place to ensure such risks are manageable are reported to the Audit Committee on a quarterly basis. The risk of not achieving a balanced budget is outlined as a key risk within the Council's Strategic Risk Register and is therefore closely monitored through these practices and reporting processes.

5.2 Legal Implications including Data Protection

- 5.2.1 The Council is legally obliged to approve a budget prior to the commencement of the new financial year in April 2020. This report together with the associated budget timetable has been prepared in order to comply with our legal obligations.
- 5.2.2 The recommended budget for the General Fund, Housing Revenue Account and Capital Programme comply with the Council's legal obligation to agree a balanced budget.
- 5.2.3 There are no Data Protection issues arising directly from this report.

5.3 Human Resources Implications

- 5.3.1 These are covered in the main report and supporting Appendices where appropriate.

6 Recommendations

- 6.1 That Budget Scrutiny Committee note the report and make any comments that they believe to be appropriate to be given verbally at the Executive meeting on 10th February 2020.

The Executive report recommendations are as follows:

- x1 *That all recommendations below are referred to the meeting of Full Council on the 19th February 2020.*

The recommendations to Council are:

- x2 *That in the view of the Chief Financial Officer, that the estimates included in the Medium Term Financial Plan 2020/21 to 2023/24 are robust and that the level of financial reserves whilst at minimum levels are adequate, be accepted.*

- x3 *That officers report back to Executive and to the Budget Scrutiny Committee on a quarterly basis regarding the overall position in respect of the Council's budgets. These reports to include updates on achieving savings and efficiencies for 2020/21 and future years.*

GENERAL FUND

- x4 *A Council Tax increase of £5.00 is levied in respect of a notional Band D property (2.83%).*
- x5 *The Medium Term Financial Plan in respect of the General Fund as set out in **Appendix 1** of this report be approved as the Revised Budget 2019/20, as the Original Budget in respect of 2020/21, and the financial projection in respect of 2021/22 to 2023/24.*
- x6 *That any further under spend in respect of 2019/20 is transferred to the Council's General Fund Reserves.*
- x7 *On the basis that income from Planning Fees may exceed £0.500m in 2019/20, the Chief Executive in consultation with the Leader be granted delegated powers to authorise such additional resources as are necessary to effectively manage the resultant increase in workload.*

HOUSING REVENUE ACCOUNT

- x8 *That Council sets its rent levels in line with government policy, increasing rent levels by CPI (1.7%) plus 1% to apply from 1 April 2020.*
- x9 *That the increases in respect of other charges as outlined in **Appendix 3 Table 1** be implemented with effect from 1 April 2020.*
- x10 *The Medium Term Financial Plan in respect of the Housing Revenue Account as set out in **Appendix 3** of this report be approved as the Revised Budget in respect of 2019/20, as the Original Budget in respect of 2020/21, and the financial projection in respect of 2021/22 to 2023/24.*
- x11 *That under spends in respect of 2020/21 to 2023/24 are transferred to the HRA Revenue Reserve.*

CAPITAL PROGRAMME

- x12 *That the Capital Programme as set out in **Appendix 4** be approved as the Revised Budget in respect of 2019/20, and as the Approved Programme for 2020/21 to 2023/24.*
- x13 *That the Director of Development be granted delegated powers in consultation with the Portfolio Member and the Asset Management group to approve the utilisation of the £260,000 of AMP Refurbishment Work allocation, with such approvals to be reported back to Executive through the Quarterly Budget Monitoring Report.*

7 Decision Information

<p>Is the decision a Key Decision?</p> <p>A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds:</p> <p>BDC: Revenue - £75,000 <input type="checkbox"/> Capital - £150,000 <input type="checkbox"/></p> <p>NEDDC: Revenue - £100,000 <input type="checkbox"/> Capital - £250,000 <input type="checkbox"/></p> <p><input checked="" type="checkbox"/> Please indicate which threshold applies</p>	No
<p>Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)</p>	No
<p>Has the relevant Portfolio Holder been informed</p>	Yes
<p>District Wards Affected</p>	All
<p>Links to Corporate Plan priorities or Policy Framework</p>	All

8 Document Information

Appendix No	Title
1	General Fund Summary
2	General Fund Detail
3	Housing Revenue Account
3 table 1	HRA – Fees and Charges 2020/21
4	Capital Programme Summary
<p>Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)</p>	
<p>Report Author</p>	
Head of Finance and Resources	Contact Number
	2458