

## Council Budget and Council Tax 2021-22 and Medium-Term Financial Strategy 2021-22 to 2024/25

Members are requested to retain this report and appendices for use in the following meetings:

- Performance Management Board – 3<sup>rd</sup> February 2021
- Cabinet – 8<sup>th</sup> February 2021
- Council – 22 February 2021

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For the Proposed Fees and Charges for 2021/22 please use the link below

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Andy Wright  
Chief Executive



<b>Council Budget and Council Tax 2021/22 and Medium-Term Financial Strategy 2021/22 to 2024/25</b>		<b>Agenda No: 5a</b>
<b>Portfolio</b>	<b>Finance and Performance Management</b>	
<b>Corporate Outcome:</b>	<b>A high performing organisation that delivers excellent and value for money services Delivering better outcomes for residents and businesses and reducing costs to taxpayers</b>	
<b>Report presented by:</b>	<b>Councillor David Bebb, Cabinet Member for Finance and Performance Management</b>	
<b>Report prepared by:</b>	<b>Trevor Wilson, Head of Finance</b>	
<b>Background Papers:</b>		<b>Public Report</b>
<ul style="list-style-type: none"> <li>• Council Budget and Council Tax 2020/21 and Medium-Term Financial Strategy 2020/21 to 2023/24 - Report to <a href="#">Cabinet 10th February 2020</a> and <a href="#">Full Council 17<sup>th</sup> February 2020</a>;</li> <li>• Medium-Term Financial Strategy 2020/21 to 2023/24 Update - Report to <a href="#">Cabinet 7<sup>th</sup> September 2020</a>;</li> <li>• Medium-Term Financial Strategy 2021/22 to 2024/25 - report to <a href="#">Cabinet 23<sup>rd</sup> November 2020</a></li> <li>• The Provisional 2021/22 Local Government Finance Settlement – Consultation Paper published by the Department for Housing, Communities and Local Government on 17<sup>th</sup> December 2020.</li> </ul>		<b>Key Decision: No</b>
<b>Executive Summary:</b>		
<b>1. Background and Purpose</b>		
1.1	The process of rolling forward the Council's four-year financial plan commenced with a report to Cabinet, on 7 <sup>th</sup> September 2020, with an initial review of the Medium-Term Financial Strategy (MTFS) 2020/21 to 2023/24; which had been agreed by Council on 17 <sup>th</sup> February 2020.	
1.2	On 23rd November 2020, the Cabinet received a report providing details of the progress with the updating of the Financial Profile and the Medium-Term Financial Strategy 2020/21 to 2023/24. This included detail of unavoidable cost pressures and the work on identifying options for revenue cost reductions/additional income to meet the anticipated funding shortfalls over the next four years. The Cabinet agreed that the Revenue Budget and Capital	

Programme for 2021/22, as presented, constituted the initial Budget proposals and that views be sought as appropriate.

1.3 The Council received, on 17th December 2020, detail of the provisional Local Government Finance Settlement for 2021/22. In addition, Cabinet Members and Senior Management have reviewed the current levels of the Council's discretionary fees and charges.

1.4 This report consolidates all of this information, including final refinements to the assumptions, resulting in: proposed budgets for revenue and capital; the level of council tax (Band D) for 2021/22; a Financial Profile and Medium-Term Financial Strategy for 2021/22 to 2024/25; details of the Council's discretionary business rate relief schemes and discretionary council tax exemptions, discounts and premiums for 2021/22; and Capital and Investment Strategy 2021/22 to 2024/25 and Treasury Management Strategy for 2021/22 to 2024/25.

## **2. Budget Strategy**

2.1 The Council's Budget Strategy (The Strategy) has been established for a number of years, which is to:

- Be a low Council Tax Authority;
- Have plans to deliver a balanced budget over the medium-term; and
- Maintain a minimum level of unallocated balances of £1.5million.

2.2 The approach to achieving this Strategy has been to deliver cost reductions and additional income without impacting on customers and service delivery. This has included:

- Property purchases providing a rental income stream;
- Causeway House shared with mix of four private and public sector organisations producing rental income;
- Responsibility for running the Enterprise Centre, Springwood Industrial Estate, and developed four grow-on units adjacent to the Centre;
- Invested in solar panels on council property reducing energy costs and producing an income;
- Invested monies in pooled funds achieving an improved return over short-term interest rates;
- Service reviews have delivered cost reductions;
- Agreed a District Investment Strategy with developments which will deliver benefits over the medium to long-term;

2.3 In addition, the Council, unlike many local authorities, determined from the inception of the New Homes Bonus scheme, a funding mechanism which rewards the development and delivery of homes, that it would be used for investment in infrastructure projects and affordable homes and not used to support the Council's day to day spending.

2.4 The Covid-19 pandemic has had a considerable impact on the Council's finances and continues to do so as services which for a period were gradually reintroduced as restrictions were lifted have in recent weeks been impacted with the District moving into higher tier levels and the current national lockdown.

2.5	This is expected to result in ongoing financial consequences across the Council's services. Mainly reductions in the level of income received from services such as car parks but also unbudgeted items of expenditure, such as support provided to the Council's leisure management provider, Fusion. In the current year, the Government has provided significant financial support to local authorities and this has lessened the net financial impact on the Council.
2.6	In developing the Budget for the next financial year it has been difficult to forecast the impact on services, in particular how the Council's income generating services will recover and to what extent customer demand may change in a post-Covid time. As such no attempt has been made to forecast the impact at detailed budget level. It is considered that a provision be provided to meet the potential financial impact in 2021/22 and this is also supported by the Government which will provide further financial support to help meet the impact in the early part of 2021/22.
<b>3.</b>	<b>Government Funding</b>
3.1	The provisional Finance Settlement for local government for 2021/22 was published by the Secretary of State for Housing, Communities and Local Government on 17 <sup>th</sup> December 2020.
3.2	The Council's provisional allocation of Settlement Funding Assessment (SFA) for 2021/22 is £3,486,929, and this consists solely of retained business rates. The amount is exactly the same as that allocated for the current year.
3.3	Other grant/subsidy confirmations or announcements for 2021/22 received were: <ul style="list-style-type: none"> <li>• Rural Services Delivery Grant - £23,217;</li> <li>• Lower Tier Services Grant - £148,498</li> <li>• Homelessness Prevention Grant – £411,824;</li> <li>• Housing Benefit Administration Subsidy – total of £340,021;</li> <li>• Local Council Tax Support Administration Subsidy – notification expected late February assumed amount of £127,980.</li> </ul>
3.4	The Secretary of State for Housing, Communities and Local Government also announced details of the Local Government COVID Support Package for 2021/22: <ul style="list-style-type: none"> <li>• Emergency Fund - £685,853;</li> <li>• Local Council Tax Support Grant - £189,919; and</li> <li>• Sales, Fees and Charges Income Losses Compensation Scheme is extended to the first 3 months of 2021/22. This would be subject to an application in summer 2021 to this Scheme.</li> </ul>
3.5	New Homes Bonus (NHB). Notification on the Council's entitlement for year 11 of the scheme has been received of £1,380,472, which when added to legacy payments due from years 8 and 9 of £240,952 makes the total amount to be received in 2021/22 of £1,621,424. The Government has confirmed this will be the final year under the current approach to allocating NHB and will shortly publish a consultation document on options for reform for the future.
<b>4.</b>	<b>Update on Financial assumptions in the current MTFS</b>
4.1	The Financial Profile, agreed by Council in February 2020, included movements on cost reductions and additional income planned for 2021/22 to 2023/24. These

have been reviewed and the values have been adjusted to provide net savings of £24,850 in 2021/22, £38,350 in 2022/23 and £5,000 in 2023/24.

- 4.2 The Financial Profile includes the consequences for 2021/22 of the planned priority investments and unavoidable budget changes which were identified in previous years.
- 4.3 Of the fourteen priority investment changes, nine were one-off budget requests in 2020/21 and these are due to be removed from the base budget in 2021/22. A review has however identified that two need to be adjusted. The total value of the budget reductions to be made in 2021/22 is £809,450.
- 4.4 Five unavoidable budget demands identified for 2021/22 onwards have been reviewed and concluded that the anticipated requirement of an additional waste vehicle and crew will not be required until 2022/23. Also the request for the Procurement Service has been reassessed following changes in the membership of the Procurement Hub resulting in a reduced request of £5,260. The total value of the ongoing budget additions to be made in 2021/22 is £75,190.
- 4.5 Provision for a pay award on 1st April 2021 of 2%, for staff and Members Allowances, has been included in the Financial Profile.
- 4.6 The Triennial Review of the Essex Pension Fund conducted as at 31st March 2019 determined the pension fund assets and liabilities applicable for the Council and set the deficit contribution and employer contribution rate for the three years: 2020/21 to 2022/23.
- 4.7 Allowances for inflationary increases have been provided but only on specific budget headings based on the Office of Budget Responsibility's forecast of the Consumer Prices Index for 2021/22 and forecasts of energy cost increases received from Concept Energy Solutions.

## **5. New Investments and Unavoidable Budget Demands**

- 5.1 Additional revenue funding to meet unavoidable budget demands and new investments total £1,563,140, in 2021/22 and £389,370 in 2022/23. Of which, £98,000 in 2021/22 and £5,000 in 2022/23, are an ongoing requirement and therefore are needed to be added to the base budget. Four requests, totalling £1,465,140 in 2021/22 and two requests of £384,370 in 2022/23, are for one-off budget requirements/adjustments. The requests were presented in the initial budget proposals.
- 5.2 The proposed unavoidable budget demands and new investment, which are not added to the base budget, include:
- Councillor Community Grant scheme – a provision of £75,000 per annum be provided for a two year period and funded from the unallocated General Fund balance; and
  - Interest and Dividend income budget – £350,000 estimated reduction on pooled fund returns as a consequence of the Covid pandemic on global markets. Proposed to fund from the Treasury Management Reserve.

- 5.3 At this time, one of the main unknowns for the 2021/22 Budget is how the Council's income generating services and those of the Council's partners, including Fusion, will recover following the national pandemic and to what extent customer demand may change in a post-Covid time. Whilst the Government has announced some financial support for local authorities to address the potential impact of Covid in 2021/22, it is proposed that a provision of £1million be set aside in a new earmarked reserve from the unallocated General Fund balance to provide additional financial support should this be needed.

## **6. Cost Reduction/Additional Income Proposals**

- 6.1 Service budgets have been reviewed, with reference to the projected outturn for the current year, and this has identified budget adjustments with a total of £181,790 in 2021/22 and minor adjustments in the three following years. These have been agreed by Management Board as they do not have a direct impact on customers or service delivery.
- 6.2 **Fees and Charges** – a schedule of proposed fees, charges and housing rents for 2021/22 is provided on the Council's website ([click here](#)).
- 6.3 Proposed levels of trade waste charges and environmental permits for 2021/22 are not available at the current time due to information required from a third party. In addition, core leisure charges are determined annually with Fusion, the Council's leisure services partner, by the Cabinet Member for Health and Communities. A review of and consultation on fees for planning pre-application advice service and street naming and numbering is to be undertaken following the changes to the Scheme of Delegation, agreed on 7<sup>th</sup> December 2020. It is proposed that authority is delegated to the appropriate Cabinet Members to determine the level of these fees for 2021/22.
- 6.4 It is proposed to continue the current arrangement for the appropriate Cabinet Member to have delegated authority to vary some fees and charges to ensure competitiveness of Council services.

## **7. Business Rates Retention Scheme and Business Rate Taxbase**

- 7.1 The Council's Business Rates Taxbase for 2021/22 was calculated as at 4<sup>th</sup> December 2020 and agreed by the Corporate Director (Finance) under delegated authority. The net collectable amount, after mandatory and discretionary reliefs, allowances for losses on collection and rating appeals, is £43,031,368.
- 7.2 It is proposed that a number of Discretionary Business Rate relief schemes agreed previously by Cabinet continue as requested by the Government, these are:
- Supporting Small Businesses – from 1<sup>st</sup> April 2017 for a maximum period of 5 years; and
  - Rural Rate Relief – increase from 50% to 100% from 1<sup>st</sup> April 2017; and
  - Local Newspaper Offices Relief – extended to apply in the financial years 2020/21 to 2024/25.
- 7.3 The Government undertakes to reimburse councils for the amount of relief granted under the above schemes.

- 7.4 All fifteen authorities participating in the current Essex Business Rate Pool had confirmed their willingness for the Pooling arrangement to continue for 2021/22. On 16th December 2020 the Secretary of State for Housing Communities and Local Government issued a letter to Essex County Council (lead authority for the Essex Pool) confirming that the Essex Pool will continue for 2021/22. The Cabinet Member for Finance and Performance Management had agreed that this Council should participate in an Essex Pool on the basis that estimated business rates income for 2021/22 will exceed the baseline amount.

## **8. Local Council Tax Support Scheme**

- 8.1 On 23<sup>rd</sup> November 2020, the Cabinet determined that it would not propose any changes to the Council's Local Council Tax Support scheme for 2021/22; this was on the basis of limiting the frequency of changes thereby providing a level of stability and continuity in the scheme for claimants – the last agreed changes were effective for 2016/17. With no proposed changes there was no requirement to undertake a consultation exercise.
- 8.2 Details of the scheme for 2021/22 to be recommended for approval by Council can be found on the Council's website at: [Proposed Local Council Tax Support Scheme 2021/22](#).
- 8.3 Since the introduction of the Local Council Tax Support scheme it has been agreed that an Exceptional Hardship Fund would be provided for short-term assistance to households facing exceptional financial difficulties. The process for dealing with requests for assistance from this Fund involves a referral to the Citizens Advice Bureau (CAB) for money advice and an assessment of the claimant's finances. In addition an officer has been employed to work with claimants who experience difficulty in paying their council tax with the objective of offering support and advice and to ultimately agree an arrangement to pay.
- 8.4 It is recommended that the officer working with claimants and the Exceptional Hardship Fund be retained for 2021/22. A review of the effectiveness and value for money of the CAB money advice service is to be held over the next few months and it is recommended that authority be delegated to the Cabinet member for Finance and Performance Management to agree and implement any changes as a consequence of the review.

## **9. Council Tax – Collection Fund Surplus and Taxbase**

- 9.1 The Council's taxbase for 2021/22, calculated as at 30<sup>th</sup> November 2020, is 53,721. This was agreed, under delegated authority, by the Corporate Director (Finance). This compares to a taxbase of 53,373 for 2020/21; an increase of 348 or 0.65%.
- 9.2 The Council has exercised its discretionary powers to set the discounts/premiums for empty properties and second homes. The current levels of these discounts are as follows:
- Properties undergoing extensive repair – 0% discount for twelve months;
  - Properties unfurnished – 0% discount for 6 months;
  - Second homes – 0% discount;



It is not proposed to make any changes to the levels of the discounts for 2021/22.

9.3 The current level of premia on long-term empty properties is as follows:

- Properties which have been unoccupied and substantially unfurnished for a period of two years and less than 5 years – 100% premium.
- Properties which have been unoccupied and substantially unfurnished for five years or more – 200% premium

With the following change agreed for the following year, as permitted under the Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018:

The premiums applicable for 2021/22 are reaffirmed as:

- 100% will be applied, in addition to the full (100%) charge, for all premises which has been unoccupied and substantially unfurnished (empty) for a period of less than 5 years;
- 200% if the period is at least 5 years but less than 10 years; and
- 300% if the period is at least 10 years on or after 1<sup>st</sup> April 2021.

9.4 The Council is required to publish, in at least one local newspaper, notice of the determination before the end of the period of 21 days beginning with the date of the determination.

9.5 It is proposed that the current incentive to owners, to bring their properties back into use, of a refund of the 12 months' additional premium (ie above the original premium of 50%), prior to when the property is brought back into use and occupied, be continued.

9.6 It is estimated that the balance on the Council Tax Collection Fund available for distribution is a surplus of £1,355,197, of which the amount due to this Council is £170,882. It has been agreed that £33,640 of this Council's share of the surplus will be paid to town and parish councils in 2021/22.

9.7 The Secretary of State determines the level of increase above which a proposed increase in council tax must be subject to a referendum. For shire district councils the referendum principles for 2021/22 have been set at the higher of 2% or up to and including £5. An increase of £4.95 on this Council's Band D council tax for 2021/22 equates to a percentage increase of 2.68%.

9.8 The initial budget and council tax proposals agreed in November provided that the Council's council tax requirement be increased by £3.69 (2.00%) to £188.37 per annum (at Band D) for 2021/22. This equates to a council tax charge, for a Band D property, for the provision of this Council's services of £3.62 per week; an increase of approximately 7p per week over the current year.

9.9 A council tax increase of 2% for 2021/22 is proposed, however, with the receipt of the provisional finance settlement, the notice of the proposed referendum principles for shire district councils and the provisional allocation of Covid funding for 2021/22 a range of options of council tax increases for 2021/22, of 2.68%, 2%, 1% and Nil are provided for consideration by the Cabinet. For each option, the

resultant shortfall in 2021/22 would be met from the unallocated General Fund balance and the shortfall for 2022/23 includes the shortfall for 2021/22 which would still need to be addressed.

## **10. Financial Profile**

- 10.1 The budget proposals as presented in this report result in a shortfall of £121,934 for 2021/22 but this will be addressed with a withdrawal from the unallocated General Fund balance. Shortfalls are projected for the following three years of £1,061,749, £292,030 and £89,103, respectively.
- 10.2 The shortfalls for 2022/23 onwards have been determined under the current local government funding arrangements, however, these are likely to be subject to significant change pending the outcomes of the Fair Funding and Spending Reviews, and also the Government's decision regarding the proposed new 75% Business Rate Retention scheme, each of which are now expected to be implemented from 1<sup>st</sup> April 2022. The Government is expected to consult on elements of both the proposed Fair Funding Review and on the new Business Rate Retention scheme during 2021.
- 10.3 It is proposed that the approach to address the anticipated budget shortfalls over the period of the MTFs will also seek to identify savings/additional income in 2021/22, to reduce the call on the unallocated General Fund balance. The approach consists of a number of strands:
- Assess potential opportunities to make changes following experience of how services and the Council have responded to the impact of the Covid pandemic;
  - Implement a Commercial Strategy which is currently being developed and includes a systematic approach to reviewing services, identifying income generating opportunities, etc;
  - Increasing income through investment. An Investment and Development Programme is currently being developed;
  - Maximising value from third party spend and improving contract management.
- 10.4 Under each of the council tax increase options for 2021/22, the Council would have the ability to utilise the unallocated General Fund balance in 2022/23 to meet part of the shortfall in that year should the plans to address the shortfall not all be deliverable in that year.

## **11. Pay Policy 2021/22**

- 11.1 The Pay Policy Statement 2021/22 has been designed to give an overview of the Council's framework regarding pay and rewards for staff within the Council. The framework is based on the principle of fairness and that reward should be proportional to the weight of each role and each individual's performance.

## **12. Balances and Reserves**

- 12.1 The estimated transfer from balances resulting from the proposed 2021/22 Budget is £121,934. This together with the proposed use of the unallocated General Fund

balance to fund one-off investments of £139,000, to set aside £1million as a provision for the potential impact of Covid on the Council's finances in 2021/22, and the repayment of £0.823million in respect of the Pension Deficit, provide an anticipated balance at 31<sup>st</sup> March 2022 of £4.767million.

12.2 Detail of the proposed use of earmarked reserves is also provided in the report.

### **13. Capital Resources and Investment**

13.1 The total value of the proposed capital projects in 2021/22 is £3,177,740. The projects include: a number which are routine each year such as planned maintenance of Council properties, Disabled Facility Grants and Play Area Refurbishment; proposals for Witham and Halstead town centres public realm improvements and provision for skate parks in Weavers Park, Braintree and Spa Road, Witham; and a provision for Supporting the Climate Change Emergency which encompasses the continuation of current schemes including increasing the number of electric charging points, community tree and bulb planting and cycle parking and associated signage.

13.2 The schedule also includes anticipated requirements of £1,871,000, £1,526,000 and £2,016,000 over the years 2022/23 to 2024/25. .

### **14. Capital and Investment Strategy and Treasury Management Strategy**

14.1 Statutory guidance and guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA) require increased information and for a broadening of definition of investments to ensure that all authorities have clear plans and understanding of the risks of investments in assets as well as investment of cash.

14.2 The Capital and Investment Strategy is a high-level overview of how capital expenditure, capital financing, treasury management, and investment activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. The strategy includes details of the Council's borrowing requirements for 2021/22 onwards, the approach as to how capital resources will be applied, the Council's Minimum Revenue Provision policy and includes the Council's proposed limits regarding external debt.

14.3 The Council's borrowing and investment requirements for 2021/22 are contained in the annual Treasury Management Strategy Statement.

14.4 The Corporate Director (Finance) is satisfied that the proposed capital programme is prudent, affordable and sustainable.

### **15. Robustness of the estimates and the adequacy of the proposed financial reserves**

15.1 The Section 151 Officer (Corporate Director - Finance) provides confirmation of the robustness of the estimates and the adequacy of the proposed financial reserves as presented in this report. Also included is an assessment of the financial resilience of the Council's revenue income sources.

- 15.2 Finally, with regard to Year-End accounting procedures requests to carry forward unspent budgets are required to be agreed by Cabinet. With the requirement to produce draft accounts for external audit by 31<sup>st</sup> May, carry forward budgets need to be agreed in April. Given the short timescale for the turnaround of the requests it is recommended that authority is delegated to the Cabinet Member for Finance and Performance Management to agree those unspent budgets to be carried forward to the following year.

### **Recommended Decision:**

#### **A. That it be Recommended To Council that the following be approved:**

1. The budget variations to the current base budget as detailed in Section 4 of the main report;
2. The additional income and cost reductions as detailed in Section 6 of the main report;
3. The allocation of Homelessness Prevention Grant of £411,824 for 2021/22 be earmarked for housing purposes;
4. The allocation of Local Council Tax Support Grant, of £189,919, be held in reserve and that authority be delegated to the Cabinet members for Housing and Finance and Performance Management to agree a scheme with the major preceptors on the use of the funds to provide support to vulnerable households;
5. The unavoidable revenue budget demands and new investments added to the Base Budget of £98,000 as detailed in Section 5.2 of the main report;
6. The unavoidable revenue budget demands and new investments required to meet one-off or time-limited expenditure of £465,140 as detailed in Section 5.3 of the main report and to funded as detailed in section 5.5 of the main report;
7. A provision of £1million be set aside in a new earmarked reserve from the unallocated General Fund Balance to meet the potential financial impact of Covid on the Council's finances that is not covered by support from the Government;
8. The Braintree District Council's Local Council Tax Support scheme for 2021/22 as detailed on the Council's website: [Proposed Local Council Tax Support Scheme 2021/22](#);
9. The package of support to claimants experiencing difficulties as a result of the Local Council Tax Support scheme as detailed in Section 11.9 of the main report, subject to a review of the effectiveness and value for money of the CAB money advice service with authority delegated to the Cabinet Member for Finance and Performance Management to agree and implement any changes as a consequence of the review;
10. The Council's discretionary fees and charges and housing rents for 2021/22 as detailed in the schedule on the Council's website ([click here](#));
11. Delegated authority is given to the appropriate Cabinet Members to determine the level of charges for Trade Waste collection, Environmental permits, core leisure and planning pre-application advice service and street naming and numbering for 2021/22;
12. That delegated authority is given to the appropriate Cabinet Member to agree variations to Trade Waste, Town Hall Centre, Building Control and Car Parking fees and charges for commercial purposes;

13. The sum of £7,368,666 be transferred from the Business Rates Equalisation Reserve to offset the estimated deficit on the Business Rates Collection Fund as at 31<sup>st</sup> March 2021, which is required to be taken into account for the 2021/22 Budget;
14. To continue the Council's Discretionary Business Rate Relief schemes, as detailed in section 9.2 to the main report, for 2021/22;
15. Discretionary council tax discounts and exemptions for 2021/22 are:
  - Discount applicable to empty dwellings undergoing major repairs is set at 0% for the twelve month period;
  - Discount applicable to vacant dwellings is set at 0% for the six month period;
  - Discount applicable to second homes is set at 0%;
  - Discretionary Council Tax Empty Homes Premiums charged on dwellings vacant for over two-years but less than five-years continue at 100%; on dwellings vacant for over five-years but less than ten-years continue at 200%; and on dwellings vacant for over ten-years be increased to 300%, with effect from 1<sup>st</sup> April 2021 and that this is duly published in a local newspaper within 21 days of this decision. In addition the refund arrangement, as detailed in section 13.5 of the main report;
16. The Council's Pay Policy for 2021/22 as detailed in Appendix B to the main report;
17. A transfer to the Revenue Account of £121,934 from the General Fund unallocated General Fund balance in 2021/22;
18. The estimated movements on the earmarked reserves as detailed in Appendix E to the main report;

### **Capital**

19. The General Fund Capital bids for 2021/22 listed in Appendix H to the main report;

### **Capital and Investment Strategy and Treasury Management Strategy**

20. The Capital and Investment Strategy including the authorised borrowing limit, operational borrowing boundary, the policy on Minimum Revenue Provision and prudential indicators as detailed in Appendix I to the main report;
21. The Treasury Management Strategy Statement including the schedule of investment counterparties and limits and prudential indicators as detailed in Appendix J to the main report;

### **Council Tax**

22. The proposed estimates (producing a Braintree DC Council Tax Requirement of £10,119,425) as detailed in Appendix C and the Council Tax for 2021/22 of £188.37 for a Band D property, having taking into consideration:
  - The consultation feedback, if any, received and reported verbally at the meeting;
  - The assessment of risks in the budget assumptions;
  - The Equalities Impact Assessments and
  - The Section 151 Officer's report (Corporate Director – Finance) on the robustness of the estimates and the adequacy of balances (Appendix G to the main report).

**That Cabinet agrees to:**

23. Delegate authority to the Cabinet Member for Finance and Performance Management to agree requests for unspent budgets, at the year-end, to be carried forward to the following year.

**Purpose of Decision:**

To determine the Budget and Council Tax level proposals for 2021/22 to be submitted to Full Council for consideration, in accordance with the Budget and Policy Framework Procedure Rules contained in the Constitution.

**Any Corporate implications in relation to the following should be explained in detail.****Financial:**

The budget proposed for 2021/22 includes: unavoidable budget demands and investment of £638,330; provision for inflationary increases of £635,350; additional income and cost reductions of £206,640; increases in discretionary fees and charges; the Government's provisional Settlement Funding Assessment of £3,486,929; business rates in excess of the baseline of £1,492,095 and a £3.69 (2.00%) increase in council tax for the year. The overall impact is a withdrawal from balances of £121,934 in 2021/22.

The majority of service budgets proposed do not make allowance for the potential impact of the Covid pandemic continuing into 2021/22. However, it is proposed to set aside £1million from the unallocated General Fund balance to address the potential financial impact of Covid on the Council's finances that is not covered by support received from the Government.

The estimated positions for 2022/23 to 2024/25 are savings required of £1,061,749, £292,030 and £89,103. It is, however, very difficult to predict the full extent of the shortfalls for these years as significant change is anticipated from 2022/23 due to the Government's Fair Funding and Spending Reviews and the proposed introduction of a 75% Business Rates Retention scheme.

An approach to address the anticipated budget shortfalls is proposed.

New capital projects with an estimated value of £3,177,740 are to be added to the capital programme, to be delivered in 2021/22. The estimated total expenditure on capital projects in 2021/22 is £35.917million. Financing of the capital

	programme is from a mix of resources: capital receipts, capital grants, earmarked reserves and borrowing (external and/or internal).
<b>Legal:</b>	<p><u>Local Government Finance Act 1992 – Section 106</u>  Will any Members affected by Section 106 please note that any declarations to that effect should be made on the commencement of the meeting or immediately on arrival if this is later.</p> <p><i>Under Section 106 a member who has not paid an amount due in respect of their Council Tax for at least two months after it became payable is precluded from voting on any matters affecting the level of Council Tax or the arrangements for administering the Council Tax. (The Member is, however, entitled to speak).</i></p> <p>Adoption of Local Council Tax Support Scheme (LCTS) is a statutory requirement. Failure to do so could lead to a default scheme being imposed by the Government.</p>
<b>Safeguarding:</b>	There are no safeguarding issues raised by this report.
<b>Equalities/Diversity:</b>	<p>It is proposed to continue with the current Local Council Tax Support scheme for 2021/22. The Equalities Impact Assessment produced for the current scheme continues to be relevant. This identified that the scheme provides a positive impact for older people but potential negative impact for people with disabilities. The potential impact is minimised as Disability Benefits are disregarded thereby providing additional support to those with specific long-term conditions. Support for people with mental health issues may be available by means of an exemption from Council Tax liability under SMI (Severely Mentally Impaired) legislation.</p> <p>An equalities impact assessment on the proposed loss of parking spaces at the Manor Street car park during the construction period of the Manor Street Development has been undertaken and is included in the 'Manor Street Regeneration Project – Equalities Impact Assessment' document.</p>
<b>Customer Impact:</b>	Impact on customers has been considered in relation to the proposals, as appropriate. Potential customer impact issues arising from the Manor Street Development will continue to be considered as part of the management of that project.
<b>Environment and Climate Change:</b>	A capital provision of £500,000 is proposed to support the Climate Change Emergency: to provide funding to continue with existing projects and for initiatives proposed by the Climate Change working group in due course.

<b>Consultation/Community Engagement:</b>	<p>The Performance Management Board considered the budget proposals on 18<sup>th</sup> November 2020 and will consider the proposals again on 3<sup>rd</sup> February 2021. All Members of the Council were invited to attend the meetings.</p> <p>The January edition of the Business Bulletin included an invitation to businesses in the District to comment on the 2021/22 initial budget proposals.</p>
<b>Risks:</b>	<p>The Council's Medium-Term Financial Strategy is identified as a strategic risk and has been assigned a risk rating of B2. An extract from the Strategic Risk Register is included at Appendix F to the report, giving the vulnerability and the action plan to mitigate the risk.</p>
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## **1. Background**

- 1.1 The Medium-Term Financial Strategy (MTFS) 2020/21 to 2023/24 was agreed by Full Council on 17<sup>th</sup> February 2020.
- 1.2 The annual process of reviewing and rolling the MTFS forward by one year commenced with a report to Cabinet on 7<sup>th</sup> September 2020.
- 1.3 At the meeting the Cabinet received/agreed:
- An update on the current year's Budget and the estimated impact of the Covid-19 pandemic;
  - An update on the progress of the Government's proposed 75% Business Rate Retention scheme and the Fair Funding and 2020 Spending Reviews;
  - The approach on developing the Budget for 2021/22 and rolling the MTFS period forward to cover the period 2021/22 to 2024/25;
  - An option, if the Government offers an opportunity, to participate in a bid by Essex authorities to operate an Essex Business Rates pooling arrangement for 2021/22;
  - Events and issues which may impact over the period of the Council's proposed MTFS; and
  - The timetable to achieve the setting of the council tax and budget for 2021/22 at the meeting of the Full Council on 22<sup>nd</sup> February 2021.
- 1.4 On 23<sup>rd</sup> November 2020, the Cabinet received a report providing details of the progress with the updating of the Financial Profile and the Medium-Term Financial Strategy 2021/22 to 2024/25. This included detail of unavoidable cost pressures and the work on identifying options for cost reductions/ additional income to meet the anticipated funding shortfalls over the next four years. The Cabinet agreed:

To recommend to Council approval of:

- A total of £33,640 of the surplus on the Council Tax Collection Fund be allocated to parish/town councils;

And that:

- No changes are proposed to the Local Council Tax Support Scheme for 2021/22 and consequently there is no requirement for consultation to be undertaken; and
- The Revenue Budget and Capital Programme for 2021/22, as presented in the report, constitute the initial Budget proposals and that views are sought as appropriate.

- 1.5 Since the agenda for the Cabinet meeting on 23<sup>rd</sup> November 2020 was published:

- The Leader of the Council together with members of the Cabinet presented and answered questions on the initial revenue budget and capital programme proposals for 2021/22 at the Performance Management Board on 18<sup>th</sup> November 2020;
- The recommendation to Council from Cabinet was approved at the Full Council meeting on 7<sup>th</sup> December 2020;

- The Council received, on 17<sup>th</sup> December, detail of the provisional Local Government Settlement Funding Assessment figures for 2021/22; and
  - Cabinet Members and Senior Management have reviewed the current levels of the Council's discretionary fees and charges.
- 1.6 This report consolidates all of this information, including final refinements to the assumptions, resulting in:
- Proposed budgets for revenue and capital for 2021/22;
  - The proposed level of council tax (Band D) for 2021/22;
  - A Financial Profile and Medium-Term Financial Strategy for 2021/22 to 2024/25; and
  - A Capital and Investment Strategy and a Treasury Management Strategy for 2021/22.

## **2. Budget Strategy**

- 2.1 The Council's Budget Strategy (The Strategy) has been established for a number of years, which is to:
- Be a low council tax authority;
  - Have plans to deliver a balanced budget over the medium-term; and
  - Maintain a minimum level of unallocated balances of £1.5million.
- 2.2 The approach to achieving this Strategy has been to deliver cost reductions and additional income without impacting on customers and service delivery. This has included:
- Property purchases providing a rental income stream, including: Connaught House, Colchester; property at Church Lane, Braintree for a doctors surgery; offices at 3 & 4 Century Drive, Freeport Office Village; Doctors surgery, Silver End;
  - Office accommodation at Causeway House shared with a mix of four private and public sector organisations producing rental income;
  - Responsibility for running the Enterprise Centre, Springwood Industrial Estate, and developed four grow-on units adjacent to the Centre;
  - Invested in solar panels on council property reducing energy costs and producing an income;
  - Invested monies in pooled funds (mix of equities, property and multi-assets) achieving an improved return over short-term interest rates;
  - Service reviews have delivered cost reductions. Changes have included the combining of the domestic refuse, recycling and trade waste collections across the District; staff reductions resulting from restructures in a number of service areas;
  - Agreed a District Investment Strategy with developments which will deliver benefits over the medium to long-term; including Manor Street development; Horizon 120 employment site at Great Notley including a new Enterprise Centre; I-Construct facility at the Enterprise Centre, Springwood Industrial Estate to provide business support programme; and pipeline proposals for a Witham Enterprise Centre and Healthcare facility on the former Premdor Site, Sible Hedingham.

- 2.3 In addition, the Council, unlike many local authorities, determined from the inception of the New Homes Bonus scheme, a funding mechanism which rewards the development and delivery of homes, that it would be used for investment in infrastructure projects and affordable homes and not used to support the Council's day to day spending.
- 2.4 The Council has maintained a healthy unallocated General Fund balance in recent years that has enabled it to take advantage of opportunities such as to pay the pension deficit for three years in a single payment to achieve net savings. As at 31<sup>st</sup> March 2020 the balance was £6.882million. The average balance held by Essex district councils as at this date was £3.978million, with a range of between £1.116million and £8.5million.
- 2.5 The Covid-19 pandemic has had a considerable impact on the Council's finances and continues to do so as services which for a period were gradually reintroduced as restrictions were lifted, have in recent weeks been impacted with the District and the county moving into higher tier levels and the current national lockdown. All of which means the Council's services are continuing to play a key role in providing support and assistance to residents and businesses.
- 2.6 This is expected to result in ongoing financial consequences across the Council's services. Mainly reductions in the level of income received from services such as car parks but also unbudgeted items of expenditure, such as support provided to the Council's leisure management provider, Fusion. Additional costs may also be incurred on the Council's capital projects. In the current year, the Government has provided significant financial support to local authorities and this has lessened the net financial impact on the Council.
- 2.7 In developing the proposed Budget for the next financial year it has been difficult to forecast the impact on services, in particular how the Council's income generating services will recover and to what extent customer demand may change in a post-Covid time. As such no attempt has been made to forecast the impact at detailed budget level. It is considered that a provision be provided to meet the potential financial impact in 2021/22 and this is also supported by the recent announcement by the Government that it will provide further financial support to help meet the impact in the early part of 2021/22.

### **3. Government Funding**

- 3.1 The provisional Financial Settlement for local government was published by the Secretary of State for Housing, Communities and Local Government on 17<sup>th</sup> December 2020. The provisional settlement is in respect of 2021/22 only and has been subject to statutory consultation; this closed on 16<sup>th</sup> January 2021. The Cabinet Member for Finance and Performance Management responded to the consultation on behalf of the Council. The Ministerial announcement on the final Settlement figures for 2021/22 is, however, awaited at the time of writing this report. A verbal update will be provided at the meeting, as appropriate.

## 3.2 The provisional 2021/22 Local Government Finance Settlement

3.2.1 This single year settlement for 2021/22 is essentially a roll-forward of the 2020/21 settlement.

## 3.3 Core Spending Power

3.3.1 The Government issues a 'Core Spending Power' statement to provide local government with an understanding of the resources which it calculates are available to the whole sector to deliver services.

3.3.2 For district councils the Core Spending Power consists of: Settlement Funding Assessment (SFA); Council Tax; New Homes Bonus, Business Rates indexation and Grants: Rural Services Delivery Grant and Lower Tier Services Grant (new for 2021/22). Core Spending Power figures for this Council are provided in the table below:

<b>The Provisional Local Government Finance Settlement 2021/22</b>				
<b>Core Spending</b>		<b>2020/21</b>	<b>2021/22</b>	<b>% Increase</b>
		£	£	
Settlement Funding Assessment		3,486,929	3,486,929	
Indexing of Business Rates		139,757	181,684	
Council Tax (Assumes maximum increase applied)		9,856,926	10,256,337	
Rural Services Delivery Grant		22,125	23,217	
Lower Tier Services Grant		-	148,498	
		13,505,737	14,096,665	4.1%
New Homes Bonus		907,204	1,621,424	5.0%
<b>Total Core Spending for Braintree</b>		<b>14,412,941</b>	<b>15,718,089</b>	<b>9.1%</b>
National average increase in Core Spending for English authorities				4.5%

3.3.3 The Government's assessment of this Council's Core Spending Power for 2021/22 is £15.718million, an increase of £1,305,148 (9.1%) over 2020/21.

3.3.4 This level of increase (of 9.1%) is significantly higher than the average increase for English local authorities (of 4.5%). Whilst the increase is partly due to an assumed increase in council tax (£399,411), which includes increases in the council taxbase and the council tax levels based on the maximum allowable under the referendum principle and also a new grant for 2021/22 in respect of Lower Tier Services (£148,498), the main reason is the increase in the allocation of New Homes Bonus (of £714,220) which accounts for over half of the increase. As noted at 2.3 above the Council uses its allocations of New Homes Bonus for investment in infrastructure projects and affordable homes rather than support the revenue account. Therefore, the Government's assessment of the increase in resources available to the Council, with the exception of New Homes Bonus, is marginally below that of the National average.

### 3.4 Settlement Funding Assessment

3.4.1 The Settlement Funding Assessment (SFA) for district councils consists of two elements: Revenue Support Grant (RSG) and Business Rates Baseline.

3.4.2 The table below shows the breakdown of the provisional SFA for the Council for 2021/22 together with the Settlement for the past five years, for comparison purposes:

Settlement Funding Assessment						
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Revenue Support Grant (RSG)	£1,602,495	£777,347	£272,481	Nil	Nil	Nil
Retained Business Rates - Baseline	£3,191,180	£3,256,331	£3,354,160	£3,431,026	£3,486,929	£3,486,929
Total Settlement Funding Assessment	£4,793,675	£4,033,678	£3,626,641	£3,431,026	£3,486,929	£3,486,929
Percentage change year-on-year		-15.85%	-10.09%	-5.39%	1.63%	0.00%

*Note: Settlement for the years 2016/17 to 2019/20 were part of a four-year funding offer.*

### 3.5 Business Rates Baseline

3.5.1 The Business Rates Baseline is the Government's assessment of a local authority's spending need which is expected to be funded through the business rates retention scheme. For 2021/22 this has been assessed at the same amount as for the current year of £3,486,929.

3.5.2 The actual amount retained by the Council is dependent on actual business rate income collected in the relevant year. An estimate of the business rates to be retained in 2020/21 (revised) and 2021/22 is provided at section 8 below

### 3.6 Rural Services Delivery Grant

3.6.1 The Rural Services Delivery Grant recognises that there are additional costs associated with local service delivery in rural areas. The Government proposes to increase the Rural Services Delivery Grant (RSDG) by £4 million, taking the total to £85million

3.6.2 This funding is distributed to the top quartile of local authorities on the basis of the 'super-sparsity' indicator, which ranks authorities by the proportion of the population which is scattered widely, using Census data and weighted towards the authorities with the sparsest populations.

3.6.3 This Council's allocation is £23,217 for 2021/22, an increase of £1,092 (or 4.94%) over that received for the current year.

### 3.7 Lower Tier Services Grant

3.7.1 The Government is proposing a new un-ringfenced Lower Tier Services Grant in 2021/22, which will allocate £111 million to local authorities with responsibility for lower tier services (for example, homelessness, planning,

recycling and refuse collection, and leisure services). It is anticipated that this is a one-off grant for 2021/22 only.

- 3.7.2 The Council has been allocated £148,498 and was calculated according to the 2013/14 Settlement Funding Assessment (SFA), through the lower tier element of SFA and which the Government has determined represents the best available relative needs assessment for the authorities concerned.

### **3.8 New Homes Bonus**

- 3.8.1 The New Homes Bonus (NHB) was introduced in 2011 to provide an incentive for local authorities to encourage housing growth in their areas. From 2017/18 a national baseline was introduced for housing growth of 0.4% of council tax base (weighted by band), below which NHB is not be paid. The Government has retained the option of adjusting the baseline in future years to reflect significant and unexpected housing growth.
- 3.8.2 The Government has committed to reforming the NHB, and this year will be the final year under the current approach. A consultation document is to be published shortly on the future of the NHB, setting out options for reform.
- 3.8.3 The Government has decided not to make any change to the baseline and this will therefore remain at 0.4% for the 2021/22 allocation. However, the Government has also announced that as this will be the final set of allocations under the current approach, year 11 payments, as with year 10 payments, will not attract new legacy commitments in future years.
- 3.8.4 Notification on the Council's entitlement for year 11 of the scheme has been received of £1,380,472, which when added to legacy payments due from years 8 and 9 of £240,952 makes the total amount to be received in 2021/22 of £1,621,424.
- 3.8.5 The Council's baseline for the year 11 allocation is 250 dwellings, based on Band D weighting. The actual growth recorded between October 2019 and 2020 was 1,166. The Council will therefore receive NHB on 916 dwellings based on Band D weighting.
- 3.8.6 In addition, the Council recorded the completion of 173 affordable homes during the 12-month period and these attract a premium payment of £350 per home.
- 3.8.7 The total amount of NHB calculated on the eligible number of new dwellings and affordable homes is then split: 80% payable to the Council and 20% to Essex CC.
- 3.8.8 Detail of the payments for up to year 11 (2021/22) is provided in the table below. The shaded areas in the table show the periods when payments will not be made as a consequence of the Government's change from 2017/18 of reducing the payment period from 6 to 5 and ultimately to 4 years and the cessation of legacy payments from year 10.

<b>New Homes Bonus Summary - 2011/12 to 2021/22</b>							
	<b>2011/12 to 2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Year 1 (2011/12) (£509,036p.a. for 6 years)	3,054.2						3,054.2
Year 2 (2012/13) (£472.6k p.a. for 5 years)	2,363.0						2,363.0
Year 3 (2013/14) (£606k p.a. for 5 years)	2,423.8	606.0					3,029.8
Year 4 (2014/15) (£266.9 p.a. for 4 years)	800.6	266.9					1,067.5
Year 5 (2015/16) (£247.1k p.a. for 4 years)	494.3	247.1	247.1				988.6
Year 6 (2016/17) (£608.5 p.a. for 4 years)	680.5	680.5	680.5	680.5			2,722.1
Year 7 (2017/18) (£328.7k p.a. for 4 years)		328.7	328.7	328.7	328.7		1,314.8
Year 8 (2018/19) (£16.25k p.a. for 4 years)			16.2	16.2	16.2	16.2	65.0
Year 9 (2019/20) (£224.7k p.a. for 4 years)				224.7	224.7	224.7	674.1
Year 10 (2020/21) (£337.5k)					337.5		337.5
Year 11 (2021/22) (£1.38m)						1,380.5	1,380.5
<b>Total receivable in Year</b>	<b>9,816.5</b>	<b>2,129.2</b>	<b>1,272.5</b>	<b>1,250.2</b>	<b>907.2</b>	<b>1,621.4</b>	<b>16,997.1</b>
<b>Less:</b>							
Allocations Agreed	452.1	70.0	70.0	70.0	70.0	70.0	802.1
Economic Development & Project Delivery		144.8	144.8	144.8	144.8	144.8	724.0
Allocated to District Investment	8,000.0						8,000.0
Allocated for Affordable Homes	750.0						750.0
Garden Communities	250.0	250.0	100.0				600.0
Grow-on Units, Springwood		86.8					86.8
Broadband	250.0		356.0				606.0
Premdor site - feasibility			80.0				80.0
Housing Development & Local Plan				500.0	600.0		1,100.0
North Essex Economic Growth Strategy					20.0		20.0
Strategic Investment Team			1,991.2				1,991.2
Horizon 120 Enterprise Centre					500.0		500.0
<b>Resource Available</b>	<b>114.4</b>	<b>1,577.6</b>	<b>- 1,469.5</b>	<b>535.4</b>	<b>- 427.6</b>	<b>1,406.6</b>	<b>1,736.9</b>

3.8.9 The table also shows how the NHB has been allocated to-date: the majority providing capital resource for the District Investment Strategy, affordable homes, Strategic Investment Team (funding for four-year period), Garden Communities project and the Grow-on units at Springwood Industrial Estate, Braintree. Other sums have been allocated toward the costs of the Local Plan, economic development and project management. Allocations agreed for 2021/22 total £214,800 and are principally for staffing in Economic Development and Project Delivery service teams.

3.8.10 The balance available for allocation in 2021/22 is £1.737million. This balance will increase once the winding up arrangements of NEGC Ltd and the Garden Communities project have been finalised as a balance of funds held by the Accountable Authority will be distributed between the four authorities.

### **3.9 Housing Benefit and Local Council Tax Support Administration Subsidy**

- 3.9.1 The other significant funding received from Central Government are the administrative subsidies for Local Council Tax Support and Housing Benefit schemes with a total of £503,830 allocated to the Council for 2020/21.
- 3.9.2 Notification of the Housing Benefit administrative subsidy was received from the Department for Work and Pensions (DWP) on 18<sup>th</sup> December 2020 and provides a core funding allocation of £332,907 for 2021/22. The notification also included two New Burdens grant allocations in respect of Universal Credit of £5,114 and Other, totalling £2,000, which includes implementation of Benefit Cap regulations and for support provided on fraud investigations. The total of these three allocations, of £340,021, is £42,700 less than that received in 2020/21.
- 3.9.3 The notification of the Local Council Tax Support administration subsidy for 2020/21 is due to be received from the MHCLG in early February 2021. The amount allocated to this Council for the current year was £130,280. Detail of the allocation will be provided in a verbal update at the meeting, as appropriate.
- 3.9.4 The estimated annual reduction in these administrative subsidies for 2021/22 and 2022/23 was included in the Financial Profile at £45,000 and given the allocations notified to-date it is proposed to leave these reductions as claimants of working age continue to transfer from Housing Benefit to Universal Credit.

### **3.10 Homelessness Prevention Grant 2021/22**

- 3.10.1 The Flexible Homelessness Support Grant and Homelessness Reduction Grant have been combined into the Homelessness Prevention Grant for 2021/22. On 21<sup>st</sup> December 2020 the MHCLG announced the allocations for 2021/22, with this Council receiving £411,824. This compares to the total of the two grants in the current year of £319,953 (Homelessness Reduction Grant of £121,005 and Flexible Homelessness Support Grant of £198,948).
- 3.10.2 The Government states that the purpose of the Homelessness Prevention Grant fund is to give local authorities control and flexibility in managing homelessness pressures and supporting those who are at risk of homelessness. It expects local authorities to use it to deliver the following priorities:
- To fully enforce the Homelessness Reduction Act and contribute to ending rough sleeping by increasing activity to prevent single homelessness
  - Reduce family temporary accommodation numbers through maximising family homelessness prevention
  - Eliminate the use of unsuitable bed and breakfast accommodation for families for longer than the statutory six week limit.
- 3.10.3 It is proposed that this Homelessness grant continues to be earmarked for housing purposes as detailed above; in particular to provide the funding for the additional members of staff engaged to ensure the requirements of the new duties of the Homelessness Reduction Act are met.



### 3.11 Covid-19 Funding for Local Government in 2021/22

3.11.1 In addition to the announcement of the provisional Financial Settlement for local government for 2021/22, the Secretary of State for Housing, Communities and Local Government also announced details of the Local Government COVID Support Package for 2021/22.

3.11.2 This new package comprises:

- £1.55billion of unringfenced grant to manage the immediate and long-term impacts of the pandemic;
- £670million to enable councils to continue reducing council tax bills for those least able to pay, including households financially hard-hit by the pandemic; and
- an extension of the Sales, Fees and Charges income support scheme (SFC Scheme) to June 2021.

3.11.3 The Council's allocation of the unringfenced **Emergency Fund** for 2021/22 is £685,853. This will be the fifth tranche of Emergency Funding allocated by the Government. The four tranches received to-date are:

- First of £61,411 received in 2019/20;
- Second of £1,505,471 received in current year;
- Third of £218,588 received in current year; and
- Fourth of £228,108 received in current year.

The total value of the five tranches is £2,699,431.

3.11.4 The provisional allocation of **Local Council Tax Support Grant** is £189,919 to this Council for 2021/22; the three major preceptors, i.e. Essex CC, Essex Police and Essex Fire, are also to receive an allocation. The Government announced that broadly it expects this funding will meet the additional costs associated with increases in local council tax support ('LCTS') caseloads in 2021/22. In its initial budget proposals, the Cabinet proposed no change to the LCTS scheme for 2021/22. It is not proposed to make any changes to the LCTS scheme as a result of this allocation which is for one year only and any changes would require the agreement of the other three major preceptors to use their allocations for this purpose. However, the Government has indicated that the funding is unringfenced and can be used to provide other support to vulnerable households, including through local welfare schemes. Given the short timescale from the announcement of this funding (and will only be confirmed in the final Local Government Finance Settlement which is expected later this month) it is proposed that this is held in reserve temporarily until an agreement is reached with the three major preceptors as to the best way the allocations can be used to provide additional support to vulnerable households in the year. It is also proposed that authority be delegated to the Cabinet members for Housing and Finance and Performance Management to agree a scheme with the major preceptors with the estimated cost to this Council being limited to the value of the allocation received.

3.11.5 **Sales, Fees and Charges Income Losses Compensation Scheme.** The Government proposes to extend the scheme into the first 3 months of 2021/22. The current scheme will continue which features a 5% deductible rate, whereby councils absorb losses up to 5% of their planned sales, fees

and charges income against the baseline (proposal to use each council's 2020/21 budgeted income), with the government compensating 75p in every pound of relevant loss thereafter. This would be subject to an application in summer 2021 to this Scheme.

#### **4. Financial assumptions Update**

##### **4.1 Review of Budget Savings identified in previous years**

4.1.1 The Financial Profile, agreed in February 2020, included movements on cost reductions and additional income planned for 2021/22 to 2023/24. These have been reviewed and updated. Three changes have been made: Asset Management income generation scheme piloted in 2020/21 is to be made permanent (£8,540 net income to be reinstated for 2021/22); removal of the planned reduction (£13,500) in support to the Museum Trust as a result of the impact of Covid on the Trust's services and the removal of the changes (positive and negative) relating to interest earned from investments as these have been re-assessed based on an updated estimated cashflow over the next four years (included at section 5.3).

4.1.2 A summary of the value of the planned savings/additional income and the proposed adjustment required is provided in the table below:

	<b>2021/22 £</b>	<b>2022/23 £</b>	<b>2023/24 £</b>
Savings/Additional Income Planned	63,190	(41,350)	(12,000)
Less: Proposed Adjustment	(88,040)	3,000	7,000
Revised Value of Savings/Additional Income	(24,850)	(38,350)	(5,000)

##### **4.2 Review of Priority Investments and Unavoidable budget changes identified in previous years**

4.2.1 The Financial Profile includes the consequences for 2021/22 of the planned priority investments and unavoidable budget changes which were identified in previous years.

4.2.2 Of the fourteen changes, nine were one-off budget requests in 2020/21 and these are due to be removed from the base budget in 2021/22, a review has however identified that two need to be adjusted. Details of these nine budget requests and of the two proposed adjustments are:

- Town Hall – Upgrade CCTV system for £6,000;
- Councillor Community Grant scheme - funding of the current scheme ceases at 31<sup>st</sup> March 2021 - £73,500;
- Economic Development – Provision to enable the implementation of the North Essex Economic Growth strategy – £20,000;
- A provision of £600,000 for Housing Development and Local Growth;
- Education and Skills Board - provision to enable Board to undertake projects - £15,000;

- Surplus on Council Tax Collection Fund – allocation of part of the estimated 2019/20 surplus to town and parish councils in the Braintree District of £29,450;
- Governance – Legal Services – Case Management System upgrade existing system or purchase new system - £8,000;
- Town Hall Centre - anticipated reduction in income as a consequence of the Manor Street development - £42,000; and
- Car Parks - Loss of Manor Street / Victoria Street car parks due to Manor Street Development - during construction period - £73,000.

Adjustments are proposed to the last two to reflect the position that the Manor Street Development works are to continue into 2021/22 and therefore adjustments are proposed for a further six months: £21,000 regarding the Town Hall and £36,500 for the car parks. It is proposed that these adjustments, totalling £57,500, are met as before from the unallocated General Fund balance.

4.2.3 The total value of the budget reductions to be made in 2021/22 is £809,450.

4.2.4 The five unavoidable budget changes identified for 2021/22 onwards which were expected to impact on the base budget are:

- Governance – Governance and Information Lawyer post - £15,800;
- Community Services – Community Safety Officer post - £9,130;
- Procurement service – reduction in framework agreement rebate income – £16,000;
- Council Tax Support and Housing Benefit Administrative Subsidies – anticipated reduction of £45,000 per annum, for 2021/22 and 2022/23, as caseload will drop as housing benefit claimants, of working age, are migrated across to Universal Credit, administered by the Department for Work and Pensions; and
- Waste Management – Revenue costs for an additional vehicle and three staff members due to growth in the District. £155,000 per annum.

4.2.5 A review of these budget changes has concluded that the anticipated requirement of an additional waste vehicle and crew will not be required until 2022/23. Therefore, the provision of £155,000 requested has been slipped back one year. Also the request for the Procurement Service has been reassessed following changes in the membership of the Procurement Hub resulting in a reduced request of £5,260.

4.2.6 The total value of the ongoing budget additions to be made in 2021/22 is £75,190.

### **4.3 Financial Performance at half-year and predicted Outturn for 2020/21**

4.3.1 Since Mid-April the Government has requested that local authorities complete a monthly return on the financial impact of the Covid-19 pandemic. Whilst these returns helped the Government to determine initial funding support for local authorities, by necessity they have been based on data for relatively short periods of time, on assumptions of the levels of recovery that may be achieved in the remainder of the year (assumptions were prescribed by the

Government for the May return) and with changes to the information requested as the returns were developed month by month.

- 4.3.2 A detailed review of the Council's finances for this year has been undertaken with service managers and is based on the income and expenditure at the half-year. Detail of the review was contained in the Quarterly Performance Report to Cabinet on 23<sup>rd</sup> November 2020.
- 4.3.3 The outcome of the review is that the financial position for the whole year can be summarised as follows:
- An overall adverse variance before government COVID-19 support is projected of £2.651 million;
  - Across all services, staffing budgets are forecast to be underspent by £402,000; however, after allowing for the corporate efficiency target of £300,000, this results in a net projected underspend of £102,000. It is noted that the higher than budgeted pay award for the year, at a cost of £135,000, has been met from the unallocated revenue balance and therefore does not show as a variance. Other expenditure is projected to be over budget by £584,000;
  - Income is projected to be under achieved by £2.169 million;
  - The estimated impact of COVID-19 on the Council's finances for the year is £3.255million: £1.079million of additional expenditure and £2.176million reduction in income. The amount of government support received from the Emergency Fund for Local Government and the estimated amount expected from the Income Compensation Scheme is a total of £2.668 million. The net impact of the COVID-19 pandemic on the General Fund revenue account is therefore a £587,000 overspend;
  - Other projected budget variances, including the return on the investment in the Suffolk Waste Plant, staff vacancies in Finance and Sustainable Development and reduced fuel costs for Operations' services, net to a positive amount of £604,000 resulting in the overall General Fund position being a projected positive variance of £17,000.
- 4.3.4 Since the review at the half-year was completed the Government announced on 22<sup>nd</sup> October that local authorities would receive a fourth tranche of Emergency Funding. The Council received an allocation of £228,108, which takes the total received in this year to £2.896million against the estimated impact of Covid on the Council's finances of £3.255million, however, this estimate will continue to be reassessed as a result of the recent lockdowns.
- 4.3.5 On 14<sup>th</sup> December 2020, Sport England launched the National Leisure Recovery Fund to support Local Authorities in England with outsourced leisure services with £100m of Exchequer investment. The fund was designed to be allocated in a single funding round covering the period 1<sup>st</sup> December 2020 to 31<sup>st</sup> March 2021. The Council completed and returned an expression of interest on 15<sup>th</sup> December 2020. The application form received contained notice of the notional funding allocation for the Council, of £330,000. The Council has worked with Fusion to collate the necessary costing and other information and the completed application was submitted on 14<sup>th</sup> January 2021. The outcome of the application is awaited.

- 4.3.6 For some service areas the changes in the levels expenditure are expected to be ongoing and therefore budget adjustments are proposed for 2021/22. These are included in the Cost Reduction/Additional Income at section 6 below.

#### **4.4 Provision for inflation**

- 4.4.1 **Pay Award.** The Financial Profile includes provision for an annual pay award of 2%. The actual increase will be determined through negotiation at a national level between the Employers Organisation and the unions. Allowances are provided for annual incremental progression for staff who are not at the top of their grade (payment is subject to achievement of satisfactory performance).
- 4.4.2 **Members Allowances.** A provision of 2% per annum has been included in the Finance Profile.

#### **4.5 Pension Fund Contributions**

- 4.5.1 The Triennial Review of the Essex Pension Fund conducted as at 31<sup>st</sup> March 2019 determined the pension fund assets and liabilities applicable for the Council and set the deficit contribution and employer contribution rate for the three years: 2020/21 to 2022/23.
- 4.5.2 The Funding Strategy of the Essex Pension Fund endeavours to maintain consistency of overall contributions paid into the fund between triennial reviews. Although the ongoing employer contribution rate is increasing, the deficit on the Council's part of the Fund has been reduced such that the combined elements are only marginally higher than that at the previous review in 2016: total contribution rate of 21.8% compared to 21.7%. This Strategy has not impacted adversely for the Council on the planned period over which the deficit is to be addressed. The triennial reviews in 2010, 2013 and 2016 determined recovery periods of 20, 14 and 10½ years, respectively. The current review has determined the recovery period has reduced to 7½ years: a reduction in line with the anticipated reduction following 3 years of deficit payments.
- 4.5.3 The Council opted to pay the total deficit payment for the 3-year period, of £2,468,311, on 1<sup>st</sup> April 2020. The accounting requirement for this was that the total payment has to be accounted for in 2020/21; the consequential impact of this was that two thirds of the payment (re 2021/22 and 2022/23) would be funded from the unallocated General Fund balance in 2020/21 with this source being repaid over the two following years.
- 4.5.4 The ongoing employer contribution rate was set at 20.3%.
- 4.5.5 The increase to the budget in 2023/24 provides an estimated deficit payment of £956,580 which is the 2022/23 figure based on the single annual payment option. The actual deficit payment for 2023/24 will be determined by the Triennial Review to be undertaken as at 31<sup>st</sup> March 2022.

## **4.6 Other Expenditure**

- 4.6.1 Allowances for inflationary increases have been provided but only on specific budget headings e.g. business rates, contracts, energy, etc. based on the Office of Budget Responsibility's forecast of the Consumer Prices Index for 2021/22 and forecasts of energy cost increases received from Concept Energy Solutions, an energy management and monitoring company engaged by the Council.

## **4.7 Fees and Charges**

- 4.7.1 The general principle of the Charging Policy for the Council's discretionary fees and charges is that service users should make a direct contribution to the cost of providing services at their point of use.
- 4.7.2 The majority of the discretionary fees and charges are reviewed annually. An exception is car parking fees and charges which are reviewed on a minimum of a three-year basis and these were increased for 2019/20.
- 4.7.3 A schedule detailing the proposed levels of discretionary fees and charges for 2021/22 is provided on the Council's website ([click here](#))
- 4.7.4 Proposed levels of trade waste charges and environmental permits for 2021/22 have not been determined at the current time due to information required from a third party not being available. In addition core leisure charges are determined annually with Fusion, the Council's leisure services partner, by the Cabinet Member for Health and Wellbeing. A review of and consultation on fees for planning pre-application advice service and street naming and numbering is to be undertaken following the changes to the Scheme of Delegation, agreed on 7<sup>th</sup> December 2020. It is proposed that authority is delegated to the Cabinet Member to determine the level of these fees for 2021/22.
- 4.7.5 In order for a number of the Council's services to be competitive, authority has in previous years been granted to the appropriate Cabinet Member to vary charges and/or discount rates. The main services which this arrangement applies are Trade Waste, Town Hall lettings, Building Control and Car Parks. It is proposed that this arrangement continues with the appropriate Cabinet Member having delegated authority to agree variations to charges for commercial purposes.

## **4.8 Rents**

- 4.8.1 It is proposed that the housing rents for the four properties in Bradford Street, Braintree, be increased by the estimated rate of inflation of 1.1%. Details of the proposed rents and service charges for 2021/22 are provided in the schedule on the Council's website ([click here](#))
- 4.8.2 Increases in rental income from the Council's commercial and industrial properties are determined by rent reviews, as provided within the lease terms. An assessment of the likely increases which can be expected in 2021/22 and 2022/23 are included in section 4.1 above.

## **4.9 Third Party Contributions**

- 4.9.1 A significant amount of income is received from Essex County Council under a number of service level agreements and across a number of service areas.
- 4.9.2 The Inter Authority Agreement for Waste Management is the most significant at £1.971million (2020/21 budget). Other agreements are for Community Transport (£90,330) and for a council tax sharing arrangement (£460,000).
- 4.9.3 The agreements are for defined periods:
- Inter Authority Agreement, signed in January 2010, is for a period of 25 years;
  - Community Transport – the current 2-year agreement terminates on 31<sup>st</sup> March 2022;
  - Council Tax sharing agreement – the 2-year agreement between the three major preceptors (Essex County Council, Essex Police and Essex Fire & Rescue) and each of the Essex Borough/District/City Councils ceases on 31<sup>st</sup> March 2022.

## **5. Unavoidable Budget Demands and New Investments**

- 5.1 Bids for revenue funding to meet unavoidable budget demands and new investments total £1,563,140, in 2021/22 and £389,370 in 2022/23. Of which, £98,000 in 2021/22 and £5,000 in 2022/23, are an ongoing requirement and therefore are needed to be added to the base budget. Four requests, totalling £1,465,140 in 2021/22 and two requests of £384,370 in 2022/23, are for one-off budget requirements.

- 5.2 The bid requests to be added to base for unavoidable budget demands and new investment are:

### **Corporate Transformation**

- ICT – Office 365 and Cisco licences and uninterrupted power supply. Budget request of £21,000;
- Advertising Income reduction to budgets of £31,000;

### **Environment and Place**

- Environmental Services – To make permanent the part-time Carbon Management post currently funded from reserves. £12,000;
- Operations – Market Income. Budget was not being achieved prior to Covid – reduce budget by £20,000;
- Operations – Discovery Centre income – reduce budget by £7,000;
- Operations – Cemeteries – Grave digging contract increase following tender process. Budget request of £7,000.

- 5.3 The bid requests for unavoidable budget demands and new investment, which are one-off in nature, are:

### **Communities Culture and Tourism**

- Councillor Community Grant scheme – the current scheme was funded for a two-year period from reserves. It is proposed that a provision of £75,000

per annum be provided for a two year period, 2021/22 and 2022/23 and that this be met from the unallocated General Fund balance. However, it is also proposed that a review is conducted of the options for the scheme for these two years.

#### Environment and Place

- Environmental Services – Replacement noise level meter. Budget request of £6,500;

#### Finance and Performance Management

- Interest and Dividend income budget – estimated impact on pooled fund returns as a consequence of the Covid pandemic on global markets. £350,000 reduction in 2021/22 followed by a partial recovery of £100,000 in 2022/23. It is proposed that this reduction for 2021/22 is met from the Treasury Management reserve, which had a balance of £1.272million as at 31<sup>st</sup> March 2020. The reserve was established to equalise movements against budget and to provide for potential losses of principal on pooled fund investments;
- Town/Parish Councils – to allocate a proportion of the estimated surplus on the Council Tax Collection Fund from 2020/21, of £170,882, to the Town/Parish Councils. The proportion payable to the Town/Parish Councils is £33,640 and is for 2021/22 only. This proposal was agreed by Council on 7<sup>th</sup> December 2020.

#### Strategic Investment

- Enterprise Centre, Horizon 120 – estimated net revenue cost requirement in first two years of operation: £309,370 in 2022/23 and £125,350 in 2023/24 before a net revenue income of £52,500 is estimated for year three onwards. It is proposed that the costs in 2022/23 and 2023/24 be met from the unallocated General Fund balance.

- 5.4 At this time, one of the main unknowns for the 2021/22 Budget is how the Council's income generating services and those of the Council's partners, including Fusion, will recover and to what extent customer demand may change in a post-Covid time. As noted at paragraph 2.7 above, the approach adopted in setting service budgets has been to exclude the potential impact of Covid. Whilst the Government has announced some financial support for local authorities to address the potential impact of Covid in 2021/22, it is proposed that a provision is earmarked from the unallocated General Fund balance to provide additional financial support should this be needed. It is considered that a sum of £1million should be set aside in a new earmarked reserve.



- 5.5 The proposed funding arrangements for the one-off requests in 2021/22 are summarised in the table below:

<b>Proposed funding sources for 2021/22</b>	<b>General Fund Unallocated GF Balance</b>	<b>Treasury Management Reserve</b>	<b>Council Tax Collection Fund Surplus</b>
Councillor Community Grant scheme	£75,000		
Environmental Services – Noise level meter	£6,500		
Interest & Dividends		£350,000	
Town/Parish Councils – share of collection fund surplus			£33,640
Provision for shortfalls of income	£1,000,000		
Manor St car park - impact on income of Manor St Development (See para 4.2.2)	£36,500		
Town Hall – impact on income of Manor St Development (See para 4.2.2)	£21,000		

## 6. Cost Reduction/Additional Income Proposals

- 6.1 Senior Managers have reviewed their service budgets to identify possible cost reductions and/or additional income generation, with reference, in particular, to the projected outturn for the current year.
- 6.2 In the current circumstances the review of service budgets has been difficult but a small number of budget adjustments were identified, with a total value of £141,790, and were included in the Initial Budget proposals. These were agreed by Management Board as they do not have a direct impact on customers or service delivery.
- 6.4 In addition to these adjustments, the outcome of the tendering of the Council's insurance policies is a net saving against the current budget of £40,000. The new policies were agreed under delegated authority by the Cabinet member for Finance and Performance Management and commenced on 1<sup>st</sup> December 2020.
- 6.3 A summary of the adjustments is provided in the table below:

<b>Cabinet Portfolio</b>	<b>Business Plan</b>	<b>2021/22 £</b>
Environment & Place	Operations	117,080
Finance & Performance Management	Finance	58,330
	Human Resources	6,380
	<b>Totals</b>	<b>181,790</b>

## 7. Equality Impact Assessment

- 7.1 The Council has a responsibility for ensuring that an equalities impact assessment is undertaken on the proposals, where appropriate, and that these are taken into account in the decision making process.
- 7.2 An equalities impact assessment on the proposed loss of parking spaces at the Manor Street car park during the construction period of the Manor Street re-development has been undertaken and is included in the 'Manor Street Regeneration Project – Equalities Impact Assessment' document. It has been determined that no Equalities Impact Assessments are required for the proposed budget changes detailed at section 6 above.

## 8. Business Rates Retention Scheme

- 8.1 The Business Rates Retention scheme has been in operation in its current form since April 2013. Under the scheme the Government calculates a baseline amount of business rates which it allows local authorities to retain as part of the Government's funding for local government.
- 8.2 The provisional baseline figure for 2021/22 is £3,486,929; as provided in the Settlement Funding Assessment (section 3.4.2 above).
- 8.3 The amount of business rates actually collected in the year will inevitably vary from the baseline: a higher amount collected will increase the amount that the Council is able to retain whilst a lower amount will require the Council to meet the shortfall up to a maximum of 7.5% of the baseline amount: any shortfall greater than this will be met from the Essex Business Rate Pool.
- 8.4 An assessment of the business rates collectable and collected up to 30<sup>th</sup> November 2020 has been undertaken and used as the basis to provide a revised estimate for 2020/21 and an estimate for 2021/22 of the amount of business rates to be retained by the Council.
- 8.5 The revised estimate for 2020/21 and an estimate for 2021/22 are shown in summary below:

<b>Retained Business Rates</b>	<b><i>Revised 2020/21 £</i></b>	<b><i>Estimate 2021/22 £</i></b>
Business Rates collectable – due to BDC	9,252,777	17,212,547
Renewable Energy – 100% retained by the Council	82,520	82,520
Tariff payable to Government	-13, 239,773	-13,239,773
Levy payable to Essex Pool	-992,038	-1,113,684
Section 31 grants for Small Business Rates Relief and Retail Hospitality and Leisure Reliefs	9,592,254	2,037,414
<b>Estimated value of Retained Business Rates</b>	<b>4,695,740</b>	<b>4,979,024</b>
Business Rates Baseline	3,486,929	3,486,929

<b>Business Rates Growth above Baseline</b>	<b>1,208,811</b>	<b>1,492,095</b>
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A schedule containing more detail of these estimates is provided at Appendix A.

- 8.6 The estimated amount of business rates to be retained in 2020/21 is £4,695,740, a decrease of £306,828 against the budgeted figure of £5,002,568. This shortfall will be accounted for in the Business Rate Collection Fund and will not impact on the Council's Revenue Account in 2020/21.
- 8.7 For 2021/22, the estimate is determined on the basis of an estimate of the level of appeals against the 2017 Rating List and that Section 31 grants will be received from the Government to reimburse the amounts granted under the Small Business Rate Relief, Rural Rate Relief, Supporting Small Business Relief and Discretionary Business Rates Relief schemes. The estimated amount of business rates that will be retained by the Council is £4,979,024 i.e. £1,492,095 more than the provisional Baseline amount.
- 8.8 The estimate of Retained Business Rates for 2022/23 onwards includes a 2% uplift to reflect an anticipated increase in the Rating Multiplier. This assumption has been made as the position for 2022/23 onwards is difficult to predict as the Government continues to work with Local Government representatives on the Fair Funding Review, which will result in a resetting of the Business Rates Retained Baseline for each authority and also the introduction of the proposed 75% Business Rate Retention scheme which has been delayed for a second time until after 2021/22.
- 8.9 One of the key issues to be determined under a new 75% Business Rate Retention scheme for this Council will be how much of the £1,492,095 growth in business rates built up since 2013, and included in the base budget, will the Council be able to retain.
- 8.10 The accounting requirements for the business rate retail relief awarded to businesses (recorded via the Business Rates Collection Fund) and the reimbursement of these reliefs from Government by way of Section 31 Grants (recorded via the General Fund Revenue Account) means that the Business Rates Collection Fund will be in deficit as at 31<sup>st</sup> March 2021 and the Business Rates Equalisation Reserve will show a larger surplus (the grant income to the General Fund Revenue Account having been transferred to that Reserve). The deficit on the Business Rates Collection Fund will be addressed in 2021/22 with a transfer from the Business Rates Reserve.
- 8.11 The estimated balance on the Business Rates Collection Fund as at 31<sup>st</sup> March 2021 is a deficit of £19.282million. The proportion attributable to this Council is £7.713million. The majority of the deficit is due to the significant amount of business rate retail relief awarded in the year; however, there is also an amount of £1.29million which are losses in the year. The Government has mandated that these other losses on the Collection Fund are to be spread over a three-year period.

- 8.12 The balance on the Business Rates Equalisation Reserve as at 31<sup>st</sup> March 2021 is estimated to be £9.071million. This reserve is held specifically to equalise variations on the Business Rates Collection Fund between years. The estimated amount to be taken into account, and included in the Financial Profile is £7,368,666, a summary of the Business Rates Collection Fund is provided in Appendix A.

## **9. Business Rate Taxbase**

- 9.1 The Council's Business Rates Taxbase for 2021/22 was calculated as at 4<sup>th</sup> December 2020 and agreed by the Corporate Director (Finance) under delegated authority. The net collectable amount, after mandatory and discretionary reliefs, allowances for losses on collection and rating appeals, is £43,031,368 shown in Appendix A.

- 9.2 In recent years the Government has announced a number of rate relief schemes which it has asked local authorities to implement by exercising their discretionary discount powers under Section 47(3) of the Local Government Finance Act. The Government has given an undertaking to reimburse local authorities which implement the schemes.

- 9.2.1 **Rural Rate Relief** – the Government's 2016 Autumn Statement confirmed the doubling of this relief from 50% to 100% from 1<sup>st</sup> April 2017. The Government has requested that local authorities continue to use their local discretionary powers to grant 100% Rural Rate Relief to eligible ratepayers. It is proposed that the Council continues to use its discretionary powers to grant 100% Rural Rate Relief in 2021/22.

- 9.2.2 In the Spring 2017 Budget, the Government announced three business rate reliefs to help businesses most affected by the 2017 Rating Revaluation. The Cabinet agreed, on 9<sup>th</sup> October 2017, to implement the three schemes. Only one of these reliefs continue to be applicable for 2021/22:

- **Supporting Small Businesses** – from 1<sup>st</sup> April 2017 for a period of five years or until business pay their full rate charge or their transitional rate charge (calculated in accordance with the Non-Domestic Rating (Chargeable Amounts) (England) Regulations 2016; and

The other two schemes: Public House Relief, ceased on 31<sup>st</sup> March 2019 and Discretionary Business Rates Scheme, ceases on 31<sup>st</sup> March 2021.

- 9.2.3 **Local Newspaper Offices Relief** – From 1<sup>st</sup> April 2017 the Government provided funding to local authorities to provide a discount worth £1,500 in 2017/18 and 2018/19 for office space occupied by local newspapers. The Autumn Budget 2018 extended this relief to financial year 2019/20. In a Written Ministerial Statement published on 27<sup>th</sup> January 2020, the Government further extended this relief to apply in the financial years 2020/21 to 2024/25.

- 9.2.4 In response to the Covid pandemic the Government extended and/or introduced the following two rate relief to support businesses. At this time the Government has not indicated whether these are to continue for 2021/22 and as a result these are not included in the Business Rate Taxbase:

a) **Retail Rate Relief** – The Government announced in the Budget on 29<sup>th</sup> October 2018 the introduction of a Business Rates Retail Discount, to apply in the years 2019/20 and 2020/21. The Council agreed to implement the scheme on 25<sup>th</sup> February 2019. In response to the coronavirus pandemic, in the Budget on 11<sup>th</sup> March the Government announced the increase in the discount to 100% and extend it to include the leisure and hospitality sectors. Following the announcement on 23<sup>rd</sup> March 2020 of further measures to limit the spread of coronavirus, the Government confirmed that some of the exclusions for this relief have been removed, so that retail, leisure, and hospitality properties that will have had to close as a result of the restriction measures would be eligible for the relief.

b) **Nursery Relief** – On 18<sup>th</sup> March the Department for Education announced that to support nurseries, they will also be eligible for a business rates holiday for 2020/21.

## **10. Business Rates – Essex Region pooling arrangement**

- 10.1 The Council has participated in an Essex Business Rates Pool since 2015/16. Under this arrangement growth in business rates, above a baseline figure, which would normally be passed to the Government is retained and shared between the authorities in the Essex Pool. Over the five years, 2015/16 to 2019/20, the Council has received a total of £2.843million from the Essex Pooling arrangements.
- 10.2 Fifteen authorities are participating in 2020/21. This includes Essex County Council, the Essex Police, Fire and Crime Commissioner Fire and Rescue Authority, Southend Unitary Authority as well as all twelve district councils. Whilst final shares for 2020/21 will not be determined until early October 2021 however the latest estimate indicates that the Council could receive approximately £519,000.
- 10.3 The Council previously agreed to allocate £1.5million of this resource to fund the I-Construct building at Springwood Industrial Estate and a further £1.5million is planned to be used as part of the overall allocation of capital reserves to fund the Enterprise Centre at Horizon 120.
- 10.4 On 16<sup>th</sup> December 2020 the Secretary of State for Housing Communities and Local Government issued a letter to Essex County Council (lead authority for the Essex Pool) confirming that the Essex Pool will continue for 2021/22.
- 10.5 The decision to participate in an Essex Pool was based on the assessment that estimated business rates income for 2021/22 will exceed the baseline amount, as outlined at paragraph 8.5 above, and that on the proposed sharing arrangement the Council could receive a proportion of the estimated levy of £1,113,684 which the Council will pay into the Essex Pool.
- 10.6 The determination and receipt of the actual amount of the shares due from the Pool will be made after the Business Rate year-end returns have been collated from each of the authorities. Due to a level of uncertainty regarding

the overall performance of the Essex Pool the anticipated shares for both 2020/21 and 2021/22 are not included in the Finance Profile.

## **11. Local Council Tax Support Scheme**

- 11.1 The Local Council Tax Support (LCTS) retains a significant proportion of the principles and elements of the previous Council Tax Benefit scheme. The main elements of the scheme, which applies to claimants of working age only, are as follows:
- The calculation of support is based on 76% (reduced from 80% for 2015/16) of the Council Tax liability rather than the full amount as under council tax benefit;
  - An upper limit on the council tax banding, on which support will be calculated, is set at Band D;
  - Child Benefit for the first child only will be excluded from the assessment of a claimant's income;
  - The deduction for non-dependants in the household is set at £10.00 per week;
  - The period of backdating a claim (with good cause) is one month;
  - The amount of earnings excluded from a claimant's overall income is set at £40.00 per week with an additional earnings allowance for those claimants in receipt of working tax credit (where working a minimum of 30 hours) set at £5.00 per week;
  - The full amount of War Widows pension is excluded from the assessment of the claimant's income;
  - The limit on savings held by the claimant is £16,000. Savings above this limit precludes the claimant from support under the scheme;
  - Minimum level of income for claimants who are self-employed is set at National Living Wage; and
  - Removal of the Family Premium for new claims after 1<sup>st</sup> May 2016.
- 11.2 Support given to claimants of pensionable age is calculated using the rules as existed under the former Council Tax Benefit scheme.
- 11.3 The LCTS scheme is accounted for as a discount with the Council's council taxbase being reduced by an estimate of the amount of support that will be awarded each year. For 2021/22 this has been estimated to be £7.749million. The variation between the actual and estimated amount awarded is reflected in the balance on the Council Tax Collection Fund at the year-end.
- 11.4 On 23<sup>rd</sup> November 2020, the Cabinet determined that it would not propose any changes to the Council's LCTS scheme for 2021/22; this was on the basis of limiting the frequency of changes thereby providing a level of stability and continuity in the scheme for claimants – the last agreed changes were effective for 2016/17. With no proposed changes there was no requirement to undertake a consultation exercise. Details of the scheme for 2021/22 to be recommended for approval by Council can be found on the Council's website at: [Proposed Local Council Tax Support Scheme 2021/22](#).
- 11.5 The Equalities Impact Assessment produced for the current scheme continues to be relevant. This identified that the scheme provides a positive impact for

older people but potential negative impact for people with disabilities. The potential impact is minimised as Disability Benefits are disregarded thereby providing additional support to those with specific long-term conditions. Support for people with mental health issues may be available by means of an exemption from Council Tax liability under SMI (Severely Mentally Impaired) legislation.

- 11.6 Since the introduction of the Local Council Tax Support scheme it has been agreed that an Exceptional Hardship Fund would be provided for short-term assistance to households facing exceptional financial difficulties. The Fund is financed from contributions from the major precepting authorities; in proportion to individual council tax precept levels.
- 11.7 The Council's current process for dealing with requests for assistance from the Fund involves a referral to the Citizens Advice Bureau (CAB) for an assessment of the claimant's finances. Detail of the process is contained in the 'Council Tax – Discretionary Reduction in Liability Policy'. The Council currently has a service level agreement with the Citizens Advice Bureau for this money advice service until 31<sup>st</sup> March 2021.
- 11.8 In addition to the money advice service provided by the CAB, the Council has employed an officer to work with claimants who experience difficulty in paying their council tax with the objective of offering support and advice and to ultimately agree a payment plan.
- 11.9 It is recommended that the officer working with claimants and the Exceptional Hardship Fund be retained for 2021/22. A review of the effectiveness and value for money of the CAB money advice service is to be held over the next few months and it is recommended that authority be delegated to the Cabinet member for Finance and Performance Management to agree and implement any changes as a consequence of the review. The other three major precepting authorities have already agreed to continue to provide funding for 2021/22, calculated pro-rata precept values.
- 11.10 The value of the Exceptional Hardship Fund for 2021/22 will be £15,498; set at 0.2% of the estimated value of council tax support for the year; this provides a consistent approach across all Essex authorities and has been agreed with the major preceptors.

## **12. Council Tax – Collection Fund – Surplus/Deficit**

- 12.1 The budget setting process includes estimating the amount of council tax expected to be collected. Variation from the estimate results in either a surplus or deficit on the Collection Fund which must be either returned to or requested from council taxpayers in the following year. The surplus or deficit is allocated between the four major preceptors: Essex County Council, Braintree District Council and Essex Police, Fire and Crime Commissioner for Policing & Community Safety and for Fire and Rescue Authority.
- 12.2 The estimated balance on the Collection Fund available for distribution is a surplus of £1,355,197. The surplus will be allocated to:

- Essex County Council – £981,790
- Braintree District Council – £170,882
- Essex Police, Fire and Crime Commissioner– Policing & Community Safety – £147,613
- Essex Police, Fire and Crime Commissioner – Fire and Rescue Authority – £54,912

12.3 This Council's proportion of the council tax surplus, to be returned to council taxpayers in 2021/22 is £170,882. It has been agreed that £33,640 of this surplus will be paid to town and parish councils in 2021/22. This compares to the surplus returned to council taxpayers of £155,120 in 2020/21 (of which £29,450 was returned via payments to the town and parish councils).

### **13. Council Taxbase**

13.1 The Council's taxbase for 2021/22, calculated as at 30<sup>th</sup> November 2020, is 53,721. This was agreed, under delegated authority, by the Corporate Director responsible for Finance. This compares to a taxbase of 53,373 for 2020/21; an increase of 348 or 0.65%.

13.2 The council taxbase takes into account estimated allowances for discounts and exemptions; including the local council tax support scheme, single persons discount and for losses on collection.

13.3 The Council has exercised its discretionary powers to set the discounts/premium for empty properties and second homes.

13.4 The current levels of these discounts are as follows:

- Properties undergoing extensive repair – 0% discount for twelve months;
- Properties unfurnished – 0% discount for 6 months;
- Second homes – 0% discount;

At this time it is not proposed to vary any of these levels for 2021/22.

13.5 The current level of premia on long-term empty properties is as follows:

- Properties which have been unoccupied and substantially unfurnished for a period of two years and less than 5 years – 100% premium.
- Properties which have been unoccupied and substantially unfurnished for five years or more – 200% premium

With the following changes agreed for the following year, as permitted under the Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018:

- From 1<sup>st</sup> April 2021, Empty Homes Premiums of:
  - 100% will be applied, in addition to the full (100%) charge, for all premises which has been unoccupied and substantially unfurnished (empty) for a period of less than 5 years;
  - 200% if the period is at least 5 years but less than 10 years; and
  - 300% if the period is at least 10 years on or after 1st April 2021.



As an incentive when a property is brought back into use and occupied a refund of the new premium charged (i.e. the amount above 50%) for the previous 12 months will be made.

- 13.6 An analysis of the 221 properties that are currently being charged a premium shows that 133 are being charged 100% premium and 88 are being charged 200% premium. Of the latter, from 1<sup>st</sup> April 2021, 70 will be liable for the 300% premium. It is noted that 55 of the 221 properties are in the Parish of Finchingfield and are owned by the Ministry of Defence and a further 64 properties are owned by social landlords.
- 13.7 The determination for a financial year must be made before the beginning of the year. It is also a requirement that if a determination is made then notice of this must be published in at least one newspaper circulating in the District and do so before the end of the period of 21 days beginning with the date of the determination.
- 13.8 A council tax exemption for care leavers, aged 24 and under, was agreed and introduced from 1<sup>st</sup> April 2020. This exemption is funded by Essex County Council and this Council, in proportion to precepts i.e. approximately 72%/28%.
- 13.9 The Council also has discretionary power, under section 13A 1c of the Local Government Finance Act 1992, to enable it to reduce council tax liability where statutory discounts, exemptions and reductions do not apply. Current policy is to consider each application on its merit. The cost of an award under the policy has to be met from the General Fund. No changes or amendments to this policy are proposed.
- 13.10 It is proposed to maintain the allowance for losses on collection at 1% for 2021/22.
- 13.11 A summary of the taxbase calculation is provided in the table below:

Band	Total number of Dwellings	Discounts and exemptions including local council tax support	Equivalent no. of dwellings after discounts, exemptions, etc.	Multiplier	Relevant amount (equivalent amount x multiplier)	Taxbase at assumed collection rate of 99.0%
AR		3	3	5/9	2	2
A	6,106	-2,317	3,789	6/9	2,525	2,500
B	17,131	-4,121	13,010	7/9	10,119	10,017
C	19,203	-2,966	16,237	8/9	14,433	14,289
D	9,766	-971	8,795	9/9	8,795	8,707
E	7,402	-523	6,879	11/9	8,408	8,324
F	4,337	-215	4,122	13/9	5,954	5,894
G	2,270	-109	2,161	15/9	3,602	3,566
H	215	-20	195	18/9	390	386
				Add contributions in Lieu		35
	66,430	-11,238	55,192		54,228	53,721
2020/21	65,740	-10,773	54,967		53,877	53,373

- 13.12 With the anticipated housing growth in the District over the coming years the allowance, included in the financial profile, for growth in the council taxbase is set at 1.0% per annum for 2022/23 onwards. This provides estimated council taxbases of 54,258, 54,801 and 55,349 in 2022/23 to 2024/25 respectively.

## 14. Council Tax Levels and Referendums

- 14.1 **Council Tax Referendums.** The Localism Act 2011 gives local communities the power to decide whether to accept an excessive council tax increase. The Secretary of State determines the level of increase above which a proposed increase in council tax must be subject to a referendum. The provisional Financial Settlement for local government for 2021/22 contained the proposal that for shire district councils the referendum principles be set at the higher of 2% or up to and including £5. An increase of £4.95 (used as divisible by 9 – council tax bands are based on ninths see table at section 13.11) on this Council's Band D for 2021/22 equates to a percentage increase of 2.68%.
- 14.2 With regard to the Referendum principles for town/parish councils the Government has stated, in the technical consultation paper on the provisional Local Government Finance Settlement 2021/22, the following:
- 'In expectation that parish and town councils continue to show restraint when setting council tax precept levels, the Government proposes to continue with no referendum principles for town and parish councils in 2021/22. The Government will take careful account of the increases set by parishes in 2021/22 when reviewing the matter ahead of next year's settlement.'*
- 14.3 **Council Tax Levels.** The initial budget and council tax proposals agreed in November provided that the Council's council tax requirement be increased by £3.69 (2.00%) to £188.37 per annum (at Band D) for 2021/22. This equates to a council tax charge, for a Band D property, for the provision of this Council's services of £3.62 per week; an increase of approximately 7p per week over the current year.
- 14.4 The table below identifies the estimated budget shortfall to be addressed in 2021/22 to 2024/25. For financial planning purposes only, increases in council tax of between 1.96% and 2.00% per annum are assumed for the years 2021/22 and 2023/24 respectively, i.e. based on the lower threshold limit of the referendum principle.

Year	Council Tax at Band D	Percentage increase	Estimated budget shortfall to be addressed
2021/22	£188.37	2.00%	0*
2022/23	£192.06	1.96%	£1,061,749
2023/24	£195.84	1.97%	£292,030
2024/25	£199.71	1.98%	£89,103

Note: \* A withdrawal from balances, of £121,934, for 2021/22 will result from the proposals in this report

- 14.5 With the receipt of the provisional settlement, the notice of the proposed referendum principles for shire district councils and the provisional allocation of Covid funding for 2021/22 a range of options of council tax levels for 2021/22 has been requested for consideration by the Cabinet.
- 14.6 The table below shows four increase options: the maximum permissible under the referendum principles of 2.68%; the initial proposal of 2%; 1%; and No increase. For each option, the resultant shortfall in 2021/22 would be met from the unallocated General Fund balance and the shortfall for 2022/23 includes the shortfall for 2021/22 which would still need to be addressed.

Alternative options for 2021/22 Council Tax increase									
Council Tax increase		Band D rate	Budget Shortfall	Use of Balances	Budget Shortfall				
%	£ p	£ p	2021/22	2021/22	2021/22	2022/23	2023/24	2024/25	Total
2.68%	£4.95	£189.63	£54,246	-£54,246	£0	993,383	291,347	88,412	£1,373,142
2.00%	£3.69	£188.37	£121,934	-£121,934	£0	£1,061,749	£292,030	£89,103	£1,442,882
1.00%	£1.80	£186.48	£223,467	-£223,467	£0	£1,164,296	£293,057	£90,139	£1,547,492
Nil	0	£184.68	£320,165	-£320,165	£0	£1,261,961	£297,870	£97,252	£1,657,083

- 14.7 Under each of the options the Council would have the ability to utilise the unallocated General Fund balance in 2022/23 to meet part of the shortfall in that year should the plans to address the shortfall not all be deliverable in that year.

## 15. Budget Consultation

### 15.1 Performance Management Board

15.1.1 The Performance Management Board, on 18<sup>th</sup> November 2020, received a presentation from the Leader of the Council and the Cabinet Members for Finance and Performance Management and Corporate Transformation on the Council's priorities for 2021/22 and the initial budget position. This was the first of two opportunities for the Board to review the budget proposals. All Members were invited to attend and participate in the meeting.

15.1.2 Scrutiny of the Budget will continue at the Performance Management Board meeting scheduled for 3<sup>rd</sup> February 2021 at which this finance report and budget proposals will be considered. As with the first meeting all Members are invited to attend the meeting. Recommendations and/or comments from that meeting will be circulated at tonight's Cabinet meeting.

### 15.2 Businesses in the Braintree District

15.2.1 The January edition of the Business Bulletin included an invitation to businesses in the District to comment on the 2021/22 Budget proposals. Comments received will be circulated at tonight's Cabinet meeting.

## **16. Staffing and Pay Policy**

### **16.1 Impact on Staffing Establishment**

16.1.1 The proposed budget for 2021/22 presented in this report provides for:

- Community Safety Officer – post was funded from an earmarked reserve. Agreed in 2020/21 to add to permanent establishment. Added in part to base budget in 2020/21, 50% of cost to be funded by partners in the Community Safety Partnership, with balance of base budget requirement being added in 2021/22;
- Governance and Information Lawyer – post was on two-year fixed term contract but agreed in 2020/21 to add to permanent establishment. Part budget added to base in 2020/21 with balance of base budget requirement being added in 2021/22; and
- Budget reductions realised in 2021/22 as a result of two flexible retirements in Human Resources section and Revenues and Housing Benefits section that commenced during 2019/20.

### **16.2 Pay Policy for 2021/22**

16.2.1 Section 38 (1) of the Localism Act 2011 requires the Council to produce a pay policy statement for each financial year.

16.2.2 The Pay Policy statement:

- Must be approved formally by Full Council
- May be amended during the course of the financial year
- Must be published on the Council's website
- The statutory pay policy statement must include the Council's policy on:
  - The level and elements of remuneration for each Chief Officer
  - The remuneration of its lowest-paid employees (together with its definition of 'lowest paid employees' and its reasons for adopting that definition)
  - The relationship between the remuneration of its Chief Officers and other Officers
  - Other specific aspects of Chief Officers' remuneration: remuneration on recruitment, increases and additions to remuneration, use of performance-related pay and bonuses, termination payments and transparency

16.2.3 Remuneration is defined widely, to include not just pay but also charges, fees, allowances, benefits in kind, increases, enhancement of pension entitlements and termination payments.

16.2.4 The Pay Policy Statement 2021/22 has been designed to give an overview of the Council's framework regarding pay and rewards for staff within the Council. The framework is based on the principle of fairness and that reward should be proportional to the weight of each role and each individual's performance.

16.2.5 The information contained within the Pay Policy Statement detailed in Appendix B reflects the Council's current pay position.

## **17. Financial Profile 2021/22 to 2024/25**

17.1 An updated Financial Profile for 2021/22 to 2024/25 taking account of the proposed savings and revised assumptions is provided at Appendix C.

17.2 In summary the updated financial profile 2021/22 to 2024/25 shows:

2021/22 – withdrawal from Balances of £121,934;  
2022/23\* – shortfall of £1,061,749;  
2023/24\* – shortfall of £292,030; and  
2024/25\* – shortfall of £89,103.

*Note: \* these years are after the single-year Finance Settlement and are likely to be subject to significant changes due to the Fair Funding Review and the Government's decision regarding the proposed new 75% Business Rates Retention scheme and also the 2021 Spending Review.*

17.3 It is proposed to meet the estimated shortfall in 2021/22 from the unallocated General Fund balance this will enable a budget and council tax level to be set. However, it is proposed that the approach to address the anticipated budget shortfalls over the period of the MTFS will also seek to identify savings/additional income in 2021/22, to reduce the call on the unallocated balance. The approach consists of a number of strands:

- Organisational Impact officer group established, under the sponsorship of Cabinet members John McKee and Frankie Ricci, to assess potential opportunities to make changes following experience of how services and the Council have responded to the impact of the Covid pandemic;
- Implement a Commercial Strategy which is currently being developed and includes a systematic approach to reviewing services, identifying income generating opportunities, etc;
- Increasing income through investment. An Investment and Development programme is currently being developed;
- Maximising value from third party spend and improving contract management.

17.4 Estimated revenue income and expenditure implications of the projects agreed in the Capital Programme are included in the budget and financial profile. Other projects currently outlined in the Strategic Investment Programme are being developed and will be included in the budget and financial profile as and when the projects and the cashflow projections are agreed by the Council.

## 18. Balances and Reserves

- 18.1 The Unallocated General Fund balance as at 31<sup>st</sup> March 2020 was £6.882million.

Agreed and anticipated movements on the balances are:

	£'000
<b>General Fund</b>	
Planned addition to balances in setting 20/21 Budget	222
Pension Fund Deficit payment re 21/22 & 22/23	(1,645)
Planned use to meet one-off expenditure in 2020/21	(136)
Pay Award 2020/21	(135)
Anticipated surplus in 2020/21 (based on Q2)	17
<b>Estimated Balance as at 31<sup>st</sup> March 2021</b>	<b>5,205</b>
Planned repayment re Pension Deficit re 21/22	823
Budget proposals for 2021/22 (per this report)	(1,139)
Estimated Budget shortfall 2021/22	(122)
<b>Estimated Balance as at 31<sup>st</sup> March 2022</b>	<b>4,767</b>
Planned repayment re Pension Deficit re 22/23	822
Budget proposals for 2022/23 (per this report)	(384)
<b>Estimated Balance as at 31<sup>st</sup> March 2023</b>	<b>5,205</b>

- 18.2 Earmarked reserves are established to either meet specific requirements/ purposes in the future or to make provision for issues that are likely to occur but the timing is not predictable. The total amount of money in earmarked reserves as at 31<sup>st</sup> March 2020 was £21.931million.
- 18.3 A schedule detailing the planned use of the earmarked reserves over the four-year period of the MTFS is provided in Appendix E. The schedule classifies the earmarked reserves as either for revenue or capital and by Cabinet Portfolio.
- 18.4 A summary of planned movements is provided in the table below:

	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
<b>Earmarked Reserves - Revenue</b>	10,586	18,438	8,965	8,233	7,673
Additions/Withdrawals(-)	7,852	(9,473)	(732)	(560)	(359)
<b>Balance at Year End</b>	<b>18,438</b>	<b>8,965</b>	<b>8,233</b>	<b>7,673</b>	<b>7,314</b>
<b>Earmarked Reserves - Capital</b>	11,345	7,157	7,093	6,960	6,766
Additions/Withdrawals(-)	(4,188)	(64)	(133)	(194)	(120)
<b>Balance at Year End</b>	<b>7,157</b>	<b>7,093</b>	<b>6,960</b>	<b>6,766</b>	<b>6,646</b>

## **19. Risk Assessment**

- 19.1 Providing projections on the Council's finances into the future is subject to a high degree of uncertainty, which makes it important that an assessment of the risks is undertaken.
- 19.2 A review of risks on the budget proposals has been undertaken by Management Board. A summary of the risks, controls and mitigation identified is provided at Appendix F.

## **20. Robustness of the Estimates and the Adequacy of the Proposed Financial Reserves**

- 20.1 The Local Government Act 2003 (Part 2, sections 25 and 26) require the Chief Financial Officer (as defined under Section 151 of the Local Government Act 1972) to report on the robustness of the estimates and the adequacy of the proposed financial reserves. Members are required to have regard to the report when making decisions on the budget. The report is detailed at Appendix G.

### **20.2 Financial Resilience**

- 20.2.1 The budget proposals include estimates of income receivable from a variety of sources to finance the cost of delivering the Council's services in 2021/22. The total estimated income, excluding Housing Benefit Subsidy, is £31.61million. It is important to have an understanding of the level of reliance on each of these different sources. A breakdown of the sources is provided below:

- Council Taxpayers - £10.12million (32.0%)
- Sales, fees and charges - £6.20million (19.6%)
- Business Rates - £4.98million (15.8%)
- Rents - £3.47million (11.0%)
- Other grants and reimbursements - £2.62million (8.3%)
- Joint financing contributions – £1.83million (5.8%)
- Government grants – £1.08million (3.4%)
- Interest and Dividends – £0.71million (2.2%)
- Miscellaneous – £0.60million (1.9%)
- Revenue Support Grant – Nil

- 20.2.2 The summary shows that council tax is the largest revenue source, £10.119million or 32.0%, and this is considered the most stable of the revenue sources. The second and third largest sources are sales, fees and charges (£6.201million or 19.6%) and Business Rates (£4.98million or 15.8%). Fees and charges on the whole have been generally stable except for the current year where the pandemic has had an impact. Prices for the majority of these charges are set by the Council and activity is directly linked to service delivery. There are some service areas where cyclical periods occur giving rise to higher/ lower income levels year-on-year, e.g. planning fees. Business rates has also been a relatively stable source over recent years; however, the Government has a long standing aim to reform the system. Any reform to the system is likely to lead to the resetting of business rate income baselines

meaning that the growth in income currently retained by the Council is potentially at risk in the future. Exact details of any proposed scheme, along with the outcomes of the Fair Funding Review are still unknown, although it is expected that there will be consultation and some form of transitional arrangements.

20.2.3 Estimated rental income from property is £3.47million or 11.0%: these are received in accord with the terms of the leases which may include rent review dates where leases run for a number of years. Other grants and reimbursements total £2.62million or 8.3%: the main items include recycling credits from Essex County Council under the Inter Authority Agreement and the recovery of housing benefit overpayments. Joint financing arrangements £1.83million or 5.8% includes arrangements with Essex County Council for a council tax sharing agreement and for the food waste collection service, the latter is also undertaken through the Inter Authority Agreement. Interest and dividends earned from investments is estimated to be £0.709million or 2.2% which are both subject to general economic conditions and financial markets. A specific reserve is held to manage fluctuations in investment income received against budget.

20.3 The Robustness report refers to Year-End accounting procedures which include requests to carry forward unspent budgets. These requests are agreed by Cabinet. With the requirement to produce draft accounts for external audit by 31<sup>st</sup> May, carry forward budgets need to be agreed in April. Given the short timescale for the requests to be submitted, endorsed by Management Board and agreed by Cabinet it is recommended that authority is delegated to the Cabinet Member for Finance and Performance Management to agree those unspent budgets to be carried forward to the following year.

## **21. Capital Programme**

### **21.1 Capital Resources 2021/22 to 2024/25**

21.1.1 The anticipated resources consist of:

- Share of Right to Buy sales income from Eastlight Community Homes;
- Capital receipts from the sale of assets, including: land off Maldon Road, Witham, sale of residential properties on Manor Street re-development and sale of serviced land at Horizon 120;
- Borrow monies to finance capital projects. If borrowing is to be used then it is important that the capital project is income generating in order to cover the loan repayment costs;
- Capital grant through the Better Care Fund for Disabled Facilities Grants;
- Earmarked reserves, including District Investment Strategy reserve; and
- Section 106 contributions – where identified to a specific project which meets the requirements specified in the relevant Section 106 agreement.

21.1.2 In addition to the anticipated resources, identified above, the Council is able to use:

- unallocated balances, subject to maintaining a minimum level of £1.5million (in accordance with policy);



- the balance of Section 106 monies currently unallocated to projects in the capital programme, of £4million, but this is only available for projects that meet the requirements specified in the relevant Section 106 agreement;
- Business Rates Reserve – shares received from membership of Essex Business Rates Pool; and
- The unallocated balance of New Homes Bonus monies received.

## **21.2. New Homes Bonus (NHB)**

21.2.1 Detail of the New Homes Bonus receivable is provided at paragraph 3.8 above. This shows that the Council will receive £1.621million in 2021/22 and will have a cumulative unallocated balance of £1.737million as at 31<sup>st</sup> March 2022.

21.2.2 A key principle in the Council's approach in utilising the New Homes Bonus is to act as a catalyst to attract investment from others in the public and private sectors and to support economic and housing growth.

## **21.3 Asset Management Plan**

21.3.1 The Council's Asset Management Plan details the objectives for property in the short to medium term as:

- Contribute to the economic and physical regeneration of the District and provide opportunity to increase job prospects and support business.
- Support the delivery of our services and our overall community and corporate objectives;
- Wherever possible be used as a joint resource with our partners to deliver better public services on the most efficient basis possible;
- Be environmentally sustainable and be energy and carbon efficient;
- Be efficient in their running costs;
- Not consume any more capital than is absolutely necessary for the delivery of our objectives and to release capital from the portfolio to support the Council's capital programme; and
- Identify investment opportunities.

## **21.4 Capital Programme**

21.4.1 Details of the proposed capital projects are contained at Appendix H. The total value of the projects in 2021/22 is £3,177,740. The projects include a number which are routine each year such as planned maintenance of Council properties, Disabled Facility Grants and Play Area Refurbishment; proposals for Witham and Halstead town centres public realm improvements and provision for skate parks in Weavers Park, Braintree and Spa Road, Witham; and a provision for Supporting the Climate Change Emergency which encompasses the continuation of current schemes including increasing the number of electric charging points, community tree and bulb planting and cycle parking and associated signage.

21.4.2 The schedule also includes anticipated requirements of £1,871,000, £1,526,000 and £2,016,000 over the years 2022/23 to 2024/25.

## 21.5 Capital Funding Summary

21.5.1 A summary showing the capital resources and the proposed capital schemes for 2021/22 and the anticipated requirements for 2022/23 onwards is provided below:

<b>Capital Summary 2021/22 to 2024/25</b>						
	2020/21	2021/22	2022/23	2023/24	2024/25	Provisions
	£m	£m	£m	£m	£m	£m
<b>Capital Resources</b>						
<b>Unrestricted capital balances</b>	<b>20.378</b>	<b>14.204</b>	<b>10.97</b>	<b>11.423</b>	<b>12.171</b>	<b>12.429</b>
Anticipated capital receipts	5.569	17.543	5.394	5.344	5.344	3.844
Capital grants & contributions	3.390	9.068	0.931	0.931	0.931	0
Earmarked reserves	4.226	2.762	0.050	0.050	0.050	2.992
Vehicle financing (leasing)	0	1.588	0.583	0.141	1.622	0
Borrowing (internal/ external)	17.865	1.722	-2.153	-3.631	-3.695	2.553
<b>Total Resources</b>	<b>51.428</b>	<b>46.887</b>	<b>15.775</b>	<b>14.258</b>	<b>16.423</b>	<b>21.818</b>
<b>Capital Programme</b>						
<b>Approved programme:</b>						
Housing	0.665	1.037	0	0	0	0
Other Services	4.704	2.739	0	0	0	0.636
Strategic Investments	31.117	26.697	1.691	0.213	0.149	6.516
Capital salaries	0.738	0.678	0.207	0.207	0.207	0
<b>Capital bids (new)</b>		1.791	0.455	0.110	0.600	0
<b>Anticipated (incl. recurring items)</b>						
Housing grants		0.931	0.991	0.991	0.991	0
Other Services		0.456	0.425	0.425	0.425	0
Vehicle replacement programme		1.588	0.583	0.141	1.622	0
Strategic Investments		0	0	0	0	3.500
<b>Total Expenditure</b>	<b>37.224</b>	<b>35.917</b>	<b>4.352</b>	<b>2.087</b>	<b>3.994</b>	<b>10.652</b>
<b>C/fwd<sup>1</sup></b>	<b>14.204</b>	<b>10.970</b>	<b>11.423</b>	<b>12.171</b>	<b>12.429</b>	<b>11.166</b>

<sup>1</sup> Represented by capital receipts and former CHIP fund money (excludes S106 developer and other restricted resources, and earmarked reserves)

21.5.2 The summary shows that the proposed capital programme can be funded from the estimated capital resource available for 2021/22. In addition the anticipated capital requirements for 2022/23 to 2024/25 can also be funded but this will be dependent on the sales of assets identified producing the anticipated amount of capital receipts. It should be noted that the majority of the anticipated balance of resources, at the end of 2024/25 and after taking account of provisions, of £11.166million is dependent on income from planned sales of a number of assets being received, these include: land off Maldon Road, Witham; residential properties on the Manor Street re-development and serviced land on Horizon 120.

## 22. Capital and Investment Strategy 2021/22 to 2024/25 and Treasury Management Strategy 2021/22

22.1 From 2019/20 new requirements on local government were introduced under statutory guidance and guidance from CIPFA for increased information and for a broadening of definition of investments to ensure that all authorities have

clear plans and understanding of the risks of investments in assets as well as investment of cash.

22.2 Local authorities are required to determine on an annual basis the following:

- **Capital and Investment Strategy 2021/22 to 2024/25** - This report gives a high-level overview of how capital expenditure, capital financing, treasury management, and investment activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. The strategy includes details of the Council's borrowing requirements for 2021/22 onwards, the approach as to how capital resources will be applied, the Council's Minimum Revenue Provision policy and includes the Council's proposed limits regarding external debt as follows:
  - Authorised limit maintained at £50million; and
  - Operational boundary maintained at £30million.

Detail of the capital and investment strategy is provided at Appendix I.

- **Treasury Management Strategy Statement (TMSS)**. The Strategy covers the management of the Council's cash flows, borrowing and investments, and the associated risks. The Council invests substantial sums of money, and holds some legacy borrowing and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Council's prudent financial management. The Strategy includes detail of the Council's approved investment counterparties and limits for 2021/22.

Detail of the strategy is provided at Appendix J.

22.3 The Corporate Governance Group considered the draft copy of the TMSS (as provided at Appendix J) at its meeting on 20<sup>th</sup> January 2021 and agreed to endorse the Strategy.

22.4 The indicators, limits and strategies have been drawn up based on the revenue and capital plans set out within this report for 2021/22 and over the medium term.

## **23. Virement Levels and Policy Framework**

23.1 The Council's Constitution requires that Members agree annually the Policy Framework and virement levels used for financial control. The Finance Procedure rules, which incorporate the virement levels, were reviewed and adopted by Full Council on 6<sup>th</sup> December 2010. Following review it is considered that these limits continue to be appropriate and are detailed at Appendix K.

## **Council Budget and Council Tax 2021/22 and Medium-Term Financial Strategy 2021/22 to 2024/25**

### **Appendices**

- A Business Rates Retention scheme – Revised 2020/21 Estimate and 2021/22 Estimate
- B Pay Policy Statement 2021/22
- C Revenue Profile 2021/22 to 2024/25
- D 2021/22 Controllable Budget by Business Plan
- E Earmarked Reserves
- F Strategic risk
- G Statement on the Robustness of the Estimates and the Adequacy of the Proposed Financial Reserves
- H Capital Schemes/Projects for inclusion in the Capital Programme
- I Capital and Investment Strategy 2021/22 to 2024/25
- J Treasury Management Strategy Statement 2021/22 to 2024/25
- K Virement Levels

## BUSINESS RATES

## APPENDIX A

	Outturn NNDR3 19/20 £	Budget NNDR1 20/21 £	Latest (Nov) 2020/21 £	Estimate 2021/22 £
<b>Gross Yield</b>	<b>54,238,136</b>	<b>55,195,500</b>	<b>54,831,455</b>	<b>55,492,166</b>
<b>Mandatory Reliefs</b>				
Add Yield to fund Small Business Rate Relief	906,568	902,300	904,080	916,056
Cost of Small Business Rate Relief (SBRR)	-6,016,942	-5,798,100	-6,126,290	-5,906,360
Cost of relief to Charities/CASC/Rurals	-3,408,298	-3,401,700	-3,384,254	-3,419,609
Cost of relief partly occupied	-772	-	-85,536	-26,448
Cost of relief for empty premises	-1,494,986	-1,495,600	-1,428,889	-1,397,410
<b>Total Mandatory Reliefs</b>	<b>-10,014,430</b>	<b>-9,793,100</b>	<b>-10,120,889</b>	<b>-9,833,771</b>
<b>Discretionary Reliefs</b>				
Cost of relief to Charities/Non Profit/CASC/Rurals	-277,275	-279,250	-266,815	-268,493
Retail relief	-861,977	-830,782	-18,961,111	-
Discretionary rural relief (doubling 50% mandatory)	-9,175	-9,628	-9,903	-9,624
Local newspaper offices relief	-1,500	-	-1,500	-1,500
Supporting small businesses	-13,880	-14,106	-9,224	-7,772
Discretionary business rate scheme	-38,812	-8,200	-1,974	-
Public house relief	2,000	-	-	-
Nursery discount	-	-	-179,913	-
<b>Total Discretionary Reliefs</b>	<b>-1,200,619</b>	<b>-1,141,966</b>	<b>-19,430,440</b>	<b>-287,389</b>
<b>Net Rates Payable</b>	<b>43,023,087</b>	<b>44,260,434</b>	<b>25,280,126</b>	<b>45,371,006</b>
Amounts written off	-126,806	-	-33,705	-
Estimated losses on collection (prov)	-36,680	-229,700	-884,804	-453,710
<b>Losses on collection</b>	<b>-163,486</b>	<b>-229,700</b>	<b>-918,509</b>	<b>-453,710</b>

## BUSINESS RATES

## APPENDIX A

Change in provision for rating appeals	-1,090,827	-1,106,700	-758,058	-1,633,360
<b>Collectable Rates</b>	<b>41,768,774</b>	<b>42,924,034</b>	<b>23,603,559</b>	<b>43,283,936</b>
Transitional protection - due to/ -due from	220,978	154,700	-90,602	130,073
Amounts disregarded - renewable energy properties	-73,662	-186,000	-194,067	-194,067
Allowance for cost of collection	-188,693	-186,947	-186,947	-188,574
<b>Non-Domestic Rating Income</b>	<b>41,727,397</b>	<b>42,705,787</b>	<b>23,131,943</b>	<b>43,031,368</b>
Braintree DC Share (40%)	16,690,959	17,082,315	9,252,777	17,212,547
Renewable energy properties retained rates	-36,109	74,000	82,520	82,520
Tariff paid the Essex Pool	-13,027,512	-13,239,773	-13,239,773	-13,239,773
Levy on growth above Baseline paid to the Essex Pool <sup>1</sup>	-1,181,853	-1,202,522	-992,038	-1,113,684
S31 grants for relief schemes	2,318,940	2,288,548	9,592,254	2,037,414
<b>Retained Business Rates<sup>2</sup></b>	<b>4,764,425</b>	<b>5,002,568</b>	<b>4,695,740</b>	<b>4,979,024</b>

1 Levy due to be paid to the Essex Business Rate Pool before Pool benefit redistributed

2 Differences between amounts estimated at NNDR1 stage and outturn (NNDR3 stage) are managed via the Collection Fund and Business Rate Reserve

**BUSINESS RATE COLLECTION FUND**

	£
Balance brought forward at April 2020 (surplus)	-764,400
Amount distributed in 2020/21 to BDC, government, and preceptors	472,387
<b>Residual amount of balance brought forward</b>	<b>-292,013</b>
In-year deficit on the Collection Fund for 2020/21 including COVID reliefs	19,573,845
<b>Estimated Fund Balance at 31 March 2021</b>	<b>19,281,832</b>
 <b><u>Amount to be taken into account for Council Tax setting 2021/22</u></b>	
Residual amount of balance brought forward	-292,013
In year deficit due to COVID reliefs funded by government <sup>1</sup>	18,283,593
<b>Plus</b> the amount calculated as follows:	
In-year deficit due to other reasons	1,290,252
Less credit to reflect statutory spreading of in-year deficit over 3-years	-860,168
	430,084
<b>Total amount to be taken into account for Council Tax setting 2021/22</b>	<b>18,421,664</b>
 <b>Braintree DC share @ 40%<sup>2</sup></b>	 <b>7,368,666</b>

<sup>1</sup> Grant will be received in 2020/21 which will be transferred to the Business Rate Reserve to be drawdown in 2021/22 (see note 2 below)

<sup>2</sup> Amount to be met from the Business Rate Reserve



## **PAY POLICY STATEMENT 2021-22**

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### **1. REQUIREMENTS**

The Council is required to produce a Pay Policy Statement for each financial year under Section 38(1) of the Localism Act 2011 (the Localism Act).

The Localism Act and supporting guidance provides information and detail on the matters that must be included within this statutory pay policy. However, they also emphasise that each local authority has the autonomy to take its own decisions on pay and pay policies. The Pay Policy Statement must be formally approved by Full Council and is published on the Council's website together with other separately published data on senior officer remuneration.

When setting the terms and conditions of Chief Officers, the policy must be complied with.

The Pay Policy Statement must cover:

- The level and elements of remuneration for each Chief Officer, which for the Council is defined as the Chief Executive, Corporate Directors, Heads of Service, and Senior Managers.
- The remuneration of the Council's lowest paid employees.
- The relationship between the remuneration of the Council's Chief Officers and other officers
- Other specific aspects of Chief Officers' remuneration, use of performance related pay and bonuses, termination payments and transparency.

### **2. REMUNERATION OF EMPLOYEES WHO ARE NOT CHIEF OFFICERS**

For employees subject to the 'National Agreement on Pay and Conditions of Service of the National Joint Council for Local Government Services' (commonly known as the 'Green Book'), the Council uses a total of 7 pay grades (Grade 1 through to SMG2). Posts have been allocated to a pay band through a process of job evaluation.



**PAY POLICY STATEMENT 2021-22**

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Each grade has between 5 and 6 spinal column points (SCP). The value of the SCP increases when the Council is notified of pay awards by the National Joint Council (NJC) for Local Government Services, and which are usually paid with effect from 1 April each year. Any pay award effective from 1 April 2021 has yet to be determined. In addition, the Council reviews all pay levels to determine who is eligible for incremental progression within Grades. The Council also benchmarks and keeps under review salary profiles within the job market.

For the purpose of this Policy Statement, employees on Grade 1 are defined as our lowest-paid employees. This is because no employee of the Council is paid at a SCP that is lower than a point contained in Grade 1. The current SCP value range for Grade 1 is between £18,021 and £19,899. The Council's lowest paid employees are currently paid at SCP1.

**3. REMUNERATION OF CHIEF OFFICERS****Chief Executive**

The Chief Executive is the Council's Head of Paid Service. The salary range for the grade of this post is between £131,007 and £140,754. There is an option to convert £5,000 per annum of the salary for the purpose of accessing the Council's lease car scheme. Business mileage is paid at the locally agreed lease car rate, currently 16p per mile.

The Council's policy is in line with national advice which states that a Chief Executive's salary should not be more than 20 times the FTE salary of a Grade 1 'Green Book' employee. The Chief Executive's salary is well within this multiple at around 7X.

The value of the SCPs in the Chief Executive's grade will be updated by the pay awards notified from time to time by the Joint Negotiating Committee for Chief Executives of Local Authorities.

The Chief Executive also receives a Returning Officer fee in respect of District Council, County Council, Parliamentary and European elections and for other national and local referenda. The fee for undertaking this role in respect of District and Parish Councillors is calculated by reference to the Scale of Fees and Expenses which is approved by Full Council. In respect of the election of County Councillors, reference is made to the Scale of Fees and Expenses supplied by Essex County Council. Fees for conducting Parliamentary and European elections and national referenda are determined by way of Statutory Instrument.

## **PAY POLICY STATEMENT 2021-22**

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### **Corporate Directors**

The Corporate Directors report to the Chief Executive. The annual salary range for the grade of this post is £101,094 - £111,006. There is an option to convert £4,000 per annum for the purpose of accessing the Council's lease car scheme. Business mileage is paid at the locally agreed lease car rate, currently 16p per mile.

It is the Council's policy that the salary range for the post of Corporate Director will normally be no greater than between 75% and 80% of that of the Chief Executive. The current differential is 79% at the top of the grade.

The value of the SCPs in the Corporate Director Grade will be uprated by the pay awards notified from time to time by the Joint Negotiating Committee for Chief Officers of Local Authorities.

The Council's Section 151 Officer is one of the Corporate Directors and receives no additional remuneration for this responsibility.

### **Heads of Service and Senior Managers**

Heads of Service and Senior Managers are not subject to the Conditions of Service determined by the Joint Negotiating Committee for Chief Officers of Local Authorities, as they are 'Green Book' employees.

Roles are job evaluated using a national scheme. Current salaries for these positions are: Grade SMG 3 £56,628 - £61,998; SMG 4 £64,674 - £71,106; or SMG 5 £71,139 - £77,613.

The Heads of Service and Senior Managers report to a Corporate Director.

The values of the SCPs in these pay grades are uprated by the pay awards notified from time to time by the National Joint Council for Local Government Services.

Two of the Council's Heads of Service receive an additional remuneration of £2,000 per annum for specific responsibilities: the Head of Governance as the Council's Monitoring Officer, and the Head of Finance as deputy Section 151 Officer.

**PAY POLICY STATEMENT 2021-22**

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**4. GENERAL PRINCIPLES APPLYING TO REMUNERATION OF ALL EMPLOYEES**

On recruitment, individuals will be placed on the appropriate SCP within the pay grade for the post that they are appointed to. Access to appropriate elements of the Council's Relocation Scheme may also be granted.

Individuals will normally receive an annual increment, subject to the maximum SCP of their grade not being exceeded. In exceptional circumstances (e.g. examination success), individuals will receive accelerated increments. Again, this is subject to the top of their grade not being exceeded.

The minimum point of a pay grade will not be lower than the maximum point of the preceding pay grade.

On ceasing to be employed by the Council, individuals will only receive compensation:

- in circumstances that are relevant (e.g. redundancy); and
- that is in accordance with our retirement policy, which details how the Council exercises the various employer discretions provided by the Local Government Pension Scheme; and/or
- that complies with the specific term(s) of a compromise agreement.

Exit payments to employees, including the value of any payments by the Council into the pension fund due to early access to pension, are now subject to a statutory cap of £95,000.

Any decision to re-employ an individual, who was previously employed by the Council and, on ceasing to be employed, was in receipt of a severance or redundancy payment, will be made on merit. The Council will not, however, normally engage such an individual under a contract for services.

Market Supplements or Additional Payments for designated roles will be made in accordance with the procedure detailed in the Council's Total Reward Policy, including ensuring such payments are subject to periodic review.

If it is appropriate for an honorarium to be paid, this will be in accordance with the procedure detailed in the Council's Total Reward Policy.

The Council operates a lease car scheme in accordance with the Lease Car Policy.

## **PAY POLICY STATEMENT 2021-22**

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The Council pays Lease and Casual Car User allowances in appropriate circumstances. These allowances are determined locally.

Any excess travelling allowance that is paid will be in accordance with the procedure detailed in the Council's Total Reward Policy

Subsistence allowances are not paid to any employees of the Council.

### **5. TRANSPARENCY**

The Council's annual Statement of Accounts includes a detailed analysis of the remuneration benefits for Corporate Directors and Heads of Service. It also includes details of the number of staff earning more than £50,000 per annum, along with a summary of the number and value of exit packages in the year.

This information is available on the Council's website [\[here\]](#).

### **6. GENDER PAY GAP**

Under the Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017, the Council is required to report on their gender pay gap. The latest report based on data as at 31st March 2018 has been published on the Council's website [\[here\]](#).

### **7. REVIEW**

The Localism Act 2011 requires the Council to prepare a Pay Policy Statement annually, therefore, our next statement will be for 2022/23 and will be submitted to Full Council for approval prior to 31<sup>st</sup> March 2022.

If it should be necessary to amend this Pay Policy Statement for financial year 2021/22 during the year, an appropriate resolution will be made by the Corporate Management Board or Full Council whichever is most appropriate.

**General Fund Revenue Profile 2020/21 to 2024/25**

	<b><u>2020/21</u></b>	<b><u>2021/22</u></b>	<b><u>2022/23</u></b>	<b><u>2023/24</u></b>	<b><u>2024/25</u></b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Base Budget brought forward from previous year	14,189,390	17,631,660	16,420,940	15,101,371	15,996,691
<b><u>Inflation:</u></b>					
Pay - annual award and incremental progression	438,030	523,980	486,180	443,140	426,460
Other Expenditure Inflation	120,660	102,480	114,050	114,880	122,570
Income Inflation	0	0	0	0	0
Pension Fund adjustments (added years)	11,970	8,890	10,300	11,770	12,650
<b><u>Pension Fund Deficit - Triennial payment adjustment</u></b>					
Base Budget provision	1,600,700	-2,468,310		956,580	
Increase to allow one-off payment in year to Pension Fund	867,610				
Increase in Employer pension contributions (from 16.5% to 20.3%)	482,110				
<b><u>New Demands:</u></b>					
Reduced Income/Increased costs previously profiled - one-off provision	341,480	-809,450	-204,230	-47,000	
Reduced Income/Increased costs previously profiled - base budget		75,190	200,000	90,000	
Priority Investment - one-off provision	0	1,465,140	384,370		
Priority Investment - one-off provision			-1,215,140	-383,020	-203,850
New Budget Pressures - add to base budget	135,420	98,000	5,000	6,000	4,000
New Budget Pressures - one-off provision					
<b><u>Reductions:</u></b>					
Savings/Additional Income agreed previously profiled	-555,710	-24,850	-38,350	-5,000	
New Savings/Additional Income - Management		-181,790			
New Savings/Additional Income - Members					
<b>Additional Savings Required</b>	<b>0</b>	<b>0</b>	<b>-1,061,749</b>	<b>-292,030</b>	<b>-89,103</b>
<b>Updated Base Budget</b>	<b>17,631,660</b>	<b>16,420,940</b>	<b>15,101,371</b>	<b>15,996,691</b>	<b>16,269,418</b>
Addition to/(Withdrawal) from Balances - Base budget	222,269	-121,934			
Use of Balances - Additional Pay Award 20/21 (0.75%)	-135,420				
Use of Balances - Pension Fund Deficit - Triennial payment adjustment	-1,645,540	822,770	822,770		
Contribution from Balances for one-off New Investment	-136,000	-1,139,000	-384,370	-121,350	

**General Fund Revenue Profile 2020/21 to 2024/25**

	<b><u>2020/21</u></b>	<b><u>2021/22</u></b>	<b><u>2022/23</u></b>	<b><u>2023/24</u></b>	<b><u>2024/25</u></b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Contributions (from)/to Business Rates Equalisation Reserve	188,955	-7,368,666			
New contributions (from)/to Other Earmarked Reserves	-900,230	-351,811	-47,000		
<b>Budget Requirement</b>	<b>15,225,694</b>	<b>8,262,299</b>	<b>15,492,771</b>	<b>15,875,341</b>	<b>16,269,418</b>
Government Grant - Revenue Support Grant					
Retained Business Rates - Baseline amount	-3,486,929	-3,486,929	-3,556,668	-3,627,801	-3,700,357
- Growth above baseline	-1,515,639	-1,492,095	-1,492,095	-1,492,095	-1,492,095
Transition and Rural Services grants and returned funding	-22,125	-23,217	-23,217	-23,217	-23,217
Lower Tier Services Grant		-148,498			
Local Council Tax Support Grant		-189,919			
Collection Fund Balance - Business Rates (Surplus)/Deficit	-188,955	7,368,666			
Collection Fund Balance - Council Tax (Surplus)/Deficit	-155,120	-170,882			
<b>BDC Requirement from Council Taxpayers</b>	<b>9,856,926</b>	<b>10,119,425</b>	<b>10,420,791</b>	<b>10,732,228</b>	<b>11,053,749</b>
Tax base (+1% for 2022/23 onwards and collection rate of 99%)	53,373	53,721	54,258	54,801	55,349
Council Tax (Band D)	£184.68	£188.37	£192.06	£195.84	£199.71
Council Tax per week	£3.55	£3.62	£3.69	£3.77	£3.84
<b>Percentage Increase</b>	<b>2.75%</b>	<b>2.00%</b>	<b>1.96%</b>	<b>1.97%</b>	<b>1.98%</b>
Increase per week	£0.09	£0.07	£0.07	£0.08	£0.07

## APPENDIX D

## GENERAL FUND BUDGETS 2021/22 - BUSINESS PLAN SUMMARY

	Controllable Budgets						Reversal Use of Earmarked Reserves	Planned Spend 2021/22
	Base Budget 2020/21 (Updated)	Budget Variations & Requests for Funding	Reductions and Savings	Pay, Pension Fund, Inflation & Recharges	Other Budget Changes	Proposed Controllable Budget 2021/22		
	£	£	£	£	£	£	£	£
<b><u>Business Plan</u></b>								
Asset Management	-2,470,960	0	-15,850	10,300	0	-2,476,510	0	-2,476,510
ICT & Facilities	1,651,100	21,000	0	40,070	0	1,712,170	0	1,712,170
Community Services	397,860	10,630	0	7,350	73,500	489,340	47,360	536,700
Corporate Management Plan	1,463,290	0	0	31,930	0	1,495,220	0	1,495,220
Economic Development	208,080	-35,000	0	8,210	35,000	216,290	150,200	366,490
Environment & Leisure	995,380	-8,500	0	49,920	0	1,036,800	87,090	1,123,890
Finance	1,442,160	400,260	-58,330	76,870	-350,000	1,510,960	355,430	1,866,390
Governance	1,175,860	7,800	0	26,460	0	1,210,120	15,000	1,225,120
Housing Services	931,810	0	0	23,650	0	955,460	-152,460	803,000
Human Resources	362,200	0	-10,380	6,370	0	358,190	-1,510	356,680
Marketing & Communications	560,230	31,000	0	22,970	0	614,200	33,000	647,200
Operations	6,202,680	-2,500	-117,080	257,720	0	6,340,820	148,110	6,488,930
Strategic Investment	23,220	0	0	0	0	23,220	244,670	267,890
Sustainable Development	960,300	0	0	63,440	0	1,023,740	280,940	1,304,680
<b>COST OF SERVICES</b>	<b>13,903,210</b>	<b>424,690</b>	<b>-201,640</b>	<b>625,260</b>	<b>-241,500</b>	<b>14,510,020</b>	<b>1,207,830</b>	<b>15,717,850</b>
Corporate Financing	8,718,776	1,135,420	-5,000	10,090	-7,785,300	2,073,986		2,073,986
Corporate Efficiency Provision	-300,000	0	0	0	0	-300,000		-300,000
Parish and Town Council Grants	29,450	4,190	0	0	0	33,640		33,640
Transfer to/(from) Earmarked Reserves	-5,562,021	-600,000	0	0	-1,455,162	-7,617,183	-1,207,830	-8,825,013
Contribution to/(from) Balances	-1,559,271	0	0	0	1,121,107	-438,164		-438,164
<b>BRAINTREE BUDGET</b>	<b>15,230,144</b>	<b>964,300</b>	<b>-206,640</b>	<b>635,350</b>	<b>-8,360,855</b>	<b>8,262,299</b>	<b>0</b>	<b>8,262,299</b>
Revenue Support Grant	0	0	0	0	0	0		0
Retained Business Rates	-5,002,568	0	0	0	23,544	-4,979,024		-4,979,024
Rural Services grant	-22,125	0	0	0	-1,092	-23,217		-23,217
Lower Tier Services Grant	0	0	0	0	-148,498	-148,498		-148,498
Local Council Tax Support Grant	0	0	0	0	-189,919	-189,919		-189,919
Collection Fund Surplus - Business Rates	-188,955	0	0	0	7,557,621	7,368,666		7,368,666
Collection Fund Surplus - Council Tax	-155,120	0	0	0	-15,762	-170,882		-170,882
<b>AMOUNT TO BE MET FROM COUNCIL TAX PAYERS</b>	<b>9,861,376</b>	<b>964,300</b>	<b>-206,640</b>	<b>635,350</b>	<b>-1,134,961</b>	<b>10,119,425</b>	<b>0</b>	<b>10,119,425</b>

## Earmarked Reserves 2020/21 to 2024/25 (Projections)

	2020/21				2021/22		2022/23		2023/24		2024/25	
	Opening Balance 2020/21	Movements in Year 2020/21	Trf between reserves/ back to balances	Proj Closing Balance 2020/21	Movements in Year	Proj Closing Balance 2021/22	Movements in Year	Proj Closing Balance 2022/23	Movements in Year	Proj Closing Balance 2023/24	Movements in Year	Proj Closing Balance 2024/25
<b>EARMARKED RESERVES (REVENUE)</b>												
<b>Corporate Strategy &amp; Direction</b>												
Approved Carry Forwards	0	0	0	0	0	0	0	0	0	0	0	0
Corporate Improvement programme	206,994	-64,190	0	142,804	-43,690	99,114	0	99,114	0	99,114	0	99,114
District Elections	111,115	30,000	0	141,115	30,000	171,115	30,000	201,115	-170,000	31,115	30,000	61,115
Member Support & Development	33,880	0	0	33,880	0	33,880	0	33,880	0	33,880	0	33,880
	<b>351,989</b>	<b>-34,190</b>	<b>0</b>	<b>317,799</b>	<b>-13,690</b>	<b>304,109</b>	<b>30,000</b>	<b>334,109</b>	<b>-170,000</b>	<b>164,109</b>	<b>30,000</b>	<b>194,109</b>
<b>Environment &amp; Place</b>												
Approved Carry Forwards	90,500	-37,700	0	52,800	0	52,800	0	52,800	0	52,800	0	52,800
Green Heart Initiatives	45,742	0	0	45,742	0	45,742	0	45,742	0	45,742	0	45,742
Carbon Management	38,276	4,422	0	42,697	0	42,697	0	42,697	0	42,697	0	42,697
House Survey (Private)	25,013	3,000	0	28,013	3,000	31,013	3,000	34,013	3,000	37,013	3,000	40,013
Unmet Taxi Demand Survey	23,581	2,500	0	26,081	2,500	28,581	2,500	31,081	2,500	33,581	2,500	36,081
Operations	36,904	0	0	36,904	0	36,904	0	36,904	0	36,904	0	36,904
Flooding Relief	21,401	0	0	21,401	0	21,401	0	21,401	0	21,401	0	21,401
Commuted Maintenance	526,398	-105,610	0	420,788	-105,610	315,178	-105,610	209,568	-105,610	103,958	-105,610	-1,652
	<b>807,814</b>	<b>-133,389</b>	<b>0</b>	<b>674,426</b>	<b>-100,110</b>	<b>574,316</b>	<b>-100,110</b>	<b>474,206</b>	<b>-100,110</b>	<b>374,096</b>	<b>-100,110</b>	<b>273,986</b>
<b>Planning</b>												
Approved Carry Forwards	19,500	-19,500	0	0	0	0	0	0	0	0	0	0
Local Plan	265,966	-86,280	0	179,686	13,720	193,406	63,720	257,126	63,720	320,846	13,720	334,566
Development Control	274,642	-86,000	0	188,642	-86,000	102,642	-86,000	16,642	0	16,642	0	16,642
Planning Appeals	440,265	-150,000	0	290,265	-150,000	140,265	-140,000	265	0	265	0	265
Housing Development & Local Growth	150,000	0	600,000	750,000	-51,160	698,840	-52,210	646,630	-53,280	593,350	0	593,350
Land Charges	100,000	0	0	100,000	0	100,000	0	100,000	0	100,000	0	100,000
Unilateral Undertakings	508,380	0	0	508,380	0	508,380	0	508,380	0	508,380	0	508,380
	<b>1,758,754</b>	<b>-341,780</b>	<b>600,000</b>	<b>2,016,974</b>	<b>-273,440</b>	<b>1,743,534</b>	<b>-214,490</b>	<b>1,529,044</b>	<b>10,440</b>	<b>1,539,484</b>	<b>13,720</b>	<b>1,553,204</b>
<b>Homes</b>												
Approved Carry Forwards	0	0	0	0	0	0	0	0	0	0	0	0
Housing Needs Survey	45,982	0	0	45,982	0	45,982	0	45,982	0	45,982	0	45,982
Local Council Tax Support	376,558	0	-100,000	276,558	189,919	466,477	0	466,477	0	466,477	0	466,477
Homelessness Funds	618,476	96,183	0	714,659	152,464	867,123	-270,490	596,633	-279,780	316,853	-289,970	26,883
	<b>1,041,015</b>	<b>96,183</b>	<b>-100,000</b>	<b>1,037,198</b>	<b>342,383</b>	<b>1,379,581</b>	<b>-270,490</b>	<b>1,109,091</b>	<b>-279,780</b>	<b>829,311</b>	<b>-289,970</b>	<b>539,341</b>
<b>Economic Development</b>												
Approved Carry Forwards	0	0	0	0	0	0	0	0	0	0	0	0
Discretionary Business Rate Relief	68,084	0	0	68,084	0	68,084	0	68,084	0	68,084	0	68,084
Economic Development and Town Centre Improvements	309,527	-71,200	0	238,327	-41,200	197,127	-150,200	46,927	0	46,927	0	46,927
	<b>377,611</b>	<b>-71,200</b>	<b>0</b>	<b>306,411</b>	<b>-41,200</b>	<b>265,211</b>	<b>-150,200</b>	<b>115,011</b>	<b>0</b>	<b>115,011</b>	<b>0</b>	<b>115,011</b>
<b>Health &amp; Wellbeing</b>												
Approved Carry Forwards	0	0	0	0	0	0	0	0	0	0	0	0
Public Health Agenda	123,587	-8,234	0	115,353	-38,720	76,633	-6,580	70,053	0	70,053	0	70,053



## Earmarked Reserves 2020/21 to 2024/25 (Projections)

	2020/21				2021/22		2022/23		2023/24		2024/25	
	Opening Balance 2020/21	Movements in Year 2020/21	Trf between reserves/ back to balances	Proj Closing Balance 2020/21	Movements in Year	Proj Closing Balance 2021/22	Movements in Year	Proj Closing Balance 2022/23	Movements in Year	Proj Closing Balance 2023/24	Movements in Year	Proj Closing Balance 2024/25
Leisure	128,671	-13,500	0	115,171	-6,500	108,671	0	108,671	0	108,671	0	108,671
	252,258	-21,734	0	230,524	-45,220	185,304	-6,580	178,724	0	178,724	0	178,724
<b>Communities Culture &amp; Tourism</b>												
Councillor Grants Scheme	102,998	-73,500	0	29,498	0	29,498	0	29,498	0	29,498	0	29,498
Approved Carry Forwards	18,085	-18,085	0	0	0	0	0	0	0	0	0	0
Localism Reserve	11,407	0	0	11,407	0	11,407	0	11,407	0	11,407	0	11,407
Community Projects	242,290	-127,870	0	114,420	-94,730	19,690	0	19,690	0	19,690	0	19,690
	374,781	-219,455	0	155,326	-94,730	60,596	0	60,596	0	60,596	0	60,596
<b>Finance &amp; Performance</b>												
Approved Carry Forwards	91,226	-45,746	0	45,480	-2,670	42,810	0	42,810	0	42,810	0	42,810
Insurance Fund	106,540	-36,003	0	70,537	-9,860	60,677	-9,860	50,817	-9,860	40,957	-9,860	31,097
Management Training & Org. Development	70,281	-5,280	0	65,001	-4,800	60,201	0	60,201	0	60,201	0	60,201
Treasury Management	1,272,413	0	0	1,272,413	-350,000	922,413	0	922,413	0	922,413	0	922,413
Benefits Overpaid & Adpens	1,044,197	0	0	1,044,197	0	1,044,197	0	1,044,197	0	1,044,197	0	1,044,197
Business Rate Retention Scheme Equalisation	1,359,344	7,711,665	0	9,071,009	-7,368,666	1,702,343	0	1,702,343	0	1,702,343	0	1,702,343
Business Rate Pool	1,343,915	518,537	0	1,862,452	-1,500,000	362,452	0	362,452	0	362,452	0	362,452
Pension Deficit Equalisation	0	0	0	0	0	0	0	0	0	0	0	0
Modern Apprenticeships	70,892	-4,400	0	66,492	0	66,492	0	66,492	0	66,492	0	66,492
Procurement Hub	65,458	-6,210	0	59,248	-2,760	56,488	-2,760	53,728	-2,760	50,968	-2,760	48,208
Partnership & Developer contributions	3,960	-3,960	0	0	0	0	0	0	0	0	0	0
	5,428,226	8,128,603	0	13,556,829	-9,238,756	4,318,073	-12,620	4,305,453	-12,620	4,292,833	-12,620	4,280,213
<b>Corporate Transformation</b>												
Planned Maintenance (Revenue)	73,115	-16,623	0	56,492	0	56,492	0	56,492	0	56,492	0	56,492
Marketing & Communications	38,292	-7,840	0	30,452	-8,000	22,452	-8,000	14,452	-8,000	6,452	0	6,452
Approved Carry Forwards	82,622	-27,170	0	55,452	0	55,452	0	55,452	0	55,452	0	55,452
	194,029	-51,633	0	142,396	-8,000	134,396	-8,000	126,396	-8,000	118,396	0	118,396
<b>TOTAL - EARMARKED RESERVES (REVENUE)</b>	<b>10,586,477</b>	<b>7,351,406</b>	<b>500,000</b>	<b>18,437,883</b>	<b>-9,472,763</b>	<b>8,965,120</b>	<b>-732,490</b>	<b>8,232,630</b>	<b>-560,070</b>	<b>7,672,560</b>	<b>-358,980</b>	<b>7,313,580</b>
<b><u>EARMARKED RESERVES (CAPITAL)</u></b>												
Capital Reserve (General)	410,166	-80,000	0	330,166	-50,000	280,166	-50,000	230,166	-50,000	180,166	-50,000	130,166
Capital Reserve (District Investment)	6,050,326	-3,011,510	-41,590	2,997,226	0	2,997,226	0	2,997,226	0	2,997,226	0	2,997,226
Capital Reserve (I Construct)	1,213,507	-501,704	0	711,803	-711,803	0	0	0	0	0	0	0
Financial systems replacement	120,924	-80,000	100,000	140,924	0	140,924	0	140,924	0	140,924	0	140,924
Vehicle and Plant replacement	334,105	109,160	0	443,265	0	443,265	0	443,265	0	443,265	0	443,265
Discovery Centre All Weather Pitch	75,240	-74,997	0	243	0	243	0	243	0	243	0	243
Corporate Technology Requirements	253,334	0	0	253,334	0	253,334	0	253,334	0	253,334	0	253,334
New Homes Bonus (Allocated)	2,129,365	-121,477	-600,000	1,407,887	-208,870	1,199,017	-237,070	961,947	-74,235	887,712	0	887,712

**Medium-Term Financial Strategy – 1**Risk Rating: **B2** (B2 February 2020)

Management Board Owner – Corporate Director (CF)

Vulnerability	Trigger	Consequence
<p>The Council is unable to set a balanced Budget for the ensuing year and have a deliverable Financial Strategy over the Medium-Term.</p> <p>Local authorities' finances have been adversely impacted by the Covid-19 pandemic and although the Government has provided emergency funding in 2020/21 it is anticipated that the Council may need to use its balances to meet any shortfall in the year. The impact on income levels across services in 2020/21 and how these may recover over the short and medium terms are extremely difficult to determine.</p> <p>The pandemic has also impacted on residents and businesses in the District and on their ability to meet council tax and business rate liabilities, which in turn impacts on the finances of the precepting authorities.</p> <p>The Government has been proposing fundamental change to Local Government funding: planning to introduce 75% Business Rates Retention and implement the outcomes of the Fair Funding Review and the Spending Review. Although originally planned for 2020/21 this has again been delayed until 2022/23 with the Funding Settlement for 2021/22 being for a single year and based on rolling forward the 2020/21 settlement.</p> <p>The Government had previously announced that the New Homes Bonus (NHB) scheme was to be reviewed but this has also been postponed until 2022/23.</p> <p>Whilst the UK departed from the European Union on 31<sup>st</sup> December 2020 with a trade deal, uncertainties still persist re the impact on Local Government finances.</p>	<p>The Council's financial plans are adversely impacted by:</p> <ul style="list-style-type: none"> <li>• Circumstances change which render the planned cost reductions/additional income unachievable</li> <li>• Other financial assumptions prove incorrect. Including significant income budgets not being achieved e.g. interest receivable on the investments in equity, multi-asset and property funds.</li> <li>• Other organisations which provide significant contributions to the Council face their own funding pressures and may require greater reductions than expected.</li> <li>• Economic conditions and market fluctuations cause changes at or before contract renewal.</li> <li>• Capital receipts not received as planned and capital resources insufficient to finance capital programme.</li> <li>• Business rates collected less than expected due for example to successful appeals being greater than the provision made.</li> <li>• Business Rates baseline reset for 2022/23, as determined by the Fair Funding Review, does not enable the Council to retain business rates growth achieved prior to reset (estimate of £1.4m in 2021/22).</li> <li>• Future Spending Reviews and Autumn Statement(s) require further savings from local government.</li> </ul>	<ul style="list-style-type: none"> <li>• Shortfall in resources both in year and following years.</li> <li>• Financial savings are not achieved; balances used more than planned.</li> <li>• Priorities and projects are not delivered.</li> <li>• Cuts necessary to services</li> <li>• Rushed decisions to find other savings</li> <li>• Staff unsettled and de-motivated.</li> <li>• Assets not fit for purpose</li> <li>• Satisfaction levels with the Council fall</li> <li>• Section 114 notice issued by the Corporate Director (Finance) that it appears to them that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure.</li> </ul>

Action/controls already in place	Required management action/control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Progress to-date
<p>Robust budget review and setting process involving Management Board and Cabinet Members developed over a number of years</p> <p>Unallocated balance significantly exceeds minimum level of £1.5m - actual £5.2m as at 31<sup>st</sup> March 2021.</p> <p>Earmarked reserves to meet potential fluctuations: Estimated Business Rate Retention reserve and Treasury Management.</p> <p>Regular Budgetary Control and monitoring processes.</p> <p>Council policy to use New Homes Bonus to fund infrastructure project delivery and affordable homes.</p> <p>Strategy to increase income including investments (e.g. commercial property and solar panels) to achieve improved rate of return over the medium-term.</p> <p>Monitoring of investment counter-parties and returns on investments by Arlingclose, Treasury Advisors.</p>	<p>Close monitoring of cashflow, unbudgeted expenditure and income levels, including council tax and business rates, during the pandemic.</p> <p>Monitor financial viability of key contract partners and commercial property tenants.</p> <p>Participate in consultation as proposals for the new 75% Business Rates Retention scheme and the Fair Funding Review are published.</p> <p>Monitor the disposal of assets against planned timescale for receipt of sale proceeds.</p> <p>Continue work on development of financial resilience indicators.</p>	Corporate Director (CF)	<p>Cost reductions and income delivered on time and as budgeted.</p> <p>Setting a balanced base budget and having plans to meet funding shortfalls in subsequent years of MTFS.</p> <p>Service and performance levels delivered as planned.</p> <p>Collection rates of council tax and business rates achieve targets.</p> <p>Budget variations reported in timely manner with explanation and action plan, as appropriate.</p>	Monthly	<p>Dec. 2020 – Provisional funding settlement for 2021/22 announced by Gov't</p> <p>Feb. 2021 – Full Council sets council tax and budgets for 2021/22</p>	<p>Budget and MTFS provide a balanced base budget for 2021/22 including a 2% increase in council tax to £188.37 (Band D) and withdrawal from balances of £122k.</p> <p>For planning purposes council tax increases in future years are at the core referendum threshold of 2% for 2022/23 onwards.</p> <p>Planned approach to addressing the estimated shortfalls in 2021/22 to 2024/25.</p> <p>Member Strategic Investment Group established to consider all proposed investments.</p> <p>Investment Evaluation Tool used to assess all investment opportunities.</p>

## **Report of the Corporate Director (Finance) on the Robustness of the Proposed 2021/22 Estimates and Adequacy of the Level of Reserves**

### **1. Introduction**

The Corporate Director (Finance) as the Council's Chief Financial Officer is required<sup>1</sup> to report to the Council on:

- The robustness of the estimates made for the purposes of the budget requirement calculations, and
- The adequacy of the proposed financial reserves

The Council must have regard to this report when making decisions on the budget requirement calculations.

In addition, the Council must have regard to the level of reserves needed for meeting estimated future expenditure when calculating the net budget requirement<sup>2</sup>.

### **2. Robustness of the Proposed Budgets**

A balanced budget for 2021/22 is proposed after drawing down on the General Fund unallocated balances by £121,934. Projections for future years indicate a gap between what the Council is estimating to spend and the funding that is currently expected to be available. However, the preparation of any budget and financial plans inevitably involves assumptions that may prove to be inaccurate. Potential risks are further detailed in this report that have been considered when forming a view as to the adequacy of reserves.

The medium-term outlook must also be seen in the context of considerable uncertainty for local government from external events, including the extent of the national and local recovery from out of the current coronavirus pandemic; the longer term impact of Brexit; and changes to core funding as a result of the government's intention to review Business Rates and implement the Fair Funding review which will reallocate resources across all local authorities.

In compiling the proposed budget, officers and Members have undertaken a detailed review of all income and expenditure proposals. Allowance has been made for any known additional demands, including incremental progression for staff not at top of

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<sup>1</sup> Section 25 Local Government Act 1992

<sup>2</sup> Section 31A Local Government Finance Act

their grade. Provisions have been made including for a pay award for staff, which when agreed will be effective from 1<sup>st</sup> April 2021, and for inflationary factors across the services, including business rates, insurances, and interest rates payable and receivable. Pension liabilities are included as determined by the results of the Triennial Review of the Essex Pension Fund conducted as at 31<sup>st</sup> March 2019. Where planned savings for 2021/22 and future years had previously been identified these have been reviewed and adjustments made where necessary. Allowance has been made for £206,640 of savings, primarily through budget reductions and some minor increases in income in 2021/22. Other provisions for increased costs have been made where these are considered unavoidable or reflect past experience.

The coronavirus pandemic has had a significant impact on the Council's finances in the current year, and whilst at the present time it is expected that a substantial proportion of this will be covered through the various additional emergency funding and income support schemes from government, there is still an estimated shortfall to the Council which is being covered by other savings by services. The ongoing impact from the pandemic, and in particular, how quickly and to what extent activity at individual service level recovers to a pre-COVID position, still remains uncertain. It is reported that the full impact of the pandemic has yet to hit the UK economy as support measures are withdrawn. Rather than attempting to estimate the position for each service area, budgets have been compiled on the basis that the position returns to that pre-Covid; however, a central provision of £1million is also being earmarked from the General Fund unallocated balance which can be drawn upon to offset any further reductions in income and/ or additional expenditure. This is in addition to further government support whereby a further tranche of emergency funding has been announced from April 2021 along with extension of the income compensation scheme for loss of sales, fees and charges until the end of June 2021. The prudent financial management of the Authority means that whilst making this central financial provision this does not result in unallocated balances reducing to an unacceptably low level.

Taking all these factors into consideration, together with the level of unallocated reserves, the budgets as proposed are considered to be robust.

### **3. Risk Management**

Risk Registers are in operation, providing details of operational, strategic and project risks identified. For each risk identified there is: an assessment of likelihood of occurrence and impact; control measures in place; control measures proposed with timescale for implementation and accountability.

The Strategic Risk Register agreed by the Cabinet on 10<sup>th</sup> February 2020 was reviewed by the Corporate Management Team in Summer 2020, with an updated register approved by the Cabinet at their meeting on 7 September 2020. This was the first formal update since the impact of the Covid-19 pandemic on the District's residents, communities and businesses and on the Council.

The register details the risks which have potential to impact on the delivery of the Corporate Strategy over the medium-term. Management Board ensures that the register continues to be current by regularly reviewing and updating the strategic risks, as necessary.

The strategic risk register forms one part of the Council's overall approach to risk management, other facets include:

- Processes for identifying and recording operational risks;
- Risk registers for major projects;
- Business continuity planning; and
- Emergency planning.

Identification and management of risks form an integral part of the business planning process with details of operational risks being identified and included in all business plans.

Reports to Committees include an assessment and consideration of the risks involved, as appropriate,

#### **4. Adequacy of Reserves and Balances**

Reserves can be held for three main purposes:-

- A working balance to help cushion the impact of uneven cash flow and avoid unnecessary temporary borrowing
- A contingency to cushion the impact of unexpected events or emergencies
- Earmarked reserves to meet known or predicted liabilities

The Medium Term Financial Strategy currently recommends that General Fund unallocated balances should not fall below £1.5million.

The unallocated General Fund balance as at 31<sup>st</sup> March 2020 was £6.882 million. The budget for 2020/21 was based on an addition to balances of £222,269 (after allowing for a withdrawal of £136,000 for one-off budget requirements). The current projection of net expenditure in 2020/21 as reported in the Performance Monitor for Quarter 2 shows that this addition to balances will be reduced by a net £118,000, primarily as result of a higher than anticipated staff pay award from April 2020.

In February 2020, the Council agreed to utilise £1.645 million of the unallocated balance to provide temporary funding for the upfront payment of the pension deficit for the three years, 2020/21 to 2022/23, on 1<sup>st</sup> April 2020. This amount will be replenished by equal amounts being added back into the unallocated balance in the financial years 2021/22 and 2022/23.

Taking the above into account this will provide an unallocated balance of approximately £5.205 million at 31 March 2021.

The proposed budget for 2021/22 provides for a net reduction in balances of £438,000. This is made up of £1.139million of one-off provisions including that for COVID-19; partial repayment of £822,700 in respect of the triennial pension fund deficit contribution made in the current year; and withdrawal of £121,934 required to meet the estimated funding gap for the year. This latter adjustment will enable a budget and council tax level to be set, whilst also allowing a planned approach to be taken towards addressing the budget shortfalls that have been identified in the Medium-Term General Fund Profile. The approach to identifying savings will comprise a number of key strands:

- Organisational impact to assess potential opportunities to make changes following experience of how services and the Council have responded to the impact of the Covid pandemic;
- Implementation of a Commercial Strategy and which includes a systematic approach to reviewing services and identifying income generating opportunities;
- A Capital Investment Strategy; and
- Maximising value from third party spend and improving contract management.

It is anticipated that through these initiatives savings/additional income will be identified in 2021/22, reducing the final drawdown on the unallocated balance.

In order to assess the adequacy of unallocated balances when setting the budget, the Council needs to take account of the strategic, operational and functional risks facing the Council.

There is little guidance on what is considered to be an adequate level of balances, but the Chartered Institute of Public Finance Accountancy (CIPFA) states the following factors should be taken into account, when considering the overall level of reserves.

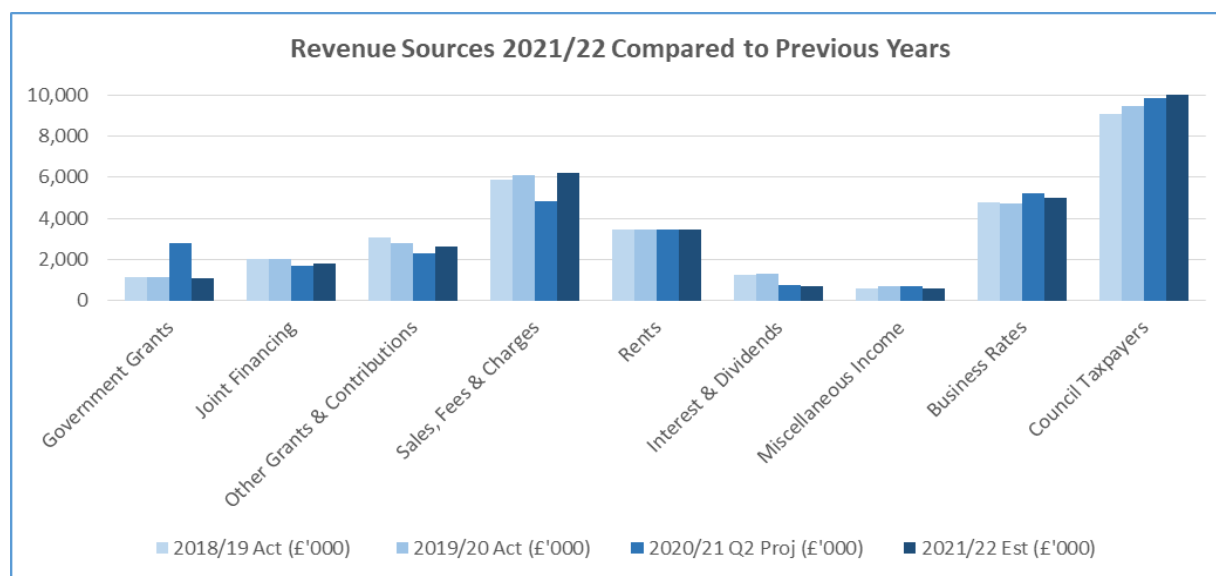
- Financial resilience of revenue income
- Assumptions regarding inflation and interest rates
- Estimates of the level and timing of capital resources
- Treatment of demand led pressures
- Treatment of savings
- Risks inherent in any new partnerships and major capital developments
- Availability of other funds
- Financial standing of the Council (i.e. level of borrowing, debt outstanding)
- Track record in budget management
- Capacity to manage in year budget pressures
- Virement and year end procedures in relation to under and overspends
- The adequacy of insurance arrangements

Comments on each of these are detailed below:

### **5. Financial Resilience of Revenue income**

The budget includes £31.6million of estimated income (excluding housing benefit subsidy) from a variety of sources to finance the cost of delivering its services. It is important to have an understanding of the level of reliance on each of these different sources. The chart below shows these revenue sources with comparisons to prior years:





Quarter 2 Projections for the 2021/22 year shows that a number of income streams were forecast to reduce compared with previous years and the estimate proposed for 2021/22. This is due to the impact of the coronavirus pandemic which resulted in a reduction in the demand for many of the Council's services as well as having an impact on interest and dividend income. On the contrary, government grant income increased as emergency funding was provided to all local authorities to meet additional expenditure and to provide an income compensation scheme.

The chart shows that council tax is the largest revenue source, £10.119million or 32.0%, and this is considered the most stable of the revenue sources. The second and third largest sources are sales, fees and charges (£6.201million or 19.6%) and Business Rates (£4.98million or 15.8%). Fees and charges on the whole have been generally stable except for the current year where the pandemic has had an impact. Prices for the majority of these charges are set by the Council and activity is directly linked to service delivery. There are some service areas where cyclical periods occur giving rise to higher/ lower income levels year-on-year, e.g. planning fees. Business rates has also been a relatively stable source over recent years; however, the Government has a long standing aim to reform the system. Any reform to the system is likely to lead to the resetting of business rate income baselines meaning that the growth in income currently retained by the Council is potentially at risk in the future. Exact details of any proposed scheme, along with the outcomes of the Fair Funding Review are still unknown, although it is expected that there will be consultation and some form of transitional arrangements. Estimated rental income from property is £3.47million or 11.0%: these

are received in accord with the terms of the leases which may include rent review dates where leases run for a number of years. Other grants and reimbursements total £2.62million or 8.3%: the main items include recycling credits from Essex County Council under the Inter Authority Agreement and the recovery of housing benefit overpayments. Joint financing arrangements £1.83million or 5.8% includes arrangements with Essex County Council for a council tax sharing agreement and for the food waste collection service, the latter is also undertaken through the Inter Authority Agreement. Interest and dividends earned from investments is estimated to be £0.709million or 2.2% which are both subject to general economic conditions and financial markets. A specific reserve is held to manage fluctuations in investment income received against budget.

## **6. Treatment of Inflation and Interest Rates**

Although the Chancellor of the Exchequer announced in his Spending Review 2020 a pay freeze for certain parts of the public sector, the Council's budget proposal still provides an allowance for an estimated pay award of 2%, as the position for the Authority will be depend upon the outcome of the national bargaining arrangements that exist between the Employers Organisation representing many local authorities and the unions. Allowances for contractual inflation, business rate increases and inflation on specific budget heads have been made on the basis of consumer price indices and, where relevant, the advice of the Council's energy management advisors.

Changes to the levels of some of the Council's discretionary fees and charges are proposed following review. For some services the charge levels are being changed to reflect recovery of the cost of provision and others are to be increased in line with the annual increase in the Retail Price Index for September 2020 of 1.1%.

Strategic investments currently totalling £19million invested in a combination of equity, multi-asset and property Pooled Funds are estimated to yield a return of around 4.5% over the long-term. However, returns (as well as market valuations) on these funds are more volatile over the short-term and therefore at the current time income is around 25% lower due to the current economic conditions. The residual balance of cash for investment will comprise capital and revenue reserves earmarked for spending in the short-medium term, and in-year cash flows. With sharp falls in interest rates being experienced at the present time these funds are estimated to yield a return of around 0.13%. Coupled with an expected reduction in cash balances as more funds are committed under the capital programme the amount income expected from short-term investments in 2021/22 is nominal. A Treasury Management earmarked reserve is maintained to manage volatility in income from this area of activity. The estimated balance on the reserve as at 31<sup>st</sup> March 2021 is £1.272 million and the budget for 2021/22 includes £350,000 being drawn down to offset the anticipated reduction in income for that year.

## **7. Estimates of the Level and Timing of Capital Resources**

The capital programme anticipates significant capital receipts from the disposal of surplus assets, residential properties built for sale, serviced commercial land and share of 'Right to Buy' sale income. Each of these is subject to possible variation to either the estimated amount and/or timing of the receipt.

A negative variation from or a delay in the estimated sum receivable would not impact on the programme for 2021/22 due to capital receipts in hand and the levels of the Special Capital Reserve and New Homes Bonus Reserve. However, a reduction of the estimated receipts, if significant, would have an impact on the resources available for the programme in later years. In this instance, action would involve a review of the future programme and possible alternative funding options.

Over £23 million of capital receipts are anticipated from sales in 2020/21 and 2021/22 which include land off of Maldon Road, Witham, residential property on Manor Street Development, and serviced plots of land on Horizon 120.

Capital resources include government grant largely in the form of New Homes Bonus. There is no issue over the timing of receipt of this grant as the New Homes Bonus allocation for 2021/22 is to be paid by regular monthly instalment during the year. The majority of the New Homes Bonus received up to 31<sup>st</sup> March 2021 has been allocated to fund capital investment in the district or otherwise support economic development activities. The Government has indicated that it will be consulting on the New Homes Bonus scheme after 2021/22 and whether the scheme is the best way of incentivising housing growth. It has also announced that the payment for year-11 (like that for year-10) will only be paid for a single year with no further legacy payments in the subsequent three years. The impact of any potential change will be limited on the Council as its financial plans do not anticipate future receipts of New Homes Bonus beyond that committed by government.

The capital programme is also reliant on significant external funding from the South East Local Enterprise Partnership (SELEP) through the Getting Building Fund with £7 million approved for allocation towards a new business enterprise centre at Horizon 120, and over £1 million contribution of European Regional Development Grant being made towards the costs of the I-Construct Centre at Springwood Drive. Both of these funding sources are subject to formal agreements which include targets on project delivery.

Capital resources and spend is monitored with reports; monthly to service managers; quarterly to Management Board and the Cabinet; and to the Cabinet Member for Efficiency and Resources, as necessary.

## **8. Treatment of Demand Led Pressures**

Estimates are based on the latest budgetary information available, with changes made to the base estimates carried forward from 2020/21 as appropriate.

Housing Benefit costs represent a significant amount of demand led cost, albeit substantially funded from government subsidy. The costs and anticipated subsidy are monitored closely during the year.

No changes are proposed to be made to the Local Council Tax Support scheme from that which has operated in 2020/21. The scheme is based on working age claimants paying a minimum amount of 24% of their council tax liability. The amount of support awarded to-date in the current year is higher than was originally anticipated due to the coronavirus pandemic and impact on jobs. Additional support to those deemed most vulnerable has also been provided in the current year, funded by additional government grant, with this scheme also been extended into 2021/22.

The estimated level of support to be awarded in 2021/22, of £7.749million, has been used in the calculation of the Council Taxbase. The amount of support awarded will be regularly monitored and if the level exceeds estimate then consideration may be given to changing the scheme criteria for 2021/22.

Business rates – a provision is included for a reduction in the amount of business rates collectable as a result of successful appeals against the Council's Valuation List. The provision makes allowance for backdated refunds of amounts previously paid against both the 2010 and 2017 Valuation Lists. The estimated value of appeals on the 2017 Valuation List has been calculated at 2.6% based on national guidelines but taking into account local factors and appeals experience from the 2010 List. Information is received from the Valuation Office Agency (VOA) on a monthly basis of the appeals against the 2010 List, decisions made and appeals outstanding. The Check, Challenge and Appeal process for businesses to appeal against their rateable values was introduced for the 2017 List. Information is provided by the VOA on the Challenge element and by the Tribunal on the outcomes of the Appeals element. Information as and when received is used in the monitoring of business rates income and ultimately the amount of business rates retained by the Council.

The Council has agreed to participate again, with fourteen other Essex authorities, in an Essex Business Rates Pool for 2021/22. This will enable growth in business rates to be retained by the Essex authorities, rather than be paid as a levy to the Government. In the current year the Council's estimated share is £517,000, with a similar amount assumed for 2021/22; however, as the amount is not be finalised until after the year-end position for the Pool has been determined, no estimated share has been included in the

income assumed in the Financial Profile. For the amounts received by the Council from past agreement the money has been used to support in part the Council's investment in capital projects, e.g. the I-Construct Innovation Centre and the recently approved Horizon 120 Enterprise Centre.

## **9. Treatment of Planned Efficiency Savings**

All posts included in the Council's staffing establishment are budgeted for; however, historically a financial allowance has been made to recognise staff turnover, vacancies and other staffing efficiencies. The allowance, to be achieved during the course of the year, was increased by £100,000 to £300,000 for 2020/21. The allowance is expected to be over-achieved in the current year and therefore the allowance is to be maintained at this level for 2021/22. The position will continue to be closely monitored and reported to Members in the quarterly performance monitor report.

A procurement income target, to be achieved through rebates received from the use of the Hub's framework agreements, is included within the financial arrangements for the Essex Procurement Hub: which the Council runs on behalf of two other Essex district councils. The use of the Hub's frameworks is demand led and with more frameworks being created by competitors the use of the Hub's frameworks and consequently rebate income may vary. A contribution continues to be payable to cover any shortfall in rebate income and ultimately pay for the procurement service each member receives.

The MTFS includes for each year a schedule of planned savings and efficiencies. The delivery of the plans is monitored by means of the quarterly performance report to Members.

## **10. Risks Inherent in Partnership Arrangements, Capital Developments, etc.**

The Council entered into a 10-year partnership arrangement with Fusion for leisure management in September 2012. The Council receives a net income per annum under the leisure management contract. The payment has been averaged across the term of the contract. The Council has funded the investment in the gymnasiums at Braintree Leisure Centre and Braintree Swimming Pool in return for a higher income stream from Fusion. The income from Fusion is provided in the financial profile. With the requirement to close leisure facilities and to introduce social distancing measures when operational as a result of the current pandemic, the financial arrangements with Fusion have been modified during 2020/21, with the Council using the additional funding received from government. Further financial support for leisure is being sought through other government support schemes. It is likely that the position will not return to those pre-Covid for some time, hence the requirement of the Council to set-aside a provision in the proposed budget for 2021/22 for the potential on-going impact of Covid-19.

The Council receives significant financial contributions from Essex County Council (ECC), mainly in respect of Waste Management but also a Council Tax sharing arrangement and for the Community Transport service. Community Transport is subject to annual agreement, whereas a two-year Council Tax sharing arrangement ending on 31 March 2022 is currently in place.

The Council has agreed ambitious investment plans which is to be delivered over the next few years. This includes a redevelopment project in Braintree town centre; the purchase and development of employment land (Horizon 120); the construction of a new business enterprise centre at Horizon 120; and an innovation centre at Springwood Drive, Braintree (I-Construct). Funding has been identified from a combination of prudential borrowing, third party contributions; and cash backed allocations from the New Homes Bonus and other reserves. A number of the schemes include a proportion of the development costs being repaid from future asset sales. Where borrowing is involved, peak debt will be higher during the development period than is anticipated as being required over the long-term.

The Council reduced the amount of space it needed to occupy at Causeway House, Braintree. The available space in the building is fully occupied with four tenants (3 private sector businesses and Essex County Council).

The proposed Capital Programme also provides for a number of projects/schemes including provision for disabled facility grants, works to a number of council owned properties and land. Financing of these is mainly from capital receipts. The revenue account takes account of the consequential impact of the use of capital receipts and any other impacts of capital investment.

### **11. Availability of Other Funds**

In addition to unallocated balances and capital receipts, the Council has a number of earmarked reserves set up for a number of reasons:

- To provide a source of capital funding;
- To manage risks;
- To provide medium term financial stability;
- To provide funds for efficiency reviews and “invest to save” schemes; and
- To fund service improvements without ongoing base budget implications.

Details of the balances and expected movements are shown in Section 18 of the main report.

## **12. Overall Financial Standing (Borrowing, Debt and Collection Rates)**

The Council's external debt consists of two loans totalling £6million which, subject to any lender options being exercised, mature in 2042. The average annual rate of interest payable on the debt is 4.7%. Variation of the rate of interest rests with the Lender. If the Lender requests an increase in the rate the Council can refuse and repay the loans. The Council can seek to negotiate repayment with the Lender. With interest rates expected to remain low for the foreseeable future it is unlikely that the lender will exercise their option. As such the Council agreed and entered into a variety of investment opportunities to achieve improved returns which will be used to offset the interest payable on the loans. The budgets of the income generated from the investments are shown net of the annual repayment of the principal sum used to finance the schemes.

The medium-term capital programme includes a number of strategic projects for the Council's borrowing requirement is projected to increase, either temporarily pending the generation of capital receipts, or as part of the longer-term funding of projects to be repaid through annual rental income. Each project has been subject to a detailed financial appraisal which has considered their viability in terms of repayment of debt. A project rate of 2.9% has been used with an appropriate provision for annual Minimum Revenue Provision. The exact timing of incurring new borrowing, and on what basis, will be determined in accordance with the Treasury Management Strategy, which is based on minimising risk by using internal borrowing, subject to ensuring that long-term risks are also managed.

The amount available for treasury management investment fluctuates during the course of the year, such that the Council's average investments are expected to be circa £61million during 2020/21; with investments at the beginning of the year of £52million and circa £23million at the year end. The in-year position for 2020/21 has been impacted by the influx of money from government which has been provided to local authorities to passport onto businesses, council taxpayers, and other individuals through various grant schemes as support through the coronavirus pandemic. Current projections show that the level of investments is expected to vary over the medium-term. However, this forecast is subject to a high degree of fluctuation as they depend on a complex mix of revenue and capital cash flows and levels of related balances and reserves. A total of £19million has been invested in Pooled Funds, with a further £1million agreed in principle by the Member Strategic Investment Programme Group (SIPG), the investment of which was put on hold as a result of the current pandemic and volatility in financial markets. The aggregate total limit currently approved for these types of investment is £25million, subject to cash balances being available to allow investments to be made with the intention of holding for periods of 3 to 5 years. These investments are also currently subject to statutory regulations which means that for the period up to 31 March 2023, any change in the market value of the investments (+/-) are not charged to the General Fund revenue account, and instead are only realised when investments are sold. The balance of monies available for

investment will be placed for relatively short periods in call accounts, money market funds or deposited with Lloyds Bank, the Council's banking services provider. The increased cash flow that has arisen during 2020/21 has resulted in a much higher level of funds having to be placed with the Debt Management Office (UK Government).

The Council Taxbase for 2020/21 was calculated with the allowance for variation set at 1.0% which allowed for a number of changes including the Local Council Tax Support scheme, reduced discounts on empty dwellings and for second homes. After review it is considered appropriate to maintain the Council Taxbase allowance at 1% for 2021/22.

The estimated balance on the Council Tax Collection Fund as at 31<sup>st</sup> March 2021 is an overall positive balance of £0.801million, comprising a positive balance of £1.632million, being the difference between the balance estimated for 31 March 2020, and the actual balance at that date; partially offset by an in-year adverse variance of £0.831million. The difference in the opening balance for the year is to be returned to council taxpayers in 2021/22, but partially offset by 1/3<sup>rd</sup> of the in-year deficit, which new statutory provisions issued in light of COVID-19 requires that any shortfalls in Council Tax arising in 2020/21 are to be spread over the next three financial years.

Historically, in-year collection rates of Council Tax and Business Rates have been good with Council Tax collection being roughly on target and Business Rates exceeding expectations. The position in the current year has clearly been effected by the pandemic, and in particular the limitations on the extent to which recovery proceedings on non-payment have been able to be progressed. Based on the position at the end of November 2020, collection rates for both Council Tax and Business Rates were lower than expectation by around 1.5% and 2% respectively. However, the rates being achieved did compare favourably to that of other Essex authorities. Collection performance continues to be closely monitored and reported to the Cabinet Member for Finance and Performance Management on a monthly basis, Cabinet on a quarterly basis in the Performance monitoring report and to each meeting of the Corporate Governance Group.

The collection of ground rents, leases, charges for services and housing benefit overpayments and other debts has generally improved in recent years as action has been taken to target recovery of longer term debts and prompt attention given to new debt raised. The level of debts outstanding is reported at each meeting of the Corporate Governance Group.

The Financial Profile includes the provisional allocation of Business Rates Baseline for 2021/22, which has been set at the same level as 2020/21 following the Chancellor of the Exchequer's announcement in the Spending Review 2020 that the business rate poundage would be frozen for the next year at the current level. Local authorities will be compensated for the reduction in income through additional S31 grant.



There remains a high level of uncertainty around when the Government will introduce changes to funding arrangements for local government including reforms to Business Rates and implementation of the Fair Funding Review. The details of the new arrangements, how this will be shared and whether new responsibilities are imposed on local authorities, are yet to be agreed and as such future estimates provided in the Financial Profile continue to be based on the current arrangements and will need to be kept under review as more information becomes known.

### **13. Track Record in Budget Management**

The Council has a good track record on budget management and achieving planned savings reflected in budgets. Over the three-years 2017/18 to 2019/20 the average net variance against budget has been around -7% p.a. Close monitoring of spending has meant that expenditure has typically been below that budgeted, with an average underspend of around 2% p.a. Where in-year monitoring has identified issues, appropriate corrective action will have been taken. Over the same period income has on average been overachieved by almost 5% p.a. as general economic conditions have improved leading to increases in income from areas which are very much demand-led such as planning fees, building control, car parks etc.

Where in-year budget variances are identified these are reviewed so that any potential ongoing impact, positive or negative, is taken into account in financial planning for future budgets.

All staffing changes are required to be approved through an establishment control process, involving the service department, human resources, finance, and the relevant Head of Service/ Director, and which includes consideration of options and their implications prior to any changes being approved.

### **14. Capacity to Manage In-year Budget Pressures**

All budgets are profiled across the year and budgetary information is supplied to managers seven working days after the end of the month. Full monitoring reports are produced each quarter with a projected outturn for the year. Where necessary the Council has shown in the past that it can apply appropriate controls on discretionary spending where in-year projections have forecast a shortfall to bring about corrective action on the budget.

**15. Virement and Year End Procedures in Relation to Under and Overspends**

The virement procedure is detailed in the Constitution. A procedure of carrying forward underspends is in place, but only if there is a specific proposal and date for the delayed spend. Other underspends are added to balances. Overspends will be met from balances with reasons for the over spends being reported to the Cabinet. Following the determination of the financial outturn for a year, the current year's budgets are reviewed to assess whether any variances in the previous year's outturn are ongoing and will impact on those budgets. Budget adjustments are also made in year, as necessary, as a result of the quarterly financial monitoring reports.

**16. Adequacy of Insurance Arrangements**

All major identified risks are covered by insurance and minor risks could be met from the Insurance Fund. The level of cover is reviewed annually.

The Council arranged specific insurance following the housing stock transfer to cover risks associated with property title/ land searches and environmental pollution in relation to the land and property subject to the transfer.

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				Capital Cost (gross of external funding)				Net Revenue	
				2021/22	2022/23	2023/24	2024/25	2021/22	
1	Corporate Transformation	<b>Website Customer Access Enhancement.</b> To streamline and enhance the BDC website to make the customer experience immediately relevant and useful as well as being a more comprehensive repository of the data available.	The Council is striving to find ways of improving customer access to their data without having to phone, visit or email the Council to get the information they require. This is especially important to customers and residents when trying to find information about themselves or the area in which they live.  The BDC Website has many entry points for people browsing it and people do not always find it easy to access the detail they want especially when it is disparate. For example, what is my outstanding council tax? what planning applications are there in my area? when is my next bin collection? are all held in separate places with the user having to navigate the site to get the data.	80,000					
2	Corporate Transformation	<b>Planned Maintenance of Council Properties.</b> The annual investment required to maintain those properties owned, leased and managed by the Council where the Council has a maintenance and repairing obligation.	The Council reviews and updates the condition surveys relating to those properties where it has a repairing obligation by the 31st August each year. These surveys identify the priority planned maintenance works required to be carried out in the following financial year.  The identified investment is required to ensure that the Council's properties are maintained to a good standard to support service delivery and sustain or improve the physical condition, rental income and value of the asset.	415,500	385,000	385,000	385,000		
3	Corporate Transformation	<b>Technology replacement programme.</b>	Our hardware and software estate needs to be kept up to date to ensure that it can continue to be supported by our ICT service provider and continues to be fit for purpose.	40,000	40,000	40,000	40,000		

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				Capital Cost (gross of external funding)				Net Revenue	
				2021/22	2022/23	2023/24	2024/25	2021/22	
4	Environment & Place	<b>Housing Renovation Grant</b>	Providing financial support through a repayable grant scheme to ensure those under financial pressure can afford to adequately heat their homes and when it is impractical to carry out disabled adaptations to a property, offer the occupier a relocation grant to enable them to move to a more suitable (adapted) property. No requirement for 2021/22 as balance available from current year.	-	60,000	60,000	60,000		
5	Environment & Place	<b>Disabled Facilities Grant</b> Externally Funded by Government (Better Care Grant funded)	The Council has a legal duty to manage and provide disabled facilities grants in accordance with Part 1 of the Housing Grants, Construction and Regeneration Act 1996. The aim of the grant is to provide financial assistance to the applicant in order to provide suitable adaptations to their properties, as far as is practical, to meet their specific needs.	931,000	931,000	931,000	931,000		-931,000
6	Environment & Place	<b>Vehicle Workshop Improvements.</b> To install a mezzanine floor above the existing Fleet Office thereby creating additional storage space to accommodate a larger impress stock. This will help reduce downtime when completing essential vehicle repairs.	The vehicle workshop is responsible for the maintenance, roadworthiness and legal operation of the Council's fleet of vehicles which comprises c.150 vans, trucks and sweepers.  The workshop holds a small impress stock to speed up routine maintenance and repairs. Nevertheless, there are delays in completing some essential repairs owing to the need to wait for spares to be delivered and this can result in the need to hire in extra vehicles to cover service delivery. If we were to increase the range of spares held in stock this would minimise downtime, but there is currently insufficient storage space within the workshop.	15,000					

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				Capital Cost (gross of external funding)				Net Revenue	
				2021/22	2022/23	2023/24	2024/25	2021/22	
7	Environment & Place	<p><b>Cordons Farm Improvements.</b> Replace netting that is currently in-situ to contain dry recycling material in the bay, with a more permanent roof structure and solid doors which will protect the material from the elements and keep the waste dry.</p> <p>Introduce a second gate to the site with a one-way system, new signage and line marking.</p> <p>Purchase a bowser for dust suppression.</p> <p>Purchase and install lighting.</p>	<p>There is no dry storage facility for recyclates at Cordons Farm resulting in some materials (primarily paper/cardboard) that we deliver to Viridor being rejected as 'contaminants', with the consequent loss of income to BDC from the sale of this material. Installing a permanent roof will ensure that recyclates remain dry, maximising recycling and income opportunities from the material we collect.</p> <p>A second gate introduces a one-way traffic management system to the site, reducing traffic movements (including those required for reversing) by three quarters, thus improving on-site Health and Safety. This arrangement also complies with WISH Guidance (Waste Industry Safety and Health) for Waste Transfer Station Operations. The introduction of a second gate will also improve efficiencies on site.</p> <p>A bowser improves site cleanliness, reduces complaints (internal and external to BDC), enhances health and safety for site staff and neighbours at Veolia, conforms to site Waste Management License conditions. Problem of dust not being suppressed is particularly problematic during the dryer summer months.</p> <p>Current lighting is insufficient and there is a need to improve lighting from a health &amp; safety perspective, particularly during the winter months.</p>	58,500				- 10,000	

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				2021/22	2022/23	2023/24	2024/25	2021/22	
8	Environment & Place	<b>Utility Vehicle to Purchase 18t Narrow Track Dustcart.</b> Increasing the capital funding currently available for the Utility Vehicle (already approved for capital purchase at £90k), by a further £70k to a total of £160k, to enable the purchase of an 18t narrow track dustcart with split bin lifts.	<p>This is essential for the provision of adequate spare vehicle cover to a range of service areas within Operations, e.g. clearing missed bins, special collections and fly tips.</p> <p>Following recent mechanical failures of BDC's narrow track fleet it has become increasingly evident that demand for these types of vehicles outstrips supply. It is not possible to spot hire an 18t narrow track dustcart. Currently, the Council has 3 front line vehicles of this type and no provision for a spare.</p>	70,000					
9	Environment & Place	<p><b>Provision of Allotments at Great Notley Country Park .</b> To create a new allotment site on disused land at Great Notley Country Park.</p> <p>This bid is being sought to complete a feasibility study and design of the allotments, and fund the cost of putting in place the infrastructure required, up to a point where the site can be handed over to the Parish Council.</p>	<p>Local authorities have a statutory duty under the requirements of The Small Holdings and Allotments Act 1908 to provide allotments where there is proven demand, as in the case of Great Notley Garden Village.</p> <p>There is an historical agreement in place that BDC would facilitate the provision of allotments within the Gt. Notley Garden Village envelope, albeit these would be managed and maintained locally by the Parish Council.</p> <p>Two potential areas at Great Notley Country Park have been identified.</p> <p>The project will ensure the availability of allotment plots to residents within Great Notley who are on our waiting list and have been for some considerable time.</p>	70,000					

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				2021/22	2022/23	2023/24	2024/25	2021/22	
10	Environment & Place	<b>Footpath Resurfacing on Public Open Space.</b>	<p>Some existing paths and hard-standings at our public open spaces are currently in a condition which only meet the minimum standards for Health and Safety. It is anticipated that a cold winter with ice/snow would have a detrimental impact on these footways and therefore, repair/resurfacing work is required to prevent further deterioration.</p> <p>In 2019/20 we successfully secured £150k to carry out a 3yr Footpath Repair Programme (FRP). Earlier this year we vired £90k to fund emergency embankment repair works at Braintree Cemetery leaving a shortfall in the FRP.</p>	45,000	45,000				
11	Environment & Place	<b>Provision for Skate Parks- Weavers Park, Braintree &amp; Spa Road, Witham.</b> It is proposed to consult the local community via letter and online to establish whether there is still a demand for a skate park or whether a completely different facility is required e.g.to be accessible to everyone and not geared to a specific recreational activity.	<p>The skate parks at Weavers Park, Braintree and Spa Road, Witham were both installed in 2003 and have reached the end of their serviceable life.</p> <p>Over the past two years we have received lots of complaints from users of the facilities about the condition of the equipment. We have carried out numerous ad-hoc repairs to keep the equipment in use, but this is a false economy, with costly repairs on a 'make do and mend' basis, with equipment that needs replacing.</p>	200,000					

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				2021/22	2022/23	2023/24	2024/25	2021/22	
12	Environment & Place	<b>Play Area Refurbishment.</b> Partial refurbishment/equipment upgrades at the following play area sites: <ul style="list-style-type: none"> <li>• Church Street, Bocking (wooden play equipment installed in 2007)</li> <li>• Acorn Avenue, Braintree (installed in 2007)</li> <li>• Shaw Road (Templars), Witham (installed in 2003 and added to in 2005)</li> <li>• De Vere Road, Earls Colne (wooden play equipment installed in 2006)</li> </ul>	<p>The Council has 52 play areas around the District.</p> <p>All of the play areas are visually inspected on a monthly basis by trained staff and receive an annual safety audit by an independent external assessor. The inspection and safety audit is used to identify those play areas that require some refurbishment.</p> <p>The refurbishment programme has meant that we have been able to maintain a high standard for our play areas for our residents and visitors to enjoy, as well as meet the health and safety requirements for the equipment.</p>	100,000					
13	Environment & Place	<b>CCTV Camera Upgrade.</b> Completely replace 6 obsolete CCTV cameras, replace analogue cameras with digital ones where appropriate and upgrade the fibre-optic links.	<p>BDC have a number of CCTV cameras located in Braintree Town Centre, Halstead Town Centre and Causeway House. Some of these cameras have been in place since the installation of CCTV in the council.</p> <p>A number of the older cameras are now starting to fail and some of them are irreparable as there are no spare parts for them. They have reached end of life status.</p> <p>Technology has also moved on and modern cameras use digital technology instead of analogue giving improved imaging thereby making the CCTV more effective and useful to the authorities, especially at night when the images are mostly required.</p>	16,000					



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				2021/22	2022/23	2023/24	2024/25	2021/22	
14	Environment & Place	<b>CCTV for Halstead Public Garden.</b> To install a CCTV system to deter vandalism and anti-social behaviour taking place in Halstead Public Gardens and, when incidents do occur, to provide evidence to help identify the perpetrators.	<p>As one of our flagship public open spaces, Halstead Public Gardens has won awards for best medium size town park in both Anglia in Bloom and Britain in Bloom.</p> <p>The park is locked every evening and re-opened in the mornings and is protected by a fence around the whole perimeter.</p> <p>Over the past few years there have been a number of incidents in the Park including Youth ASB / noise / suspected drug activity / vandalism to shelters / theft of tools and equipment / and arson with trees/bushes being set on fire. The number of incidents reported to the police and our Street Scene Enforcement Team (excluding general resident complaints) is as follows:-</p> <ul style="list-style-type: none"> <li>• 2017 – 8 incidents</li> <li>• 2018 – 8 incidents</li> <li>• 2019 – 3 incidents</li> <li>• 2020 – 5 incidents to date</li> </ul>	15,000				1,000	
15	Environment & Place	<b>Replacement of Litter Bins on A120 and A12.</b> To provide suitable facilities (22 bins plus 3 spares) for the public to use to keep the strategic highways looking clean and tidy.	The Council has 22 large litter bins located on the A120 and A12. These were originally installed as part of the Council's Green Heart of Essex programme, but they are now looking very worn and old and some have been damaged and are in need of replacement.	20,000					

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16	Environment & Place	<b>Drainage works at Braintree Cemetery.</b> To carry out drainage works and landscaping of the redundant area of land at the west of Braintree Cemetery to increase burial capacity for an additional 30 years.	<p>Last year a feasibility survey was completed on a piece of land at Braintree Cemetery which was prone to flooding, to assess whether it would be suitable for a woodland burial site.</p> <p>Unfortunately, the report concluded that this would not be economically viable, but that the land would be suitable for traditional burials subject to some drainage works to ameliorate surface water flooding. If this was done, it would create sufficient burial space to prolong the life of the cemetery by a further 30 years. (Current capacity at this cemetery is approximately 6 years and at Bocking it is 60 years.)</p> <p>If the drainage works are carried out, it would maximise income potential and burial capacity at this site.</p>	96,000					

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17	Environment & Place	<b>Cemetery Memorial Inspection/ Repairs.</b> To commission structural surveys of some memorials in our cemeteries and carry out repairs and/or make safe as appropriate.	<p>The Council has a legal obligation under various legislation covering burial grounds and Health &amp; Safety to assess and control the risks associated with memorials.</p> <p>A 5 year rolling programme of safety inspections is due to start from October 2020 and we are aware that some memorials are likely to require more detailed (structural) assessments and repair and/or removal due to their age, size and construction.</p> <p>Where there is a next of kin, responsibility will rest with them to carry out the relevant repairs. However, with a lot of the older memorials, it's not always possible to trace next of kin and the Council will be required to commission an external resource who is technically qualified to structurally inspect the larger memorials. The Council will then need to make a decision on what should happen to the memorial and engage a stonemason to undertake repairs or dismantle and remove as required.</p>	20,000	20,000	20,000	20,000		

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				Capital Cost (gross of external funding)				Net Revenue	
				2021/22	2022/23	2023/24	2024/25	2021/22	
18	Environment & Place	<b>Supporting the Climate Change Emergency.</b>	<b>Proposed schemes include:</b> a) <b>Upgrade of the Electrical Sub-Station and Installation of Electric Chargers at the Lakes Road Depot.</b> To install an electric sub-station (£50k) and 1 Rapid Charger and 2 Overnight Dual Trickle Chargers (£30k) at the Lakes Road Depot in order to run a small fleet of electric support vehicles. b) <b>Community Bulb and Tree Planting.</b> To provide funding to support a Community Tree and Bulb Planting scheme which will enable parish/town councils, voluntary and community groups to apply for funding to buy and plant trees and bulbs to help manage climate change, improve biodiversity and enhance their local environment. (£15k) c) <b>Electric Car Charger and supporting infrastructure, Witham.</b> The purchase and installation of a dual post 22kW fast electric car charger at Newland Street Car Park, Witham. (£20k). d) <b>Cycle parking</b> and associated signage within the Witham and Halstead town centres (£26.7k).	500,000					
19	Economic Development and Infrastructure	<b>Witham and Halstead town centre public realm improvements.</b> To deliver physical public realm improvements to the town centres of Halstead and Witham.  To improve the pedestrian journey through and functional environments of the town centres.	The total cost of implementation to complete all feasible projects outlined in the Town Centre Strategies for both towns, is £746,192. £260,460 is already available in the town centre capital budget. This leaves a balance required of £485,740 of which a sum of £170,706 has been received through S106 contributions which are available to spend, subject to consultation with the Town Councils. This leaves a net request for resources of £315,026.	485,740					- 170,710

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Date Updated: 11th January 2021

	Portfolio	Project Description	Project Drivers						External Funding
				Capital Cost (gross of external funding)				Net Revenue	
				2021/22	2022/23	2023/24	2024/25	2021/22	
20	Health & Wellbeing	<b>Braintree Sport &amp; Health Club.</b>	The current boilers are coming to the end of their useful life (£160k). The dance floor floor covering is in poor condition and worn (£120k). Athletics track - the track has had many spot repairs across the years and is now nearing the end of its useful life and requires replacement (£500k). LED Floodlights - The current cladding is ineffective and needs to be upgraded (£30k).	-	310,000		500,000		
21	Health & Wellbeing	<b>Halstead Leisure Centre.</b>	The current lighting is expensive to operate and is ineffective in adequately lighting all areas of the facility (£80k). The current cladding is ineffective and needs to be upgraded (£80k).	-	80,000		80,000		
22	Health & Wellbeing	<b>Braintree Pool</b> - Ventilation Improvements.	The current ventilation has been problematic and is a cause of overheating in the summer and condensation in the winter.	-		90,000			
				<b>3,177,740</b>	<b>1,871,000</b>	<b>1,526,000</b>	<b>2,016,000</b>	<b>- 9,000</b>	<b>- 1,101,710</b>



## **CAPITAL & INVESTMENT STRATEGY 2021/22 to 2024/25**

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### **INTRODUCTION AND CONTEXT**

This capital & investment strategy gives a high-level overview of how capital expenditure, capital financing, treasury management, and investment activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability.

Decisions made under this strategy will have financial consequences for the Council for many years into the future. They are therefore subject to both a national regulatory framework and to a local policy framework, as summarised below.

The strategy provides an overarching policy framework for the Council's capital programme and planning, and forms part of a suite of strategies which provide a holistic view of the Council's financial planning framework. With this in mind this document should be considered in conjunction with the Medium-Term Financial Strategy, and Treasury Management Strategy.

### **CAPITAL FRAMEWORK**

The Council's Corporate Strategy sets out the strategic direction and key priorities over the period 2020 to 2024, which can be found on the Council's website [\[here\]](#).

Performance is measured towards the delivery of the agreed outcomes and reported quarterly and annually to Cabinet and full Council.

## GOVERNANCE

The Financial Procedure Rules detail how capital projects are approved and added into the capital programme.

All proposed new schemes must be supported by a Business Case. Bids are collated by the central finance team who calculate any associated financing costs. Management Board will review all new bids prior to their consideration by the Cabinet and Full Council.

Due diligence is carried out on all new proposals to determine whether the scheme is deemed suitable. Financial and capital planning reviews are carried out prior to any Business Case being presented to Management Board.

An investment toolkit is used where appropriate to evaluate proposals, with each element of criteria given a score of between 1 and 10, resulting in an overall weighted score. A threshold of 6 and above has been set for schemes generally to be acceptable.

<b>Financial</b> Capital/ implementation costs, capital income, on-going revenue impact, return on investment Weighting 35%*	<b>Corporate Strategy</b> Contribution towards the Council's corporate strategy and key priorities, and those of partners Weighting 25%*
<b>Impact Assessment</b> Customers, organisation, environmental, stakeholders, legal etc. Weighting 20%*	<b>Risk</b> Associated risks, risk rating (probability/ impact), mitigation Weighting 20%*

## CAPITAL EXPENDITURE & FINANCING

Capital expenditure is where the Council spends money on assets, such as property, or vehicles and equipment, which will be used for more than one year. This might also include spending on assets owned by other bodies, and loans and grants to other third parties. The Council has some discretion on what counts as capital expenditure, for example assets costing below £10,000 are generally not capitalised and are charged to revenue in year. For large projects development interest may be capitalised where borrowing is incurred.

The Councils medium-term capital programme by Cabinet Portfolio is shown in the table below:

**Table 1 Medium Term Capital Programme**

	<b>2019/20 Actual £m</b>	<b>2020/21 Forecast £m</b>	<b>2021/22 Forecast £m</b>	<b>2022/23 Forecast £m</b>	<b>2023/24 Forecast £m</b>	<b>2024/25 Forecast £m</b>	<b>Provisions Forecast £m</b>
Communities, Culture and Tourism	0.049	0.087	0.035	0.000	0.000	0.000	0.636
Corporate Transformation	2.359	18.179	23.052	1.808	0.425	0.425	4.971
Economic Development and Infrastructure	1.782	15.810	6.100	0.308	0.213	0.149	2.492
Environment & Place <sup>1</sup>	2.345	2.312	4.974	1.561	1.074	2.555	0.000
Health & Wellbeing	0.117	0.094	0.361	0.390	0.090	0.580	2.553
Homes	0.843	0.001	0.657	0.000	0.000	0.000	0.000
Planning	0.000	0.003	0.008	0.000	0.000	0.000	0.000
Capital Salaries	0.506	0.738	0.757	0.285	0.285	0.285	0.000
<b>Total</b>	<b>8.001</b>	<b>37.224</b>	<b>35.944</b>	<b>4.352</b>	<b>2.087</b>	<b>3.994</b>	<b>10.652</b>

<sup>1</sup> Includes £1.002m of vehicles replaced in 2019/20 via an operating lease arrangement

A breakdown by project or programme is provided in **Appendix A**.

Included within the overall programme are projects which have been approved, along with capital provisions where the Council has indicated a commitment. Allowance is also made for annual recurring items of capital e.g. planned maintenance, grants, and ICT refresh. Over the current and forecast period estimated expenditure is in excess of £94m.

Capital expenditure is financed by a range of sources which may either be ringfenced or unringfenced. The source of financing is always identified and approved at the time of capital project approval. The capital programme is currently financed by:

- External sources – government grants and other contributions including S106
- Own resources – reserves, capital receipts, or charged to revenue
- Debt – borrowing or other form of credit arrangement

The planned financing of the above expenditure is as follows:



**Table 2 Capital Programme Financing**

	2019/20 Actual £m	2020/21 Forecast £m	2021/22 Forecast £m	2022/23 Forecast £m	2023/24 Forecast £m	2024/25 Forecast £m	Provisions Forecast £m
External sources	-2.336	-3.390	-9.068	-0.931	-0.931	-0.931	0.000
Own resources <sup>1</sup>	-4.332	-15.969	-25.154	-5.574	-4.787	-6.758	-8.099
Borrowing	-1.333	-17.865	-1.722	2.153	3.631	3.695	-2.553
<b>Total</b>	<b>-8.001</b>	<b>-37.224</b>	<b>-35.944</b>	<b>-4.352</b>	<b>-2.087</b>	<b>-3.994</b>	<b>-10.652</b>

<sup>1</sup> Includes £1.002m of vehicles replaced in 2019/20 via an operating lease arrangement

The Corporate Director (Finance) will consider the most appropriate manner in which to finance the capital programme, generally adopting the principle that resources that are restricted should be used first whenever any conditions can be met.

Borrowing may take the form of internal borrowing where the Corporate Director (Finance) considers this approach to be financially beneficial overall and is having considered all risks.

Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as minimum revenue provision (MRP). Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. Planned MRP and use of capital receipts are as follows:

**Table 3 Replacement of Debt Finance**

	2019/20 Actual £m	2020/21 Forecast £m	2021/22 Forecast £m	2022/23 Forecast £m	2023/24 Forecast £m	2024/25 Forecast £m
Capital receipts	-0.047	0.000	0.000	-2.153	-3.631	-3.695
Annual MRP	-0.379	-0.504	-0.507	-0.758	-0.801	-0.635
Annual lease payments	-0.319	-0.203	-0.063	-0.002	-0.002	-0.002
<b>Total Own Resources</b>	<b>-0.745</b>	<b>-0.707</b>	<b>-0.570</b>	<b>-2.913</b>	<b>-4.434</b>	<b>-4.332</b>

The Council's policy for providing MRP is attached as **Appendix B**

The underlying requirement to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), a balance sheet derived indicator. The CFR increases with new debt financed capital expenditure and reduces by the amount of annual MRP and capital receipts used to replace debt.

The CFR is expected to increase significantly in the current year with a smaller increase in 2021/22 as unfinanced expenditure exceeds MRP, before then reducing by the amounts set out in Table 3 for the years 2022/23 onwards:

**Table 4 Prudential Indicator: Estimates of Capital Financing Requirement**

	31.3.20 Actual £m	31.3.21 Forecast £m	31.3.22 Forecast £m	31.3.23 Forecast £m	31.3.24 Forecast £m	31.3.25 Forecast £m
Capital Financing	12.803	29.961	31.114	28.201	23.767	19.435

## ASSET MANAGEMENT

### Strategy

To ensure that property assets continue to be of long-term use and support the Council's overall corporate strategy, an Asset Management Strategy is in place which sets out the following key objectives:

- Property assets must be fit for purpose, safe and comply with the law;
- Assets should be sustainable and affordable with running costs minimised and shared wherever possible;
- Commercial property should generate revenue income that supports the Council's wider service objectives; and
- Where no longer required, assets should be disposed.

### Planned Maintenance

Planned maintenance requirements are reviewed regularly through condition surveys. The surveys inform any future capital expenditure requirements which are undertaken as part of annual rolling programme of works. Exceptional requirements that cannot be met from existing programmes are subject to a business case and needs assessment.

## Asset Disposals

When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. A number of the Council's strategic capital projects generate assets that are intended for sale. Under an agreement with Greenfields Community Housing (now Eastlight) capital receipts are received from right-to-buy sales and VAT savings on certain development works. The following table shows the amounts of capital receipts anticipated over the medium-term which are assumed to provide capital financing resource or used to reduce borrowing:

**Table 5: Capital receipts anticipated**

	2019/20 Actual £m	2020/21 Forecast £m	2021/22 Forecast £m	2022/23 Forecast £m	2023/24 Forecast £m	2024/25 Forecast £m
Asset sales	1.350	1.800	0.000	0.000	0.000	0.000
Asset sales (Strategic Investment)	0.000	2.519	15.943	3.844	3.844	3.844
Housing transfer further receipts	2.198	1.250	1.600	1.550	1.500	1.500
Grants and loans repaid	0.057	0.000	0.000	0.000	0.000	0.000
<b>Total</b>	<b>3.605</b>	<b>5.569</b>	<b>17.543</b>	<b>5.394</b>	<b>5.344</b>	<b>5.344</b>

## TREASURY MANAGEMENT

Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Council's spending needs, while managing the risks involved. Surplus cash is invested until required. The Council typically has a positive cash flow position due to the level of reserves and balances. This increases in the year due to timing differences between receiving income and incurring budgeted spend. Revenue cash surpluses are offset against capital cash shortfalls to reduce external borrowing.

### Borrowing Strategy

When it becomes necessary to increase borrowing, the main objectives will be to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are potentially conflicting, and therefore a balance will need to be struck between cheap short-term loans and long-term fixed rate loans where the future cost is known but higher.

Projected levels of total outstanding debt (which comprises borrowing and leases) are shown below, compared with the capital financing requirement.

**Table 6 Gross Debt and the Capital Financing Requirement**

	<b>31.3.20 Actual £m</b>	<b>31.3.21 Forecast £m</b>	<b>31.3.22 Forecast £m</b>	<b>31.3.23 Forecast £m</b>	<b>31.3.24 Forecast £m</b>	<b>31.3.25 Forecast £m</b>
Debt (incl. leases)	-8.180	-7.977	-17.846	-20.526	-20.276	-20.025
CFR	12.803	29.961	31.114	28.201	23.767	19.435
<b>Internal (-over) borrowing</b>	<b>4.623</b>	<b>21.984</b>	<b>13.267</b>	<b>7.675</b>	<b>3.492</b>	<b>-0.590</b>

Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from Table 6, the Council expects to comply with this requirement over the medium term, with short-term borrowing being largely internalised using cash held for other purposes.

### **Liability Benchmark**

The liability benchmark is a recommended measure of the amount of external borrowing that would be required if risk is minimised by maintaining cash and investment balances to a minimum level, suggested in this case to be £10m for both liquidity purposes and to allow the Council to retain professional investor status under the Markets in Financial Instruments Directive (MiFID) regulations. On these assumptions there would be no requirement to increase the Council's external borrowing as is implied in Table 6 over the medium term. However, this strategy would require a reduction in the amount that it would be prudent to invest in pooled funds leading to an overall adverse impact on the revenue budget. This position will be monitored in light of changing circumstances and requirements to ensure the most appropriate position is taken.

### **Borrowing Limits**

The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower “operational boundary” is also set as a warning level should debt approach the limit. The limits for 2021/22 and subsequent financial years is £50m and £30m respectively.

Under the Council's banking services contract with Lloyds Bank Plc, group current account facilities are provided that permit gross negative balances of up to £20m on any one account, subject to a net aggregate limit of £100k. The gross amount is therefore not included in the above limits. Under normal circumstances a credit balance of circa £1.5m is maintained for liquidity. The arrangement is subject to a formal set-off agreement.

## Treasury Investment Strategy

The approach to treasury investments is to prioritise security and liquidity over yield. Cash that is likely to be spent in the near term is invested securely, for example with the government, other local authorities or selected high-quality banks or money market funds, to minimise the risk of loss. Money that will be held for a longer term is invested more widely in pooled funds which have exposure to bonds, shares and property. By using pooled funds an external fund manager makes decisions on which particular investments to buy and the Council may request its money back at relatively short notice.

**Table 7 Treasury Management Investments**

	<b>31.3.21 Forecast £m</b>	<b>31.3.22 Forecast £m</b>	<b>31.3.23 Forecast £m</b>	<b>31.3.24 Forecast £m</b>	<b>31.3.25 Forecast £m</b>
Near-term investments	4.089	2.733	8.908	12.079	16.692
Longer-term investments	19.000	19.000	19.000	19.000	19.000
<b>Total Investments</b>	<b>23.089</b>	<b>21.733</b>	<b>27.908</b>	<b>31.079</b>	<b>35.692</b>

Further details on treasury investments and how the inherent risks are managed are set out in the Treasury Management Strategy.

## COMMERCIAL ACTIVITIES

The Council has built up a property portfolio over many years. With the general decline in central government financial support this has led to a greater focus in recent years on optimising opportunities that arise to expand the portfolio with the aim of generating revenue income to protect front-line services. Allied to this has been an overarching district investment strategy targeted at the four key themes of: health, homes, journey, and jobs; which together will result in significant benefits to residents and businesses in across the district. At 31 March 2020, the assessed value of the Council's property portfolio was in excess of £43m; including ground leases, industrial units, offices, shops and health facilities. Work-in-progress on further property related developments amounted to almost £12m. Through its property portfolio the Council is exposed to landlord risks, as well as potential fluctuations in property market prices. Whilst the majority of the portfolio is debt free and therefore absent of on-going financing costs, a budget shortfall in income would arise from any break in rental streams. Recent projects approved as part of the district investment strategy have been based on some increased borrowing, either to be repaid from long-term rentals, and/ or from the sale of assets created as part of the projects. This creates a financing risk should these income streams not be realised in the timescales anticipated. These risks are managed through seeking high quality tenancies and ensuring a diverse portfolio, along with working with partners engaged to promote and develop sites further for

sale to businesses. Where homes are being created or land made available to build, the Council is working in conjunction with registered social landlords.

A valuation assessment is made annually of properties which assesses whether values are equal to or higher than original purchase cost, and used as a measure of the level of security. Portfolio management identifies underperforming assets for which an appropriate strategy is adopted, including either reinvestment or disposal. As direct property is an illiquid investment it is not used for treasury management, instead investments are made via pooled funds where money can be withdrawn at relatively much shorter timescales.

### **SERVICE INVESTMENTS**

Money is occasionally lent to third parties where it is being used in support of local public services or provides some local economic impact and is consistent with the corporate strategy. Loans are generally for relatively small sums which are not material to the overall finances of the Council. Where possible, security is obtained for any loans, and interest is charged on amounts outstanding.

### **OTHER LIABILITIES**

In addition to the debt detailed above, the Council is committed to making future payments to cover pension fund obligations. The Council has contingent liabilities relating to guarantees given for pension fund admissions for the external providers of leisure management and museum services.

Provision has been made to cover the risks associated with outstanding business rate appeals totalling £4m at 31 March 2020, of which £1.6m relates to the Council's share of this overall risk.

Further details on liabilities and guarantees can be found in the Council's Statement of Accounts [\[here\]](#).

## REVENUE BUDGET IMPLICATIONS

Net financing costs (interest payable and MRP less investment income) is shown in the table below and compared to the Councils overall budget.

**Table 8 Proportion of Financing Costs to the Council's overall Budget**

	<b>2020/21 Forecast</b>	<b>2021/22 Forecast</b>	<b>2022/23 Forecast</b>	<b>2023/24 Forecast</b>	<b>2024/25 Forecast</b>
Financing costs (net) £m	0.315	0.381	0.663	0.619	0.409
Proportion of Budget	2.07%	2.49%	4.26%	3.88%	2.50%

Property income is derived mainly from lease agreements and is therefore relatively easy to predict. The following table shows the net contribution made towards financing the Council's budget after deduction of management and other costs:

	<b>2020/21 Forecast</b>	<b>2021/22 Forecast</b>	<b>2022/23 Forecast</b>	<b>2023/24 Forecast</b>	<b>2024/25 Forecast</b>
Asset Management Net Income	-2.414	-2.462	-2.475	-2.465	-2.455
Proportion of Budget	-15.85%	-16.05%	-15.89%	-15.45%	-15.01%

Failure to achieve the above net income would result in a budget shortfall that would have to be met from either making service cuts or by drawing down on balances and reserves. In the latter case this is only sustainable in the short-term.

The Corporate Director (Finance) will monitor the level of reliance on treasury investment and property income which will form part of his annual review of the robustness of the annual budget and medium term financial plans.

## KNOWLEDGE AND SKILLS

The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions.

A Strategic Investment Team is responsible for delivery of a number of the Council's major capital projects. The team is resourced by a mixture of permanent and temporary staff to ensure continuity whilst also aligning capacity and experience to current projects. Support is also provided by in-house and external specialists in finance, legal, procurement, design, development, etc.

The Asset Management team is responsible for the day-to-day management of the property portfolio, including both responsive and planned maintenance, as well as advising on active portfolio management.

Treasury management is undertaken by the central finance team with advice from an external treasury management firm, Arlingclose Ltd.

Strategic leadership at officer level is exercised through the District Growth Officer Group (DGOG), including the Chief Executive, Directors, and senior staff from professional and technical disciplines. The Programme and Project Assurance Team (PPAT) provides independent and objective oversight of the likely future performance of approved projects for key stakeholders, including DGOG. Where appropriate, dedicated project teams are established including representatives from across the Council.

The Strategic Investment Programme Group (SIPG), a Sub-Committee of Cabinet, has overall oversight of the investment programme co-ordinating projects as well as considering and evaluating new projects before making recommendations. The SIPG also provides strategic direction on treasury management, in particular on pooled fund investments.

For significant projects, Member reference groups are used to provide advice and guidance and to hold projects to account for delivery and scope.

Scrutiny is undertaken through a number of Committees: the Performance Management Board; the Corporate Governance Group; and the Partnership Development Group.

Training and development is actively promoted for all staff, which is reinforced by the mandatory requirements for continuous professional development from membership of professional bodies.

An active programme of Member development is in place and those charged with governance are reminded of their responsibilities to ensure they have the necessary skills to complete their role effectively.



**Appendix A – List of current projects in the Medium Term Capital Programme**

Capital Strategy		Financial Profile £m					
Portfolio/Project	Medium-Term Programme £m	2020/21	2021/22	2022/23	2023/24	2024/25	Provisions
Communities, Culture and Tourism							
Maltings Lane Community Facility	0.076	0.076	-	-	-	-	-
Halstead Community Centre (tbc)	0.636	-	-	-	-	-	0.636
Community Transport - Minibus	0.047	0.012	0.035	-	-	-	-
Corporate Transformation							
Braintree Town Centre Regeneration	27.873	16.221	10.181	-	-	-	1.471
Horizon 120 Enterprise Centre	14.438	1.573	11.482	1.383	-	-	-
Technology Replacement Programme	0.203	0.043	0.040	0.040	0.040	0.040	-
Telephone Computer System	0.002	0.002	-	-	-	-	-
Business Continuity / Disaster Recovery Systems	0.006	0.001	0.005	-	-	-	-
Microsoft Office 365	0.025	0.015	0.010	-	-	-	-
IDOX Enterprise & Mobile Working	0.023	0.006	0.018	-	-	-	-
Server Room Improvements	0.090	0.005	0.085	-	-	-	-
Digital Services Upgrade	0.061	0.040	0.021	-	-	-	-
CCTV Camera Upgrade	0.046	0.008	0.039	-	-	-	-
E-Procurement & Invoice Processing	0.080	0.080	-	-	-	-	-
Website Customer Access Enhancements	0.080	-	0.080	-	-	-	-

Industrial Estates Improvement Fund	<b>0.113</b>	0.028	0.085	-	-	-	-
Planned Maintenance of Council Owned Assets	<b>2.318</b>	0.156	1.007	0.385	0.385	0.385	-
Witham Investments (tbc)	<b>3.500</b>	-	-	-	-	-	3.500
<b>Economic Development and Infrastructure</b>							
Horizon 120 Infrastructure works	<b>16.523</b>	12.466	3.388	0.308	0.213	0.149	-
I - Construct	<b>2.191</b>	0.858	1.333	-	-	-	-
Millennium Slip Road (contribution)	<b>2.492</b>	-	-	-	-	-	2.492
Pedestrianisation	<b>2.737</b>	2.487	0.250	-	-	-	-
Superfast Broadband Contribution Phase IV	<b>0.356</b>	-	0.356	-	-	-	-
Witham and Halstead Town Centre Public Realm	<b>0.746</b>	-	0.746	-	-	-	-
<b>Environment &amp; Place</b>							
Climate Change Initiatives	<b>0.500</b>	-	0.500	-	-	-	-
John Ray Park Improvements	<b>0.057</b>	0.057	-	-	-	-	-
Great Notley All Weather Pitch	<b>0.078</b>	0.078	-	-	-	-	-
Braintree Tree Planting Schemes	<b>0.018</b>	-	0.018	-	-	-	-
Cemetery Memorial Repairs	<b>0.104</b>	0.002	0.042	0.020	0.020	0.020	-
Play Area Refurbishment Programme	<b>0.205</b>	0.026	0.179	-	-	-	-
Hoppit Mead – Local Nature Reserve Designation	<b>0.010</b>	0.002	0.008	-	-	-	-
Rose Hill Park	<b>0.109</b>	-	0.109	-	-	-	-
Witham Town Park Entrance	<b>0.041</b>	0.041	-	-	-	-	-
Replacement Park Benches	<b>0.010</b>	0.004	0.006	-	-	-	-

Great Notley Pond Works	<b>0.020</b>	0.020	-	-	-	-	-
Flitch Way Drainage Works	<b>0.003</b>	0.003	-	-	-	-	-
Cemeteries Gardens of Remembrance	<b>0.050</b>	-	0.050	-	-	-	-
Shalford Playing Field	<b>0.017</b>	0.017	-	-	-	-	-
Braintree Cemetery Embankment Works	<b>0.090</b>	0.023	0.068	-	-	-	-
Allotments at Great Notley Country Park	<b>0.070</b>	-	0.070	-	-	-	-
Skate Parks	<b>0.200</b>	-	0.200	-	-	-	-
Drainage Works at Braintree Cemetery	<b>0.096</b>	-	0.096	-	-	-	-
Disabled Facilities Grants (DFGs)	<b>4.562</b>	0.620	1.383	0.853	0.853	0.853	-
Housing Renovation Grants	<b>0.323</b>	0.030	0.113	0.060	0.060	0.060	-
Home Repairs Assistance	<b>0.006</b>	0.002	0.005	-	-	-	-
Handyman Services (DFGs)	<b>0.012</b>	0.008	0.004	-	-	-	-
CCTV for Halstead Public Gardens	<b>0.015</b>	-	0.015	-	-	-	-
Recycling Pods	<b>0.010</b>	0.010	-	-	-	-	-
Replacement of Litter Bins on the A120 and A12	<b>0.020</b>	-	0.020	-	-	-	-
Cordons Farm Waste Transfer Station Improvements	<b>0.076</b>	0.004	0.071	-	-	-	-
Operations Depot Refurbishment	<b>0.050</b>	0.013	0.038	-	-	-	-
Viridor Capital Contribution (via Suffolk CC contract)	<b>1.228</b>	1.228	-	-	-	-	-
Vehicle Workshop Improvements	<b>0.015</b>	-	0.015	-	-	-	-
Open Space Path Repairs	<b>0.192</b>	0.013	0.134	0.045	-	-	-
Parks & Open Spaces Infrastructure Works	<b>0.082</b>	0.021	0.062	-	-	-	-

Rivenhall Village Hall Footpath	<b>0.030</b>	0.008	0.023	-	-	-	-
Utility Compaction Vehicle	<b>0.160</b>	-	0.160	-	-	-	-
Replacement Food Waste Collection Vehicle	<b>0.076</b>	0.076	-	-	-	-	-
Panfield PC Pocket Park	<b>0.010</b>	0.010	-	-	-	-	-
Vehicle Replacement Programme (tbc)	<b>3.934</b>	-	1.588	0.583	0.141	1.622	-
<b>Health &amp; Wellbeing</b>							
Braintree Sports & Health Club (Improvements)	<b>1.120</b>	0.004	0.306	0.310	-	0.500	-
Earls Colne Recreation Club MUGA	<b>0.088</b>	0.088	-	-	-	-	-
Halstead Leisure Centre - Lighting Improvements	<b>0.160</b>	-	-	0.080	-	0.080	-
Braintree Pool - Ventilation Improvements	<b>0.090</b>	-	-	-	0.090	-	-
Sible Hedingham Health Facilities (tbc)	<b>2.599</b>	-	0.046	-	-	-	2.553
Accessible Pool Pods	<b>0.012</b>	0.003	0.009	-	-	-	-
<b>Homes</b>							
Support to Registered Social Housing providers	<b>0.390</b>	-	0.390	-	-	-	-
Residential development - design/ planning	<b>0.267</b>	-	0.267	-	-	-	-
Progress Court Temporary Housing provision	<b>0.001</b>	0.001	-	-	-	-	-
<b>Planning</b>							
Planning Software	<b>0.010</b>	0.003	0.008	-	-	-	-
<b>Capital Salaries</b>	<b>2.350</b>	0.738	0.757	0.285	0.285	0.285	-
<b>Total</b>	<b>94.226</b>	<b>37.224</b>	<b>35.917</b>	<b>4.352</b>	<b>2.087</b>	<b>3.994</b>	<b>10.652</b>

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**Appendix B – Minimum Revenue Policy (MRP)**

Where the Council has financed capital expenditure by debt it will provide for MRP based on the following methods:

**Asset Life Method**

MRP will be charged across the expected useful life of the relevant asset or period over which benefits from the related expenditure will occur. This may be on an equal instalment basis or applying an annuity method. MRP will normally commence the financial year following an asset becoming operational. In certain circumstances the following maximum lives will be applied:

- Freehold land – maximum 50 years
- Expenditure capitalised by regulation or direction not related to a specific asset – 20 years

**Lease life Method**

For assets acquired via lease arrangement MRP will match the portion of annual lease payment used to write-down the lease liability (also includes “right-to-use” assets)

**Capital Loans**

Where regular repayments of principal are made these will be applied to reduce the CFR, otherwise MRP will be repaid using the Asset Life Method.

**Assets Developed or Acquired for Sale**

MRP will be provided from the capital receipt generated from a future sale. If it becomes apparent that a sale will not be achieved in timescales anticipated and/ or there is a drop in market value meaning the expenditure will not be recouped, then MRP will be made based on the Asset Life Method.

The Council may provide for additional MRP above this policy including applying capital receipts to reduce the CFR.



## TREASURY MANAGEMENT STRATEGY 2021/22 to 2024/25

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### 1. INTRODUCTION

Treasury management is the management of the Council's cash flows, borrowing and investments, and the associated risks. The Council has substantial investments and legacy borrowing, with plans to increase the latter in future, meaning it is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Council's prudent financial management.

Treasury risk management is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2017 Edition* (the CIPFA Code).

### 2. TREASURY MANAGEMENT POLICY & PRACTICES

The following treasury management policy is adopted by the Council:

- Treasury management activities are defined as the management of investments and cash flows, banking, money market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.
- The successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Council, and any financial instruments entered into to manage these risks.
- Effective treasury management will provide support towards the achievement of the Council's business and service objectives. The Council is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

The manner in which the Council will seek to achieve its policies and objectives for treasury management are set out in a number of Treasury Management Practices (TMPs), along with supporting schedules – see **Appendix A** for a list of TMPs that are currently maintained.

Arlingclose Ltd (Arlingclose) are the Council's appointed treasury management advisors until November 2022.

### 3. EXTERNAL CONTEXT

Treasury management activities take place within an economic and market backdrop, including changes in credit outlook. **Appendix B** provides an update as at the end of November 2020, from Arlingclose for the purposes of formulating this strategy. Inevitably, events and

circumstances will change and as such the Council's treasury management activities will respond accordingly.

#### 4. **LOCAL CONTEXT**

The following table shows the actual and forecast amounts of borrowing and investments for the Council over the medium-term.

**Table 1 Balance Sheet Analysis**

	31.3.20 Actual £m	31.3.21 Forecast £m	31.3.22 Forecast £m	31.3.23 Forecast £m	31.3.24 Forecast £m	31.3.25 Forecast £m
<b>Capital Financing Requirement (CFR)</b>	<b>12.80</b>	<b>29.96</b>	<b>31.11</b>	<b>28.20</b>	<b>23.77</b>	<b>19.40</b>
Less: Leasing liabilities	-2.18	-1.98	-1.91	-1.91	-1.91	-1.91
<b>Loan CFR</b>	<b>10.62</b>	<b>27.98</b>	<b>29.20</b>	<b>26.29</b>	<b>21.86</b>	<b>17.49</b>
Less: External borrowing	-6.00	-6.00	-15.93	-18.61	-18.37	-18.12
<b>Internal Borrowing</b>	<b>4.62</b>	<b>21.98</b>	<b>13.27</b>	<b>7.67</b>	<b>3.49</b>	<b>-0.62</b>
Less: Usable reserves	-54.01	-42.90	-36.22	-36.25	-34.60	-35.20
Less: Working capital	-2.92	-2.17	1.22	0.67	0.03	0.10
<b>Investments</b>	<b>52.31</b>	<b>23.09</b>	<b>21.73</b>	<b>27.91</b>	<b>31.08</b>	<b>35.73</b>

The Capital Financing Requirement (CFR) measures the underlying need to borrow for capital purposes – actual borrowing may differ. Usable reserves (capital and revenue) and working capital represent underlying resources available for investment. The current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

The CFR is increasing due to planned expenditure on a number of strategic investment projects which are not being fully financed initially leading to an increase in borrowing requirement. This increased requirement is expected to be met through a combination of external and internal borrowing. The increase in internal borrowing over earlier years results in a reduction in investment balances. The table above also demonstrates that total debt is lower than the highest forecast CFR, a key requirement of the Code.

#### **Liability Benchmark**

To compare actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as table 1 above, but that all cash and investment balances are kept to a minimum level of £10m, at each year-end to maintain sufficient liquidity and minimise credit risk. This would also maintain investments at a level that ensures the Council could retain its 'professional status' for investment activities.

**Table 2 Liability Benchmark**

	31.3.22 Forecast £m	31.3.23 Forecast £m	31.3.24 Forecast £m	31.3.25 Forecast £m
Loan CFR	29.20	26.29	21.86	17.49
Less: Usable reserves	-36.22	-36.25	-34.60	-35.20
Less: Working capital	1.22	0.67	0.03	0.10
Plus: minimum investments	10.00	10.00	10.00	10.00
<b>Liability Benchmark</b>	<b>4.20</b>	<b>0.71</b>	<b>-2.71</b>	<b>-7.61</b>

Under this alternative strategy the borrowing requirement is minimised such that no new external borrowing would be required over the medium-term – the requirement in 2021/22 and 2022/23 is more than covered by existing debt. However, this strategy would have an overall negative impact on the General Fund revenue account as it would require a significant reduction in investments held in long-term pooled funds, the annual return from which currently exceeds the interest rate of new borrowing.

The increased borrowing assumed in Table 1 is based on projects having demonstrated through a robust business case that sufficient income generation is achievable to meet the associated increased financing costs.

## 5. **BORROWING STRATEGY**

The Council currently holds £6 million of loans, which were taken out in 2002. The balance sheet forecast in Table 1 shows that borrowing is expected to increase from 2021/22. Additional borrowing may be incurred to pre-fund future years' requirements, providing this does not exceed the Council's own authorised limit for borrowing.

**Objectives:** The chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should long-term plans change is a secondary objective.

**Strategy:** The borrowing strategy is to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead. By doing so, net borrowing costs (after allowing for foregone investment income) can be reduced alongside a reduction in overall treasury risk. The benefits of this approach will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist in calculating the 'cost of carry' and breakeven analysis, the output from which may determine whether additional sums are borrowed at long-term fixed rates in 2021/22 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

The Council will consider long-term loans from a variety of potential sources, including Public Works Loan Board (PWLB), the capital markets, and local authorities. The Council acknowledges that should it wish to acquire investment assets primarily for yield, this would likely preclude it from accessing PWLB borrowing for any purpose over the next three years and, therefore, any borrowing requirement would need to be met from the alternative sources of funding.

Forward starting loans might be used, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

In addition, short-term loans may be used to cover unplanned cash flow shortages.

**Sources of borrowing:** The approved sources of long-term and short-term borrowing are:

- HM Treasury's PWLB lending facility



- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- any other UK public sector body

As a condition of accessing the PWLB, the Council will be required to confirm there is no intention to buy investment assets primarily for yield in its medium term capital plans.

**Other sources of debt finance:** In addition, capital finance may be raised by leasing or other similar arrangements that are not borrowing, but may be classed as other debt liabilities.

**LOBOs:** The Council holds £6m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. In the current interest rate environment it is unlikely that the lender will exercise their options, although there remains an element of refinancing risk.

**Short-term and variable rate loans:** These loans result in exposure to the risk of short-term interest rate rises and will therefore be subject to an appropriate level of interest rate exposure in any future portfolio determination. Financial derivatives may be used to manage this interest rate risk (see section below).

**Debt rescheduling:** The lender of the LOBOs may be prepared to negotiate premature redemption terms which might be agreed if this was expected to lead to an overall cost saving or a reduction in risk.

## 6. TREASURY INVESTMENT STRATEGY

Significant investments are maintained representing income received in advance of expenditure plus balances and reserves held. Table 3 shows the average investment balances anticipated over the medium-term:

**Table 3 Average Investment Balances**

	2019/20 Actual £m	2020/21 Forecast £m	2021/22 Forecast £m	2022/23 Forecast £m	2023/24 Forecast £m	2024/25 Forecast £m
Pooled Funds (long-term)	18.47	19.00	19.00	19.00	19.00	19.00
Short-term investments	45.17	42.00	17.06	19.46	24.14	28.05
<b>Total Average Investment balance</b>	<b>63.64</b>	<b>61.00</b>	<b>36.06</b>	<b>38.46</b>	<b>43.14</b>	<b>47.05</b>

The level of investment balances in 2020/21 have been bolstered by the coronavirus measures introduced by government which has included the Authority passporting financial assistance to businesses, council taxpayers and other individuals.

**Objectives:** The CIPFA Code requires treasury funds to be invested prudently, having regard to security and liquidity before seeking the highest rate of return, or yield. The objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the aim will be to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

**Negative interest rates:** The coronavirus pandemic has seen market rates, including those offered by the Debt Management Office, be negative. Since investments cannot pay negative income, negative rates will be applied by reducing the value of investments. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

**Strategy:** Given the increasing risk and very low returns from short-term unsecured bank investments, the aim is to diversify into more secure and/or higher yielding asset classes. This diversification will represent a continuation of the current strategy.

**Approved counterparties:** Surplus funds may be invested with any of the counterparty types in Table 4 below, subject to the limits shown.

**Table 4 Approved Investment Counterparties**

Sector	Time limit	Counterparty limit	Sector limit
The UK Government	50 years	Unlimited	n/a
Local authorities (UK)	5 years	£5m	Unlimited
Secured investments *	5 years	£5m	(a) Unlimited (UK) (b) Foreign £5m per country – max all £10m
Banks (unsecured) *	13 months	£3m	(a) Unlimited (UK) (b) Foreign £3m per country – max all £6m
Building societies (unsecured) *	13 months	£3m	£5m
Registered providers (unsecured) *	5 years	£3m	£5m
Money market funds *	n/a	£5m	Unlimited
Strategic pooled funds	n/a	£5m	£25m
Real estate investment trusts	n/a	£3m	£6m

**Minimum credit rating\*:** Treasury investments in these sectors will only be made with entities whose lowest published long-term credit rating is no lower than A-. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

For entities without published credit ratings, investments may be made where external advice indicates the entity to be of similar credit quality.

**Secured investments:** Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and

unsecured investments with any one counterparty will not exceed the cash limit for secured investments.

**Banks and building societies (unsecured):** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

**Registered providers (unsecured):** Loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated and as providers of public services, they retain the likelihood of receiving government support if needed.

**Money market funds:** Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, care is taken to diversify investments over a variety of providers to ensure access to cash at all times.

**Strategic pooled funds:** Bond, equity and property funds that offer enhanced returns over the longer term but are more volatile in the short term. These allow diversification into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the investment objectives will be monitored regularly.

**Real estate investment trusts (REITs):** Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.

**Operational bank accounts:** The Council has financial exposure, for example through current accounts, collection accounts and merchant acquiring services. These are not classed as investments but are still subject to the risk of a bank bail-in, and therefore balances are maintained at a minimum level commensurate with operational requirements.

**Risk assessment and credit ratings:** Credit ratings are obtained and monitored by Arlingclose, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as “negative watch”) so that it may fall below the approved rating criteria, then only

investments that can be withdrawn at short notice will be made with that organisation until the outcome of the review is announced.

**Other information on the security of investments:** Full regard is given to other available information on the credit quality of organisations, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from Arlingclose. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations, investments will be restricted to those of higher credit quality along with reductions in the maximum duration. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest in, then increased amounts will be held with UK Government or other local authorities. This will likely cause investment returns to fall but will protect the principal sum invested.

**Investment limits:** Revenue reserves available to cover investment losses are forecast to be around £23m at 31<sup>st</sup> March 2021, reducing over the medium term. In order that no more than 25% of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £5m.

**Liquidity management:** A medium-term cash flow forecast is maintained to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of being forced to borrow on unfavourable terms to meet financial commitments. Limits on long-term investments are set by reference to a medium-term financial plan and cash flow forecast. A daily cash flow for the financial year is maintained to manage short-term liquidity requirements.

Liquid cash is spread over a number of accounts and funds to ensure that access to cash is maintained in the event of operational difficulties at any one provider.

## **7. TREASURY MANAGEMENT INDICATORS**

The Council measures and manages its exposures to treasury management risks using the following indicators.

**Security:** A voluntary measure of exposure to credit risk has been adopted by monitoring the value-weighted average credit rating of the investment portfolio. The target is to maintain the portfolio at an overall equivalent credit rating of at least A.

**Refinancing risk:** Current exposure to refinancing risk of borrowing is limited to the existing LOBOs which have six-monthly call dates. Liquid funds are generally maintained which mitigate this risk, along with access to refinancing through PWLB, LA to LA lending, or capital markets if necessary. Any new borrowing undertaken in line with this strategy will be arranged to control future refinancing risk by ensuring a spread of maturities.

**Principal sums invested for periods longer than a year:** The purpose of this indicator is to control exposure to the risk of incurring losses by seeking early repayment of investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

**Table 6 Investment beyond one year limit**

Price risk indicator	2021/22	2022/23	2023/24
Limit on principal invested beyond year end	£15m	£10m	£5m

**8. OTHER RELATED MATTERS**

**Financial derivatives:** Standalone financial derivatives (such as swaps, forwards, futures and options) will only be used where they can be clearly demonstrated to reduce the overall level of financial risk exposure, and having taken appropriate advice. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

**Markets in Financial Instruments Directive (MiFID):** The Council has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of treasury management activities, the Corporate Director (Finance) believes this to be the most appropriate status.

**9. FINANCIAL IMPLICATIONS**

The following table sets out the financial implications from investment activities:

**Table 6 – Investment Income**

	2019/20 Actual £m	2020/21 Forecast £m	2021/22 Forecast £m	2022/23 Forecast £m	2023/24 Forecast £m	2024/25 Forecast £m
<b>Dividend and Interest income:</b>						
Pooled Funds (long-term)	0.923	0.646	0.686	0.772	0.858	0.858
Short-term investments	0.358	0.120	0.023	0.037	0.071	0.101
<b>Total</b>	<b>1.281</b>	<b>0.766</b>	<b>0.709</b>	<b>0.809</b>	<b>0.929</b>	<b>0.959</b>
<b>Income return %:</b>						
Pooled Funds (long-term)	4.99%	3.40%	3.61%	4.06%	4.52%	4.52%
Short-term investments	0.79%	0.29%	0.13%	0.19%	0.29%	0.36%
<b>Total</b>	<b>2.01%</b>	<b>1.26%</b>	<b>1.97%</b>	<b>2.10%</b>	<b>2.15%</b>	<b>2.04%</b>

Interest payable on current borrowing is £0.282m per annum. The amount of interest to be paid is forecast to rise over the medium term to an additional £0.352m per annum by the end of March 2025, in line with the expected increase in external borrowing to fund major capital investment projects. This additional expense (and the associated annual minimum revenue provision) charged to the General Fund revenue account will be met by the additional income expected to be achieved from the projects.

Interest charges arising from lease arrangements are covered by the relevant service revenue budgets.

A treasury management reserve is maintained to cover future financial risks associated with varying investment returns and/ or reductions in the fair value of investments where these might become realised. Outperformance on treasury management activities that generate increased revenue income (or reduced costs) against the budget will normally be added to the reserve. The Council's proposed revenue budget for 2021/22 includes a drawdown from this reserve of £0.350m to offset the anticipated reduction in dividend and interest income.

**Appendix A – Treasury Management Practices (TMPs)**

TMP1	Risk management
TMP2	Performance measurement
TMP3	Decision making and analysis
TMP4	Approved instruments, methods and techniques
TMP5	Organisation, clarity and segregation of responsibilities, and dealing arrangements
TMP6	Reporting requirements and management information arrangements
TMP7	Budgeting, accounting and audit arrangements
TMP8	Cash and cash flow management
TMP9	Money laundering
TMP10	Training and qualifications
TMP11	Use of external service providers
TMP12	Corporate governance

## **Appendix B - Arlingclose Economic & Interest Rate Forecast - November 2020**

**Economic background:** The impact on the UK from coronavirus, together with its exit from the European Union and future trading arrangements with the bloc, will remain a major influence on the treasury management strategy for 2021/22.

The Bank of England (BoE) maintained Bank Rate at 0.10% in November 2020 and also extended its Quantitative Easing programme by £150 billion to £895 billion. The Monetary Policy Committee voted unanimously for both, but no mention was made of the potential future use of negative interest rates. Within the latest forecasts, the Bank expects the UK economy to shrink -2% in Q4 2020 before growing by 7.25% in 2021, lower than the previous forecast of 9%. The BoE also forecasts the economy will now take until Q1 2022 to reach its pre-pandemic level rather than the end of 2021 as previously forecast.

UK Consumer Price Inflation (CPI) for September 2020 registered 0.5% year on year, up from 0.2% in the previous month. Core inflation, which excludes the more volatile components, rose to 1.3% from 0.9%. The most recent labour market data for the three months to August 2020 showed the unemployment rate rose to 4.5% while the employment rate fell to 75.6%. Both measures are expected to deteriorate further due to the ongoing impact of coronavirus on the jobs market, particularly when the various government job retention schemes start to be unwound in 2021, with the BoE forecasting unemployment will peak at 7.75% in Q2 2021. In August, the headline 3-month average annual growth rate for wages were 0% for total pay and 0.8% for regular pay. In real terms, after adjusting for inflation, total pay growth fell by -0.8% while regular pay was up 0.1%.

Gross Domestic Product (GDP) growth fell by -19.8% in the second quarter of 2020, a much sharper contraction from -2.0% in the previous three months, with the annual rate falling -21.5% from -1.6%. All sectors fell quarter-on-quarter, with dramatic declines in construction (-35.7%), services (-19.2%) and production (-16.3%), and a more modest fall in agriculture (-5.9%). Monthly GDP estimates have shown the economy is recovering but remains well below its pre-pandemic peak. Looking ahead, the BoE's November Monetary Policy Report forecasts economic growth will rise in 2021 with GDP reaching 11% in Q4 2021, 3.1% in Q4 2022 and 1.6% in Q4 2023.

GDP growth in the euro zone rebounded by 12.7% in Q3 2020 after contracting by -3.7% and -11.8% in the first and second quarters, respectively. Headline inflation, however, remains extremely weak, registering -0.3% year-on-year in October, the third successive month of deflation. Core inflation registered 0.2% y/y, well below the European Central Bank's (ECB) target of 'below, but close to 2%'. The ECB is expected to continue holding its main interest rate of 0% and deposit facility rate of -0.5% for some time with further monetary stimulus expected later in 2020.

The US economy contracted at an annualised rate of 31.7% in Q2 2020 and then rebounded by 33.1% in Q3. The Federal Reserve maintained the Fed Funds rate at between 0% and 0.25% and announced a change to its inflation targeting regime to a more flexible form of average targeting. The Fed also provided strong indications that interest rates are unlikely to change from current levels over the next three years.



Former vice-president Joe Biden won the 2020 US presidential election. Mr Biden is making tackling coronavirus his immediate priority and will also be reversing several executive orders signed by his predecessor and take the US back into the Paris climate accord and the World Health Organization.

**Credit outlook:** After spiking in late March as coronavirus became a global pandemic, credit default swap (CDS) prices for the larger UK banks have steadily fallen back to almost pre-pandemic levels. Although uncertainty around COVID-19 related loan defaults led to banks provisioning billions for potential losses in the first half of 2020, drastically reducing profits, reported impairments for Q3 were much reduced in some institutions. However, general bank profitability in 2020 is likely to be significantly lower than in previous years.

The credit ratings for many UK institutions were downgraded on the back of downgrades to the sovereign rating. Credit conditions more generally though in banks and building societies have tended to be relatively benign, despite the impact of the pandemic.

Looking forward, the potential for bank losses to be greater than expected when government and central bank support starts to be removed remains a risk suggesting a cautious approach to bank deposits in 2021/22 remains advisable.

#### Interest rate forecast:

- Arlingclose expects Bank Rate to remain at the current 0.10% level.
- Additional monetary loosening through increased financial asset purchases was delivered as we expected. Our central case for Bank Rate is no change, but further cuts to zero, or perhaps even into negative territory, cannot be completely ruled out.
- Gilt yields will remain low in the medium term. Shorter term gilt yields are currently negative and will remain around zero or below until either the Bank expressly rules out negative Bank Rate or growth/inflation prospects improve.
- Downside risks remain in the near term, as the government continues to react to the escalation in infection rates and the Brexit transition period comes to an end.

	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23
<b>Official Bank Rate</b>													
Upside risk	0.00	0.00	0.00	0.15	0.15	0.15	0.15	0.30	0.30	0.30	0.30	0.30	0.30
Arlingclose Central Case	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Downside risk	-0.10	-0.20	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
<b>3-month money market rate</b>													
Upside risk	0.05	0.05	0.05	0.10	0.10	0.15	0.20	0.30	0.30	0.30	0.30	0.30	0.30
Arlingclose Central Case	0.10	0.10	0.15	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
Downside risk	-0.40	-0.40	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
<b>5yr gilt yield</b>													
Upside risk	0.40	0.40	0.40	0.45	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70
Arlingclose Central Case	0.00	0.00	0.05	0.10	0.15	0.15	0.20	0.20	0.25	0.25	0.25	0.25	0.25
Downside risk	-0.30	-0.40	-0.50	-0.55	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60
<b>10yr gilt yield</b>													
Upside risk	0.40	0.40	0.40	0.45	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70
Arlingclose Central Case	0.30	0.30	0.35	0.40	0.40	0.45	0.45	0.50	0.50	0.55	0.55	0.55	0.55
Downside risk	-0.30	-0.40	-0.50	-0.55	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50
<b>20yr gilt yield</b>													
Upside risk	0.40	0.40	0.40	0.45	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70
Arlingclose Central Case	0.70	0.70	0.70	0.75	0.75	0.75	0.80	0.80	0.85	0.85	0.85	0.85	0.85
Downside risk	-0.20	-0.20	-0.25	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30
<b>50yr gilt yield</b>													
Upside risk	0.40	0.40	0.40	0.45	0.45	0.50	0.50	0.55	0.60	0.60	0.65	0.65	0.70
Arlingclose Central Case	0.60	0.60	0.60	0.65	0.65	0.65	0.70	0.70	0.75	0.75	0.75	0.75	0.75
Downside risk	-0.20	-0.20	-0.25	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30

## FINANCIAL LIMITS

The following Authority wide limits are reviewed annually and are still considered appropriate.

### Revenue Virement

The levels of authorisation for budget head revenue virements are:

	Virement to be approved by:				
Financial Limits	Chief Officer (notification to Head of Finance)	Corporate Director (Finance)	Cabinet Portfolio Member	Cabinet	Council
Up to £10,000	Y	Y	Y	Y	Y
£10,001- £25,000		Y	Y	Y	Y
£25,001- £50,000			Y	Y	Y
£50,001- £100,000				Y	Y
Over £100,001					Y

Note: These limits apply to the budget head (this means CIPFA subjective budget group total e.g. employees, supplies and services, etc.), which is being increased.

In addition, virements are subject to the following requirement:-

If more than one virement action is required on a single budget head in a financial year, then the accrued value of such virement action shall be in line with the level of authorisation as detailed above.

The exceptions to the above framework are that:

- a) Virement is not permitted in relation to capital finance charges on service committees or where a proposal would adversely affect the long term revenue commitments of the Council.

- b) The Cabinet approval is not required when the virement is between an income head and an expenditure head which are directly related and is approved by the Corporate Director (Finance).
- c) These virement rules are not applicable between the General and Housing Revenue Funds or between the revenue accounts and the capital programme.

An approved income/expenditure head will be defined each year as part of the budget approval.

### **Capital Virement**

The levels of authorisation for virement of capital programme provision are:

	Virement to be approved by:			
Current Limits	Corporate Director (Finance)	Cabinet Portfolio Member	Cabinet	Council
Up to £50,000	Y	Y	Y	Y
£50,001 to £100,000		Y	Y	Y
£100,001 to £250,000			Y	Y
Over £250,001				Y

Note: The limits apply to the programme head being increased.

### **Debts and Stock Write-offs**

Chief Officers shall submit a request to write off a debt and materials surplus to a department's requirements, subject to the limits and approvals prescribed below. The Corporate Director (Finance) shall issue procedures for the authorisation and recording of the debts to be written off.

	Write off	to be	approved	by:
Current Limits	Corporate Director (Finance)	Cabinet Portfolio Member	Cabinet	Council
Up to £25,000	Y	Y	Y	Y
£25,001 to £50,000		Y	Y	Y
£50,001 to £100,000			Y	Y
Over £100,001				Y

The exception to the above framework is that:

The Corporate Director (Finance) has delegated authority to write off debts for reason of bankruptcy, insolvency and ceased trading without limit.