



Medium Term Financial Strategy and Budget Update Report 2021/22 to 2024/25

**Executive Director of Corporate Services (S151 Officer) –
Sue Cuerden**

Report to	Cabinet
Ward(s):	All
Key Decision:	No
Appendix 1:	Medium Term Financial Strategy 2021/22 to 2024/25
Appendix 2:	Parish Precepts 2021/22 (available for final report to Council)
Appendix 3:	Council Tax Resolution 2021/22 (available for final report to Council)
Appendix 4:	Financial Policies
Appendix 5:	Key Financial Risks
Appendix 6:	Consultation Response
Appendix 7:	Updated Financial Regulations
Appendix 8:	Summary Priority Plans
Appendix 9:	Council Plan Update
Papers relied on:	Cabinet Report November 2020 – Draft Proposals For 2021/22 Budget and Revised MTFs 2021/22 To 2024/25 CIPFA Resilience Index: https://www.cipfa.org/services/financial-resilience-index/financial-resilience-index

Recommendations to Cabinet:**Cabinet notes:**

1. The revised Medium Term Financial Strategy 2021/22 to 2024/25 as detailed in Appendix 1.
2. The aims and objectives of the Medium Term Financial Strategy which will be presented to Council for approval on 25 February 2021.
3. The formal budget public consultation began on 11 November 2020 and ended on 3 January 2021. The internal consultation on staffing proposals commenced on 14 December 2020 and ended on 22 January 2021. Following the consultation, the budget proposals have been revised as shown in paragraph 1.6 and the outcome of the consultation is summarised in section 20 and Appendix 6.
4. The budget proposals are based on the assumptions detailed within the Medium Term Financial Strategy and that this includes a Council Tax increase of £5.00 in 2021/22, allowable under general powers to increase Council Tax without a referendum.
5. That further proposals will need to be considered to address future years budget gap in 2022/23, 2023/24 and 2024/25.
6. That the Financial Policies have been reviewed and the updated Financial Policies are detailed in Appendix 4.

Cabinet Recommends to Council:**Council notes:**

7. The S151 Officer's (Executive Director of Corporate Services) statutory report regarding the robustness of the estimates and the adequacy of reserves detailed in section 13.
8. That the Executive Director of Corporate Services (S151 Officer) on the 8 January 2021 calculated the Council Tax base for the whole Council area at 66,627.2 Band D equivalents and for dwellings in those parts of its area to which a parish precept relates as per Appendix 2 (available for final report to Council).
9. The county, police and fire authority precepts detailed in Appendix 3 (available for final report to Council).
10. That as the billing authority, the Council has not been notified by any major precepting authority that its relevant basic amount of Council Tax for 2021/22 is excessive and the billing authority is therefore not required to hold a referendum, in accordance with section 52ZK of the Local Government Finance Act 1992.
11. The risks and sensitivities within the financial forecasts highlighted in section 10 and in Appendix 5.

12. That the final government grant settlement figures may not be finalised before the budget is approved and therefore any adjustments to the final figures will be matched by an allocation to or from the MTFs Risk Reserve in accordance with financial policies.

Council determines:

13. That for the purposes of section 35 (2) (d) of the Local Government Finance Act 1992, any expenses incurred by the Borough Council in the financial year 2021/22 in performing functions in a part of the district which elsewhere in the district are performed by a Parish Council, shall not be special expenses of the Borough Council.

14. That its relevant basic amount of Council Tax for 2021/22 (£131.42 at Band D) reflects a £5.00 (3.96%) increase which is not excessive in accordance with principles approved under Section 52ZB of the Local Government Finance Act 1992.

Council approves:

15. The net Council Tax requirement of £8.76M for 2021/22, the revenue estimates including the budget proposals in section 6 and contributions to and from reserves as summarised in sections 7 and 9.

16. The Medium Term Financial Strategy, as shown in Appendix 1.

17. The updated financial policies set out in Appendix 4 including the revised New Homes Bonus Grant allocation policy.

18. That the requirement for Council Tax for Borough purposes for 2021/22 be £131.42 Band D equivalent as set out in Appendix 3 (available for final report to Council).

19. The 2021/22 net income budget of £0.08M for the Joint Manydown Committee as set out in section 15 and that the net income is shared equally between the Council and Hampshire County Council.

20. The Council Tax Resolution as set out in Appendix 3 (available for final report to Council) which brings together the Borough's Council Tax Requirement and that of the other major preceptors (Hampshire County Council, Hampshire Fire and Rescue and The Police and Crime Commissioner for Hampshire) and sets the Council Tax charges for 2021/22.

21. That the S151 Officer (Executive Director of Corporate Services) be given delegated authority to implement any variation necessary to the overall level of 2021/22 Council Taxes in the event that any of the precepting authorities change their precept calculation from that expected and reported at the Council meeting.

22. The updated Financial Regulations as detailed in Appendix 7 for inclusion in the council's constitution.

23. The Summary Priority Plans and updated Council Plan as shown in Appendices 8 and 9.

Background, corporate objectives and priorities

This report, which includes an updated Medium Term Financial Strategy (MTFS), accords with the council's Policy and Budget Framework and supports delivery of the updated Council Plan 2020 to 2024 and the development of an effective and efficient council.

The report provides a summary of Cabinet's revenue budget proposals for 2021/22 and contains a forward financial forecast for 2022/23, 2023/24 and 2024/25. The budget proposals and forward financial forecasts have been developed within the framework of the council's MTFS proposed by Cabinet on 10 November 2020.

In accordance with the constitution and statutory requirements, this report recommends, for Council approval on 25 February 2021, a balanced revenue budget for 2021/22.

This report also provides the S151 Officer's (Executive Director of Corporate Services) statutory statements to Council on the robustness of the estimates, adequacy of reserves, an estimate of business rate income for the business rate retention scheme and sets out the formal 2021/22 Council Tax Resolution and Council Tax.

Glossary of terms

Term	Definition
MTFS	Medium Term Financial Strategy
RSG	Revenue Support Grant
NHB	New Homes Bonus
PLGFS	Provisional Local Government Finance Settlement
FLGFS	Final Local Government Finance Settlement
MHCLG	Ministry of Housing, Communities and Local Government
EIA's	Equality Impact Assessments.
CIPFA	Chartered Institute of Public Finance and Accountancy
NDR	Non-Domestic Rates
RV	Rateable Value

Main considerations

1 Executive Summary

- 1.1 This report presents an updated Medium Term Financial Strategy (MTFS) for the period 2021/22 to 2024/25 and provides detail to inform Council in setting Council Tax for 2021/22.
- 1.2 As a result of the pressures that Covid-19 has placed on the delivery of services, achievement of planned savings and the need to change the way that services are delivered, a revised budget for 2020/21 was agreed by Council on 15 October 2020. This report also addresses, where possible, the likely immediate and longer term assumed financial impact that Covid-19 will place on the council during the MTFS period.
- 1.3 Draft budget proposals were considered by Cabinet on 10 November 2020, prior to commencement of full consultation with a range of stakeholders and an internal consultation to specifically consider the staffing related budget proposals. This report includes the analysis of the consultation feedback, to enable the finalisation of the budget proposals included within this report for recommendation by Cabinet to Council on 25 February 2021 when Council will set the 2021/22 budget.
- 1.4 Following the public consultation on the budget proposals, which was undertaken between 11 November 2020 and 3 January 2021, there were a total of 147 responses of which 126 were received via a survey. 130 responses were received from organisations, 16 from individuals and 1 from a council team.
- 1.5 A total of 25 internal responses were received in respect of the staffing proposals consultation which took place between 14 December 2020 and 22 January 2021.
- 1.6 After due consideration of the consultation responses, which demonstrate the council is well aligned with its residents, the budget proposals put forward by Cabinet have been revised. The feedback received will be also be taken into consideration in future years planning. The headline results relating to the budget are discussed in section 20 and a full report of the consultation findings can be seen in Appendix 6.

Withdrawn Income Proposals:

- Removal of Free Parking for Disabled Badge Holders £0.02M per annum;
- Remove Subsidy for Pest Control Fees £0.01M per annum; and
- Remove Phased Reduction in Grass Cutting Grants to Parish Councils £0.01M in 2022/23, £0.02M in 2023/24 and £0.03M in 2024/25.

Reduced Savings Proposals:

- Review of B-Love Event £0.02M reduced saving in 2021/22 reducing the saving from £0.06M to £0.04M; and
- Review of IT Team Resources £0.04M reduced saving in 2021/22 reducing the saving from £0.06M to £0.02M.

- 1.7 A Priority Based Planning and Budgeting approach was taken in reviewing the MTFs and developing budget proposals with the aim of aligning delivery of the Executive's key priorities within the Council Plan 2020 to 2024. This aims to help the council to invest its limited resources in activities that have the greatest impact on the delivery of priority outcomes. Summary Priority Plans for each of the priorities within the Council Plan, along with the internal priority, are included at Appendix 8, along with tracked changes for proposed wording updates to the Council Plan 2020 to 2024 at Appendix 9 for approval.
- 1.8 The report takes the current approved MTFs to 2023/24 and extends this by one year using the same multi-strand approach to investing the proceeds of growth, maintaining high quality services, striving for cost reductions and better value through transformation and service reviews, generating additional income from council resources and at the same time remaining one of the lowest Council Tax authorities in the country.
- 1.9 The proposed net revenue budget to be met by Council Taxpayers for 2021/22 is £8.76M. The Band D Council Tax requirement proposed for the Borough for 2021/22 is £131.42 representing a £5.00 (3.96%) increase on the 2020/21 level.
- 1.10 The Council Tax base for 2021/22 was set by the S151 Officer (Executive Director of Corporate Services) on 8 January 2021 at 66,627.2 Band D equivalents and includes the impact of Council's previous decisions on Council Tax discounts and the Council Tax Support Scheme and the expected financial impact of the Covid-19 pandemic.
- 1.11 The revenue budget and MTFs update process has identified the following budget proposals which have been updated since November 2020 to include the consultation and other changes as detailed in Table 8 in section 7.
- additional efficiency savings of £2.22M and income of £0.70M in 2021/22 increasing to £2.85M and £0.86M in 2024/25.; and
 - revenue cost pressures of £2.65M have been proposed in 2021/22 reducing to £1.50M by 2024/25.
- 1.12 The 2021/22 revenue budget includes an average increase of 3.00% in fees and charges in addition to any specific proposals by Cabinet on 10 November 2020. Since the November 2020 update a review of the Licensing fees and charges approved by Licensing Committee on 1 February 2021 has identified a nil increase for Hackney Carriage license fees due reduced costs of providing the service following the introduction of online application forms for licensed drivers and vehicles during 2020/21. The impact on the MTFs would be reduced income of £0.004M.
- 1.13 The council's efforts to support and attract businesses to the Borough have helped increase income from business rates however those efforts and the associated income have been impacted by Covid-19. The S151 Officer (Executive Director of Corporate Services) has agreed under delegated powers, a net business rate yield of £72.51M for 2021/22 for the purposes of the business rate retention scheme. As shown in Table 1 below, the element

retained by the council is £4.34M (an increase of £0.69M on the 2020/21 level).

Table 1 - Business Rates Retained By The Council

Business Rates:		2021/22 £M
Total Collected	100%	(72.51)
<u>Paid To:</u>		
Central Government	50%	(36.26)
Preceptors	10%	(7.25)
Basingstoke and Deane	40%	(29.00)
Net Payments To Government and Statutory Adjustments		24.66
Business Rates Retained		(4.34)

- 1.14 The updated MTF5 shows a balanced budget in 2021/22. Considerations for closing the budget gap in the longer term will continue to focus on a multi strand approach of:
- Growth and Development Opportunities within the Borough;
 - Commercialisation – understanding what this means for the council and what opportunities there are for income generation;
 - Review of all services – are there efficiencies that can be achieved – with possible links to major transformation projects such as Digital and Smarter Ways of Working;
 - Improved Asset Management;
 - Review of central activities such as Treasury Management;
 - Reviewing our policies around things such as Council Tax and use of Reserves; and
 - Understanding our Capital Spend needs and how best to meet the cost of these.
- 1.15 The Provisional Local Government Finance Settlement (PLGFS) covering 2021/22 only, was announced on 17 December 2020. The council has not received revenue support grant since 2019/20 and the requirement to pay a tariff of £0.17M through the retained business rates mechanism has been removed for 2021/22 as expected.
- 1.16 As announced in the PLGFS, New Homes Bonus Grant for 2021/22 is £2.56M which represents a £0.52M (16.88%) reduction on the 2020/21 grant of £3.08M.
- 1.17 This is an increase of £1.18M on the previous assumed level of NHB for 2021/22. It is proposed that after utilising this additional funding to support the 2021/22 budget position for known pressures, that any balance is allocated to

the MTFS Risk Reserve to meet the cost of any further impact of Covid-19 directly or as a consequent of. The original assumed £1.38M will be allocated in accordance with a revised new homes bonus financial policy for 2021/22 and 2022/23 as set out in section 8 and Appendix 4.

- 1.18 The future of the New Homes Bonus scheme from 2022/23 will be outlined and consulted on during early 2021 and will have an impact on the overall future levels of Government income funding received. The MTFS and financial policies recognise the risk of assuming the receipt of New Homes Bonus and only allocates the first £0.25M to support ongoing general fund services. This reduces to nil in 2023/24 and future years.
- 1.19 The Final Local Government Finance Settlement (FLGFS) is not expected to be released prior to publication of the budget reports. Whilst not expected to change, following debate, if there are any further changes to the FLGFS, these will be matched by making an allocation to or from the MTFS Risk Reserve.
- 1.20 A full review of reserves and financial policies has been undertaken. This is detailed in sections 7 and 8 and includes a new revised New Homes Bonus Grant allocation policy. The 2021/22 revenue budget includes a request to approve an increase the MTFS Risk Reserve by £0.55M to meet any further direct or indirect financial impact of Covid-19 in addition to the pressures already specifically identified in setting the 2021/22 budget. The main changes are detailed in section 7.
- 1.21 Budget risks have been identified and the level of each of the council's risk reserves has been reviewed considering the strategic, operational and financial risks facing the council. Details of the risk reserve requirements are set out in section 7.
- 1.22 The Section 151 Officer (Executive Director of Corporate Services) reports that the 2021/22 budget is robust and is supported by adequate reserves as seen in section 13.
- 1.23 A summary update of the Capital Programme and Capital Programme Strategy is also included in the MTFS in Appendix 1, with the detail reported in the Capital Programme Update and Capital Programme Strategy 2020/21 to 2024/25 reported elsewhere on the agenda for this meeting. This has been updated for changes as recommended by the Capital Programme Board.

2 Budget Context

Horizon 2050

- 2.1 The climate emergency, maintaining and enhancing the Borough's natural environment, and sustainability are key issues in the Horizon 2050 vision¹ which was adopted by the council and partners in March 2019. The vision is not a strategy or policy but provides a framework and road map to inform

¹ <https://www.basingstoke.gov.uk/horizon2050>

policy making, to plan for the future development of the Borough and to make Basingstoke and Deane a great place to live.

2.2 The vision consists of eight themes developed through extensive consultation and engagement with residents, partners and stakeholders. The themes are:

- Homes and housing;
- Healthy, safe and inclusive communities;
- Natural environment;
- Sustainability;
- Transport;
- Education;
- Economy and entrepreneurship; and
- A Borough with heritage and distinction.

Council Plan 2020 to 2024

2.3 The budget proposals and forward financial forecasts have been developed within the framework of the council's MTFS proposed by Cabinet on 10 November 2020 which supports delivery of the updated Council Plan 2020 to 2024.

2.4 Key priorities for the council are:

- Strengthening communities;
- Protecting and enhancing our environment;
- Improving safety;
- Planning for the future; and
- The internal priority - Fit for the Future.

2.5 As detailed in paragraph 2.10 summary Priority Plans have been produced, attached at Appendix 8, to identify the intended actions to monitor progress against each of the priorities. In addition, there are proposed wording updates to the Council Plan 2020 to 2024 as a result of further consideration of each of the priorities. A tracked changed version of the Council Plan is included at Appendix 9. Approval is sought for the Priority Plans and the update to the Council Plan wording.

Priority Based Planning and Budgeting (PBPB)

2.6 Priority Based Planning & Budgeting (PBPB) is a method of budgeting whereby funding is allocated according to a set of predefined outcomes or priorities. Whilst this approach is still being developed it has been adopted to support the determination of the proposals that form the MTFS included in this report and which were subject to consultation. Workshops for each of the Council Plan priorities were held with the Executive and Officers to align all services and budgets currently provided to those priorities.

2.7 The workshops were used to discuss standards of service delivery (current and future aspirations) and to understand the allocation of resources to different priorities. This encouraged and allowed discussion to understand what the current service provision is, how services could be provided more

efficiently and effectively to meet the key priorities of the council and to discuss key activity and measures to monitor progress of delivery against the Council Plan. As this methodology is developed in future years, it will ensure that resource allocation is fully aligned to priorities and will support decision making that is increasingly based on evidence and performance.

- 2.8 The focus of PBPB is to understand what outcomes are being achieved by services provided and whether they are beneficial and make a difference to residents, businesses and customers of the Borough. This is a change in approach to budget setting and it is recognised that it will take ongoing refinement to be able to fully implement this methodology.
- 2.9 Planning and budgeting in this way means the council is focusing on what it is trying to achieve, and the impact for our customers, rather than systems, processes and practices. It is important to have a process that integrates strategic development and planning with what we are trying to achieve through the Council Plan priorities over a longer timeframe and allocating resources accordingly.
- 2.10 Summary Priority Plans have been produced, attached at Appendix 8, to identify the intended actions to monitor progress against each of the priorities. In addition, there are proposed wording updates to the Council Plan 2020 to 2024 as a result of further consideration of each of the priorities. A tracked changed version of the Council Plan is included at Appendix 9.

Covid-19 Financial Impact

- 2.11 The impact of Covid-19 on the council's finances has been significant but has been effectively managed by implementing spending controls over non-essential expenditure; active management of recruitment including temporarily freezing some activity; focussing on essential services to support the community and ensuring that Government funding has been appropriately allocated.
- 2.12 The council rebased its 2020/21 budget taking account of the measures that it put in place and agreed the revised budget at the Council meeting on 15 October 2020. This rebasing was based on a line by line review of expenditure and income. At the time it did not take account of the Sales, Fees and Income Compensation scheme which has now been included in the MTFS.
- 2.13 The November MTFS and budget proposals included a pressure for anticipated reductions in key sources of the council's income. The most significant areas being car parking, planning and licensing income. The February MTFS update includes provision for additional Covid-19 pressures, and reduced Council Tax income. A request is also being made to approve an increase in the MTFS Risk Reserve of £0.55M to meet any further direct or indirect financial impact of Covid-19. A summary of the Covid-19 financial impact on the MTFS is shown in Table 2 which also brings in the recently announced Government Covid-19 funding support measures.

- 2.14 The ability to manage the financial impact has been underpinned by the historically strong and sound approach that the council has taken to its financial management. It is important that this is sustained as far as possible in order to deal with the future which is likely to be financially challenging as a result of the overall economic impact of the pandemic which is continuing at the current time.

Table 2 - Estimated Financial Impact of Covid-19 on MTFS

	2021/22	2022/23	2023/24	2024/25
	£M	£M	£M	£M
Budget Proposals:				
Suppressed Income Pressure (fees and charges)	1.07	0.64	0.63	0.63
Additional Covid-19 Pressures	0.50	0.00	0.00	0.00
Council Tax:				
Council Tax Deficit 2020/21 (3 yr spread)	0.03	0.03	0.04	0.00
Removal Council Tax Surplus	0.05	0.05	0.05	0.05
Reduced Council Tax Base 2021/22	0.11	0.12	0.12	0.13
Additional Covid-19 Government Support Funding: (section 7)				
Local Council Tax Support Grant	(0.13)	0.00	0.00	0.00
Covid-19 Funding	(0.81)	0.00	0.00	0.00
Income Compensation Scheme	(0.19)	0.00	0.00	0.00
Reserves:				
Additional Risk Adjusted/Earmarked Reserves Requirement – see section 7	0.55	0.00	0.00	0.00
Total Estimates Covid-19 Financial Impact	1.18	0.84	0.84	0.18

Economic Recovery Framework

- 2.15 The economy is still in overall decline as the pandemic continues and vaccines are rolled out. It is still difficult to predict how deep and long lasting the recession will be. Lifestyles and working habits have changed with an exponential rise in homeworking, a sharp decrease in commuting, a renewed interest in local experiences and an increase in walking and cycling. It remains unknown as to whether some of these changes will remain as a legacy of Covid-19 or whether they are temporary.
- 2.16 The council approved its approach to an economic recovery framework in October 2020. The approach cuts across all council plan priorities but most particularly ‘Planning for the Future’ with a strong focus on jobs and business growth. The framework is based on a partnership model as the priorities we set out will need to be owned, delivered and supported by a wide range of organisations from across Basingstoke and Deane and the wider region.
- 2.17 The framework is a road map to help shape interventions that will be developed as the actual impact of the pandemic become clearer. It is focussed on the shorter term however it remains important to pursue the longer term infrastructure projects that are included in the MTFS such as

Manydown, Leisure Park Redevelopment, Hospital and health services and the Local Plan update.

Climate Change

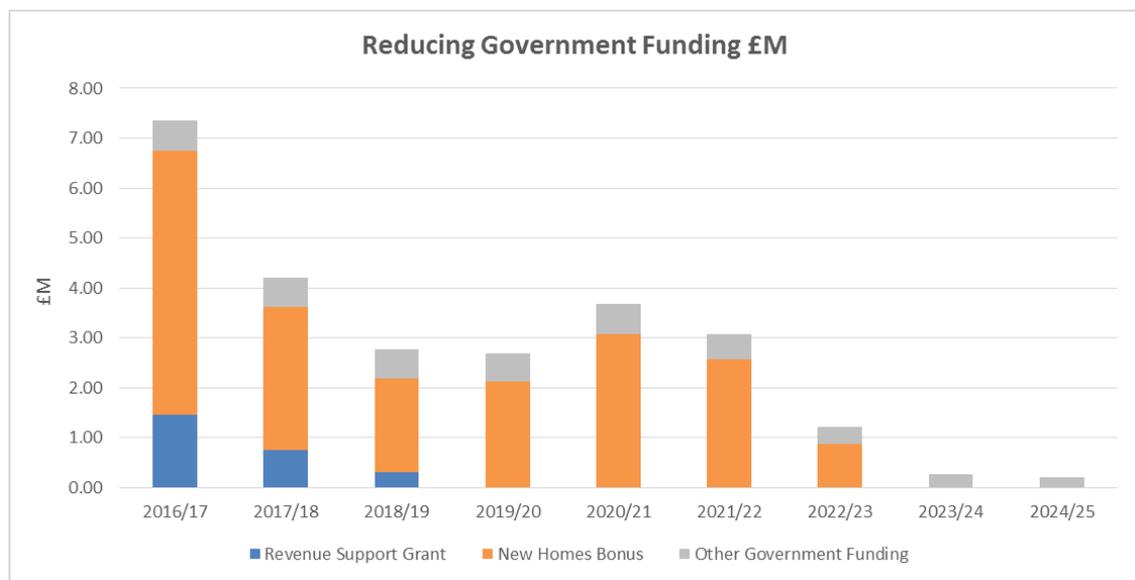
- 2.18 At the meeting of Council on 18 July 2019 all councillors agreed to request that Cabinet declare a climate emergency. This includes a target of becoming a carbon neutral in terms of the council's emissions by December 2025 and more widely as a borough to achieve net zero carbon by 2030. Cabinet made the declaration on 10 September 2019.
- 2.19 Since then, a new Climate Change and Air Quality Strategy has been developed and publicly consulted on. Cabinet has been recommended to propose that the strategy is adopted at the meeting of Full Council in March. Alongside this strategy is the first iteration of the Council's Climate Emergency Action Plan, setting out the council's proposed actions to tackle the Climate Emergency. This will continue to develop but includes actions such as procuring renewable energy for our buildings (now actioned), investing in electric vehicles and charge points for our fleet and residents, and enabling and supporting action through local communities.
- 2.20 As such, the scale of resources required is significant but will also evolve as further priority actions are scoped out and be dependent on identification of sources of funding as appropriate. The main financial commitments to deliver the council's programme are reflected in the MTFS within the Environment and Enforcement portfolio and a new ear-marked reserve to support the Climate Change Agenda has been created with an allocation of £1.00M in 2020/21. However, other actions will also be funded from team/departmental budgets.
- 2.21 The council will also seek to utilise external grant opportunities as they arise, as this will maximise use of internal budget. In light of the Covid-19 pandemic, government funding has been directed towards 'building back better', which should enable economic recovery by creating 'green' jobs while also addressing the Climate Emergency. This is highlighted by the publication of a ten point plan which focused on increasing ambition in ten areas, including offshore wind energy, greener buildings and green public transport, cycling & walking. The government state that the plan will mobilise £12 billion of government investment, with additional investment from the private sector, to create and support up to 250,000 jobs.
- 2.22 This is expected to form a continued area of government funding, following the November 2021 Budget review, particularly with the international COP26 conference being hosted in Glasgow in 2021, and the UK's binding legal commitments.
- 2.23 The Council's own Economic Recovery Framework also places Clean Growth at its' heart, with these two policy areas complementing each other.
- 2.24 Internally, the Council continues to embed tackling the Climate Emergency in all that we do. An internal Officer Delivery Group and Members Advisory Panel meet regularly to provide comment, review progress and input further

ideas. Additionally, climate change impacts are now considered as part of all Committee, Cabinet and Council decisions as well as influencing approaches to procurement and service delivery more generally.

Government Funding and Sources of Income

- 2.25 Over the past five years, this council has seen a 62.01% reduction in the level of revenue support grant and New Homes Bonus received from the government and the level of this grant income will be £4.18M lower in 2021/22 compared to 2016/17. The PLGFS has confirmed the 2021/22 NHB grant award and indicated that legacy payments associated with grant awards up to 2019/20 will be paid, but not for 2020/21 or 2021/22. The MTF5 assumes NHB grant of £2.56M in 2021/22 and reflects the potential reduction to zero grant in 2023/24 – see chart 1 and section 6.
- 2.26 There is continued pressure on the council’s finances due to the ongoing financial impact of Covid-19, inflationary cost increases, increased demand for services, the impact of partner organisations responses to austerity measures and very low interest rates reducing interest income.
- 2.27 Since 2009 savings of £15.1M (28% of the gross underlying expenditure budget) have been achieved, within an extended period of national public expenditure reduction and historically low interest rates. These have been delivered with minimal impact on delivery of front line services during a prolonged period of austerity. Chart 1 below shows how core central government funding has reduced by half or £4.28M over the past five years, requiring the council to reduce costs or identify alternative sources of income.

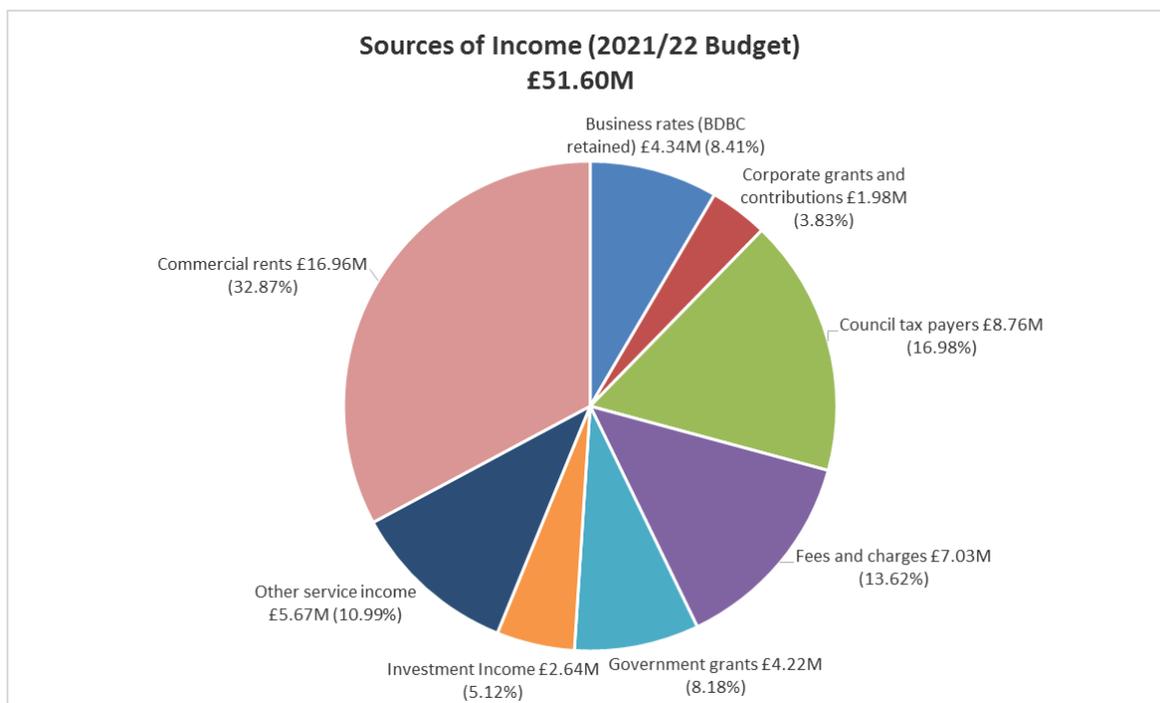
Chart 1 – Government Grant Funding



- 2.28 In addition to making savings the council has also successfully implemented a new Property Investment Strategy that has committed investments of £32.49M in the local economy which will provide estimated additional annual income of £1.83M in 2021/22 and £2.31M from 2022/23.

2.29 This increased revenue stream has improved the resilience of the council by diversifying funding sources and reducing reliance on government grants over which the council has little control or influence. As shown in Chart 2 below, the council has a wide range of income sources including commercial rent, shared services income, alternative investment strategies, fees and charges, business rates and Council Tax.

Chart 2 – Income Sources



Commercial Rental Income

2.30 The Covid 19 pandemic may impact on the long term commercial rental income of the council. To date, the council has worked with tenants to provide rental payment holidays and payment plans for arrears as well as considering specific requests for assistance. No rent exemptions have been given or debts written off and therefore, the impact to date is one of cashflow. However, as the impact of the pandemic continues this may translate into losses of rental income. The Income Risk Reserve is established to help mitigate these losses in the short term.

2.31 The Annual Property Plan for 2021/22 builds on the work of previous years and the focus has moved from property acquisitions to more active asset management of the portfolio with particular regard to continuing to meet the challenges posed by Covid-19 on the property portfolio since March 2020 and ongoing.

2.32 JLL have been appointed as the Council’s property advisers and they will provide further expertise and additional strategic resource in implementing the Annual Property Plan, with a full refresh of the Council’s overarching Property Strategy.

2.33 The key focus of the investment portfolio will be:

- Rebalancing the investment portfolio, disposals funding new acquisitions to manage risk and improve value and income;
- Enhanced asset management;
- Income Management with continued improvements in the management of income risk in the portfolio with particular focus and resource given the ongoing challenges arising from the Covid-19 pandemic; and
- Investment Monitoring, through understanding how the investments benchmark against other councils and other types of investment.

The risk of this income stream is recognised in the financial risk management activity.

Partnership Working

- 2.34 The Council Plan has a focus on working with partners to secure best outcomes for the benefit of local communities and investigating opportunities for joint work with other agencies and local authorities. The council operates a number of shared service arrangements with Hart District Council and the MTFs reflects these continuing over the medium term period. The council also works in partnership with other district councils, Hampshire County Council, housing associations and the police through the Safer North Hampshire Community Safety Partnership to deliver community safety initiatives.
- 2.35 The budget for 2021/22 has been formulated within the context of local government facing severe funding pressures, with county and unitary councils facing particular difficulties in funding social care costs which is resulting in less government grant funding being allocated to district councils.
- 2.36 The MTFs takes a realistic but prudent approach to receipt of possible partnership funding that is not yet certain or confirmed. There is currently increased uncertainty around partner funding as organisations respond to the need to make significant budget savings.

3 Business Rates (Retained)

- 3.1 The total business rates income (referred to as the Net Business Rate Yield) estimated at £75.21M is divided up with 50% passed directly to central government, 10% to preceptors and 40% initially to the council as its 'local share'. The council's share is then reduced further by payments to and from the Government which includes a tariff and other statutory adjustments that effectively reduces the amount of business rates income the council gets to retain. This is shown in Table 1 in paragraph 1.13 above.
- 3.1.1 It is estimated that the council will retain £4.34M in 2021/22 from business rates after paying the fixed tariff back to the government and other adjustments required by regulations. This is an increase of £0.69M on the comparable figure in 2020/21. The MTFs includes forecast income from retained business rates over the next four years. In producing this forecast an assessment has been made of the impact of Covid-19 on collection rates, the

new properties likely to be completed during this period and old properties that will be removed from the rating list.

- 3.2 Business rates income is volatile and can fluctuate significantly in year as it is influenced by changes in the business rate base, growth, business rate reliefs, losses on collection and losses due to appeals. These assumptions have been reviewed to assess the impact on Covid-19.
- 3.3 Budgeting and accounting for business rates is complex and leads to a number of statutory adjustments between years relating to how surpluses and deficits on the business rates part of the Collection Fund are recognised in the financial statements.
 - 3.3.1 The November MTFs included provision for an estimated 2020/21 deficit of £0.70M to be phased over 2021/22 to 2023/24 in line with new regulations announced to ease immediate pressures on council budgets. The £0.70M was based on the council's estimated maximum exposure to reduction in business rate income due to the safety net provisions in the regulations and the deficit was to be met from draws from the Business rates Risk Reserve.
 - 3.3.2 At the current time, based on new guidance and formula calculations, it is unlikely that a spreading adjustment can be applied to the expected 2020/21 deficit due to the level of business rate relief grants received. Further guidance is expected and the position will be kept under review. The November MTFs assumptions have now been removed. The accounting for the 2020/21 deficit will be achieved through contributions to and from the Business Rates Risk Reserve in 2020/21 and 2021/22.
 - 3.3.3 Due to the uncertain impact of Covid-19 on business rate collection, changes in the levels of retained business rates will met from the Business Rates Risk Reserve if the retained income falls the MTFs assumed level. The reserve exists to meet the increased risk and volatility of business rates generally and the continuing uncertainty surrounding the economy and in particular, the retail sector.
- 3.4 There is a risk that the government may reset the council's business rates tariff and baseline at some point during the MTFs period which could reduce the amount of additional funding that the council can retain. Allowance for this risk or not achieving the forecast growth is made in the Business Rates Risk Reserve.

4 Provisional and Final Local Government Finance Settlement (PLGFS/FLGFS)

- 4.1 The Government announced its spending plans on 25 November 2020 which was followed by a technical consultation to inform the PLGFS. The 2021/22 PLGFS was announced on 17 December 2020 and the implications of these announcements are detailed below and have been included within the updated MTFs and budget position. A consultation on the 2021/22 PLGFS closed on 16 January 2021 and the outcome may be used to inform the FLGFS.
- 4.2 The 2021/22 Local Government Finance Settlement is for one year only. It is based on the Spending Review 2020 funding levels, with individual authority

allocations based upon Spending Review 2015 and subsequent funding announcements.

4.3 No papers were published relating to Local Government Funding Reforms. Whilst the Secretary of State confirmed a commitment to the Fair Funding Review and Business Rates Reforms, there was no indication of when the reviews will take place or be implemented but are not expected in 2021/22.

4.4 The Spending Review 2020 and the subsequent technical consultation provided information regarding 2021/22 funding allocations. The provisional settlement confirms these previous announcements, the main points of which are set out below:

- Council Tax – As previously announced at Spending Round 2020, the Council Tax referendum limit will be up to 2% for local authorities, with social care authorities allowed a further 3% social care precept, although this can be deferred to 2022/23. The PLGFS confirmed that district councils will be allowed to apply the higher of the referendum limit or £5.00;
- Business Rates Retention – As announced at Spending Review 2020, the business rates multiplier has been frozen for 2021/22. Therefore, the three elements of the Business Rates Retention system (Baseline Need, NNDR Baseline and Tariff/Top Up amounts) remain at 2020/21 levels. However, the under-indexing multiplier grant will be increased, in order that local authorities do not lose what would have been the increase to the multiplier (as previous years when a cap was applied);
- New Homes Bonus - The 2021/22 allocations have been announced (total funding £622M). These will be paid with the legacy payments due from previous years (2018/19 and 2019/20). As previously announced, there will be no legacy payments for 2020/21 or the new 2021/22 in year allocations. The deadweight of 0.4% was maintained;
- Top Up/Tariff Adjustments (Negative RSG) – As in previous years, the government has decided to eliminate the negative RSG amounts;
- Lower Tier Services Grant – A new un-ringfenced grant of £111M was announced. This has been allocated via the 2013/14 Settlement Funding Assessment levels (£86M) and to fund a floor, to ensure that no authority has a total Core Spending Power less than in 2020/21 (£25M); and
- Redmond Review – Funding of £15M was announced to support authorities with the anticipated rise in audit fees for 2021/22. Allocations to councils will be confirmed in 2021/22.

Other PLGFS announcements with limited direct impact on BDBC

- For those authorities that still receive Revenue Support Grant, this has been increased by 0.55% in line with what would have been an increase to the Business Rates Retention multiplier;
- Additional £300M funding for social care to bring the total Social Care Support Grant to £1.7BN;
- Total allocation for the Improved Better Care Fund is £2.1BN which is unchanged from 2020/21; and
- The 2021/22 allocation of £85M Rural Services Delivery Grant and methodology for distribution remaining unchanged from 2020/21.

Additional Covid-19 Support

4.5 Alongside the PLGFS, details have been published regarding proposed support to local authorities in 2021/22 in respect of the ongoing Covid-19 pandemic. The proposals were subject to consultation which closed on 14 January 2021. The implications have been assessed based on the proposed measures being finalised and are included within the updated MTFs and budget position.

- Covid-19 Grant - Additional £1.55BN of un-ringfenced Covid-19 funding;
- Local Council Tax Support Grant – Additional £0.67BN to broadly meet the additional costs associated with increases in council tax support caseloads in 2021/22. The funding will be un-ringfenced and can be used to provide other support to vulnerable households, including local welfare schemes;
- Local Tax Income Guarantee Scheme– a proposed scheme payable as a S31 grant for compensating for 2020/21 irrecoverable local taxation losses in respect of council tax and business rates. Whilst this grant will be paid in 2021/22 it will be accrued for in 2020/21 as the losses relate to 2020/21. Based on the formula calculations, income of £0.07M is forecast in respect of Council Tax and no income for Business Rates losses due to the levels of discretionary reliefs paid to the council; and
- Income Compensation Scheme – continuation of the support for lost sales and fees and charges income for the first quarter of 2021/22.

March 2021 Budget

4.6 The Chancellor of the Exchequer is set to announce the next budget on 3 March 2021. It is expected that further support measures will be put in place to support individuals and businesses further in 2021 from the financial impact of Covid-19. Announcements are expected in relation to the continuation of support to Universal Credit claimants, furlough and wage support schemes and any extension of business rate reliefs. The outcome of any

announcements will have an impact on the council's finances particularly in relation to income collection.

5 Medium Term Financial Strategy (MTFS)

- 5.1 The MTFS is a rolling four year plan that supports the delivery of the Council Plan and is shaped by Council Plan priorities. The MTFS sets out a stable and sustainable financial plan over the medium term to allow the council to shape the way the Borough grows whilst continuing to provide high quality services.
- 5.2 The MTFS also supports all other council strategies, such as the Capital Strategy, the Asset Management Plan, the Property Investment Strategy and the Treasury Management Strategy. In particular, it acts as the framework linking the council's more detailed service plans, asset management plans and capital plans for the longer term to help ensure that the council's plans are financially achievable.
- 5.3 This council has a long track record of good financial planning and management. As a result of past decisions and innovations, the council is underpinned by excellent financial foundations and has a strong balance sheet with diversified investments, healthy reserves and no significant borrowing. It has allowed the council to manage the financial impact of Covid-19, reviewing its priorities, rebasing its budget for 2020/21 and taking measures to control its expenditure. These actions have been taken to maintain the financial position, as far as possible and continue to support the delivery of high quality services with a very low level of Council Tax.
- 5.4 The MTFS covers the financial position for the period 2021/22 to 2024/25 and is attached as Appendix 1. By agreeing a four year MTFS the council is identifying the financial pressures and opportunities that lie ahead at an early stage and is able to make better decisions as there is time to fully consider different options, engage with stakeholders, carry out risk assessments and develop contingency plans to manage future uncertainties. Given the financial impact of Covid-19 and the ongoing uncertainty that this places on public sector finances, it is even more important that there is a robust plan which includes mitigating risks through provisions within reserves and balances to ensure the council has adequate resources to cover the uncertainty and risk.
- 5.5 The MTFS 2021/22 to 2024/25 has been reviewed to take into account the following:
- The current forecast outturn position for 2020/21 against the rebased budget from October 2020, including the financial impact of Covid-19;
 - A review of the ongoing pressures facing the council;
 - A review of base budget assumptions such as pay and inflation assumptions; and
 - The implications of the Provisional Local Government Finance Settlement have been included within the updated MTFS and budget

position contained within this report, along with an update on the impact of other national and local factors such as Brexit and Covid-19.

6 Update To The Medium Term Financial Strategy November 2020

- 6.1 In November 2020 Cabinet noted a revised medium term financial position, which had a residual budget gap of £1.03M for 2021/22 after approving new savings and income proposals and cost pressures for consultation. This position was subject to the announcements of the Sending Review and the Local Government Finance Settlement which have now been included in the MTFS and are reported in section 6.
- 6.2 Table 3 below identifies the proposed changes to the Medium Term Financial Strategy Model as reported to Cabinet in November 2020.

Table 3 – Updated MTFS 2021/22 to 2024/25 November 2020

	2021/22	2022/23	2023/24	2024/25
	£M	£M	£M	£M
Budget Gap - Approved February 2020	1.19	2.60	6.60	3.52
Central items	2.16	0.93	0.52	0.66
<u>Cabinet's New Revenue Budget Proposals:</u>				
Identified Savings	(2.48)	(2.62)	(2.84)	(2.88)
Additional Income	(0.73)	(0.89)	(0.91)	(0.89)
Cost Pressures	2.15	1.72	1.76	1.60
Less funded from Reserves/New Homes Bonus Grant	(1.26)	(0.78)	(0.55)	(0.09)
Revised Budget Gap - November 2020	1.03	0.96	4.58	1.92

- 6.3 A review was undertaken of central items which included assumed annual inflationary pressures, changes to growth, delayed Executive Commitments property rental income and investment income forecasts. This took account of the overall economic situation with regard to rates of interest on investments.
- 6.4 Full details of the central items and the Cabinet's new revenue budget proposals in the above table can be found in the Draft Proposals for 2021/22 Budget and Revised MTFS 2021/22 to 2024/25 report. This can be viewed by following the link below, agenda item 7.

<https://democracy.basingstoke.gov.uk/ieListDocuments.aspx?CId=142&MId=1701>

Tables 4 to 7 below summarise the Cabinet's 2021/22 and future years savings, additional income and cost pressure proposals that were put forward in November 2020. Where relevant, approval was sought to consult on the proposals and the outcomes of this consultations are discussed in section 20 and Appendix 6.

Table 4 - Summary of Savings Proposals

	2021/22 £M	2022/23 £M	2023/24 £M	2024/25 £M
Council Priority				
Improving Safety	(0.18)	(0.18)	(0.18)	(0.18)
Planning for the Future	(0.32)	(0.38)	(0.38)	(0.38)
Protecting and Enhancing the Environment	(0.06)	(0.11)	(0.12)	(0.13)
Strengthening Communities	(0.47)	(0.51)	(0.51)	(0.51)
Fit for the Future	(1.45)	(1.44)	(1.65)	(1.68)
Total Savings 2021/22 and Future Years	(2.48)	(2.62)	(2.84)	(2.88)

Table 5 - Summary of Additional Income Proposals

	2021/22 £M	2022/23 £M	2023/24 £M	2024/25 £M
Council Priority				
Improving Safety	(0.01)	(0.01)	(0.01)	(0.01)
Strengthening Communities	(0.45)	(0.48)	(0.48)	(0.48)
Fit for the Future	(0.27)	(0.40)	(0.42)	(0.40)
Total Additional Income 2021/22 and Future Years	(0.73)	(0.89)	(0.91)	(0.89)

Table 6 - Summary of Cost Pressure Proposals

	2021/22 £M	2022/23 £M	2023/24 £M	2024/25 £M
Council Priority				
Fit for the Future	0.25	0.02	0.02	0.02
Planning for the Future	0.05	0.11	0.16	0.00
Strengthening Communities	0.78	0.95	0.95	0.95
Impact of Covid-19	1.07	0.64	0.63	0.63
Total Cost Pressures 2021/22 and Future Years	2.15	1.72	1.76	1.60

Table 7 – Summary of Total New Budget Proposals

	2021/22 £M	2022/23 £M	2023/24 £M	2024/25 £M
Council Priority				
Improving Safety	(0.19)	(0.19)	(0.19)	(0.19)
Planning for the Future	(0.27)	(0.27)	(0.22)	(0.38)
Protecting and Enhancing the Environment	(0.06)	(0.11)	(0.12)	(0.13)
Strengthening Communities	(0.14)	(0.04)	(0.04)	(0.04)
Fit for the Future	(1.47)	(1.82)	(2.05)	(2.06)
Impact of Covid-19	1.07	0.64	0.63	0.63
Total Savings 2021/22 and Future Years	(1.06)	(1.79)	(1.99)	(2.17)

7 Further Changes To The Medium Term Financial Strategy February 2021

- 7.1 Table 8 below details further changes since the position reported to Cabinet in November 2020, including the impact of the Provisional Local Government Financial Settlement funding assumptions and the outcome of the budget proposals consultation.
- 7.2 The updated MTFS shows a balanced budget in 2021/22 with a future year budget gap of £4.44M in 2023/24 reducing to £1.61M in 2024/25. This will be addressed by a strategic multi-strand approach to closing the budget gap as detailed in paragraph 1.14 and will continue to be implemented as part of the MTFS.
- 7.3 It should be noted that the budget gap spikes in 2023/24 mainly due to previously agreed MTFS decisions. These include the reinstatement of a budget for past service superannuation costs of £1.77M subject to the outcome of the next Triennial Pension Fund Valuation in 2022/23 (outcome of the 2019/20 valuation was £nil payments to 2022/23); an increase in the revenue contributions to fund future capital expenditure of £1.50M and other general inflationary allowances. The budget gap reduces in 2024/25 due to making less net contributions to reserves of £2.94M.

Table 8 – Updated MTFS 2021/22 to 2024/25 February 2021

	2021/22 £M	2022/23 £M	2023/24 £M	2024/25 £M
November 2020 Budget Gap	1.03	0.96	4.58	1.92
Central Items Update:				
Reduced MTFS Pay Award Assumption	(0.17)	(0.35)	(0.52)	(0.69)
Reduced Return on Manydown	0.31	0.14	0.14	0.16
Additional Insurance Costs	0.08	0.08	0.08	0.08
Previously Agreed Planning Savings	0.07	0.00	0.00	0.00
Manydown Project Team Saving	(0.21)	0.00	0.00	0.00
Updated Budget Proposals:				
Additional Covid-19 Pressures	0.50	0.00	0.00	0.00
Reduced Waste Client Team Pressure	0.00	(0.10)	(0.10)	(0.10)
Adjustment Digital Programme Savings (Capital)	0.20	0.00	0.00	0.00
Adjustment Release from Efficiency, Transformation and Digital Reserve	(0.20)	0.00	0.00	0.00
Consultation Changes:				
Revised Proposals	0.09	0.04	0.05	0.06
PLGFS:				
New Homes Bonus Grant	(1.18)	0.00	0.00	0.00
New Lower Tier Services Grant	(0.13)	0.00	0.00	0.00
Additional Homelessness Prevention Funding	(0.22)	0.00	0.00	0.00
Homelessness Prevention Funding To Reserves	0.22	0.00	0.00	0.00
Further Impacts Covid-19:				
Council Tax Deficit 2020/21 (3 yr spread)	0.03	0.03	0.04	0.00
Removal Council Tax Surplus	0.05	0.05	0.05	0.05
Reduced Council Tax Base 2021/22	0.11	0.12	0.12	0.13
Additional Covid-19 Government Funding:				
Local Council Tax Support Grant	(0.13)	0.00	0.00	0.00
Covid-19 Funding	(0.81)	0.00	0.00	0.00
Income Compensation Scheme	(0.19)	0.00	0.00	0.00
Business Rates:				
Retained Business Rates	(0.24)	(0.23)	(0.23)	0.00
Business Rates Risk Reserve	0.24	0.23	0.23	0.00
Additional Risk Adjusted/Earmarked Reserves Requirement – see section 7	0.55	0.00	0.00	0.00
February 2021 Budget Gap	0.00	0.97	4.44	1.61
(Decrease)/Increase In Budget Gap Since November 2020 MTFS Update	(1.03)	0.01	(0.14)	(0.31)

Central Items

MTFS Pay Award Assumption saving £0.17M in 2021/22 increasing to £0.69M in 2024/25

- 7.4 The current MTFS assumptions allow for annual inflationary pay increases of 2.75% from 2021/22 onwards which was based on the 2020/21 pay award. Whilst the Government has announced a public sector pay freeze in 2021/22, it is felt prudent to retain an allowance of a 2.00% increase for each year of the MTFS as this is still subject to national and local negotiations. The November 2020 update included an increase to 2.75% which has now been removed.

Return on Manydown reduced income £0.31M in 2021/22 decreasing to £0.16M in 2024/25

- 7.5 The original proposed funding for investment in Manydown and the drawdown of the land has been rephased in line with the revised forecasts being agreed by Urban and Civic with this council and Hampshire County Council. Together with a reduction in the prevailing interest rate that can be charged for the loan notes to the MGC LLP and MDV LLP, this will reduce the Manydown return in the MTFS period to 2024/25.

Insurance Costs additional costs £0.08M from 2021/22

- 7.6 Updates from the insurance markets indicate a difficult year for insurers in 2020/21 due to large global losses due to Grenfell, weather events such as hurricanes and Covid-19 losses. Some level of premium increase at renewal seems more inevitable and an increase of between 10% and 20% across insurance classes (eg property, vehicles) has been allowed for.

Previously Agreed Saving in Planning Service not achievable £0.07M in 2021/22

- 7.7 The MTFS included a previously agreed ongoing saving in the Planning service area of £0.07M commencing 2021/22. It is unlikely that this saving will now be achieved in 2021/22 due to the work related demands across the service with the local plan work stream and ongoing conservation area appraisal work programme. Some of the efficiency measures adopted during the pandemic are being explored during 2021/22 as part of revisiting savings which could be achieved from 2022/23.

Manydown Project Team Saving £0.21M in 2021/22

- 7.8 A further review of the 2021/22 budget requirements to support the Manydown Development project identified a net saving of £0.21M. Additional work will be undertaken to inform future year's MTFS updates and budget proposals.

Covid-19 Pressures additional costs £0.50M in 2021/22

- 7.9 It is anticipated that there will be additional costs, not yet specifically identified, as a result of the ongoing Covid-19 pandemic in 2021/22. A total provision of £0.50M to mitigate towards this risk has been identified. It is intended that this sum will be allocated to the MTFS Risk Reserve in the first instance and will be released once the actual pressures are known.

Waste Client Team Arrangements reduced cost pressure £0.10M from 2022/23

- 7.10 The November MTFS update included a pressure proposal for £0.17M to meet the cost of transferring the Waste Client Team function to this council in 2021/22. This was based on an initial client team review proposal, which has, subject to agreement with Hart District Council, been amended and the revised client team proposal negates the need for the full original budget pressure. For 2021/22 the balance of £0.10M pressure will be placed in the MTFS Risk Reserve and held to meet any unforeseen costs associated with the transfer and the pressure can be reduced by £0.10M per annum from 2022/23.

Digital Programme Savings £0.20M from Efficiency, Transformation and Digital Reserve

- 7.11 The November 2020 update included a £0.20M digital programme saving in the 2021/22 Fit for The Future savings. This saving will be achieved through a reduction in the Digital capital programme, which means that £0.20M can be released from the Efficiency, Transformation and Digital Reserve and there is no overall impact from this adjustment on the 2021/22 budget gap.

Consultation Changes reduced savings and income £0.09M in 2020/21, £0.04M in 2022/23, £0.05M in 2023/24 and £0.06M in 2024/25

- 7.12 Following the public and internal staff consultations and after due consideration of the consultation responses the budget proposals put forward by Cabinet have been revised as shown below.

- 7.13 Three proposals have been withdrawn and the current arrangements will remain in place.

- Removal of Free Parking for Disabled Badge Holders £0.02M per annum;
- Remove Subsidy for Pest Control Fees £0.01M per annum; and
- Remove Phased Reduction in Grass Cutting Grants to Parish Councils £0.01M in 2022/23, £0.02M in 2023/24 and £0.03M in 2024/25.

- 7.14 Two savings proposals have been reduced in 2021/22 to allow more time for review.

- proposed saving from a review of the B-Love Event has been reduced by £0.02M in 2021/22 reducing the saving from £0.06M to £0.04M; and

- review of IT Team Resources £0.04M reduced saving in 2021/22 reducing the saving from £0.06M to £0.02M.

Provisional Local Government Finance Settlement

New Homes Bonus Grant additional income £1.18M in 2021/22

- 7.15 The PLGFS in December 2020 announced the New Homes Bonus allocation of £2.56M for 2021/22. This is an increase of £1.18M over the MTFS assumed 2021/22 allocation.
- 7.16 The 2021/22 allocation is based on legacy payments for 2018/19 and 2019/20, plus the 2021/22 allocation. The 2020/21 in year allocation did not have future years' legacy payments.
- 7.17 At present, the only payment that is expected to be paid in 2022/23 will be the final year's legacy payment from 2019/20 which would be £0.88M.
- 7.18 The Government has announced that a further consultation will take place in early 2021 on a change in methodology for calculating NHB and the future of the NHB scheme from 2022/23. This will have an impact on the overall levels of income received during the MTFS period. However, as this is still an unknown, a prudent approach has been taken in updating the MTFS to reflect the lower legacy payments expected.

New Homes Bonus Grant additional £1.18M grant supporting the revenue budget £0.63M and allocation to Reserves £0.55M

- 7.19 The current financial policy for allocating NHB grant recognises the risk of assuming the receipt of NHB and only allocates the first £0.25M to support ongoing general fund services. The November 2020 MTFS update included proposals to utilise a further £0.23M in 2021/22 and £0.12M in 2022/23 of NHB grant to support the revenue budget.
- 7.20 Following the PLGFS, the 2021/22 use of NHB will be increased by £0.63M to £1.11M in order to balance the budget in 2021/22. The review of reserves in section 7 has resulted in a request to increase the MTFS Risk Reserve to mitigate the financial uncertainty of Covid-19 on the council's finances. Therefore, the balance of the additional NHB grant allocation of £0.55M will be allocated to the MTFS Risk Reserve as shown in Table 9 below and in accordance with an updated NHB financial policy as shown in section 8 and Appendix 4.

Table 9 – New Homes Bonus Grant 2021/22 and 2022/23

	Original Allocation	Original 2021/22	PLGFS 2021/22	Total 2021/22	2022/23
		£M	£M	£M	£M
Forecast Amount of Bonus Grant		(1.38)	(1.18)	(2.56)	(0.88)
Allocation/Use					
Supporting Revenue Budget	£0.25M	0.25	0.63	0.88	0.25
Supporting Revenue Budget (prev LIF)	20%	0.23	0.00	0.23	0.13
Balance of Bonus Grant Allocated To Reserves		(0.90)	(0.55)	(1.45)	(0.50)
Allocated To Reserves:					
Manydown Reserve		0.37	0.00	0.37	0.09
Efficiency, Transformation and Digital Reserve	55%	0.25	0.00	0.25	0.25
MTFS Risk Reserve	25%	0.28	0.55	0.83	0.16
New Homes Bonus Grant Allocated To Reserves		0.90	0.55	1.35	0.50

- 7.21 The risk of NHB being withdrawn after 2022/23 has been assessed and provision has been made within the MTFS Risk Reserve to meet this pressure in the first instance.

New Lower Tier Services Grant

- 7.22 The Government has announced a new un-ringfenced grant award of £111M in 2021/22 only for authorities with responsibilities for lower tier services (eg planning, waste collection, leisure services). The provisional allocation for this council is £0.13M. Allocations have been determined with reference to the information that was supplied in months two and three of the Covid-19 pandemic returns.

Homelessness Prevention Funding additional grant funding £0.22M in 2021/22

- 7.23 The Government has announced allocations for the Homelessness Prevention Funding which combines the former Flexible Homelessness Support Grant and the Homelessness Reduction Grant. The grant award is £0.70M in 2021/22 of which £0.22M was not previously assumed in the MTFS.
- 7.24 It is proposed the additional grant of £0.22M will be transferred to the Housing and Homelessness revenue reserve in the first instance to fund future priorities. This grant has been treated as one-off until the government has undertaken its review of future year local government funding.

Further Impacts of Covid-19

2020/21 Council Tax Deficit and Removal Council Tax Surplus £0.08M in 2021/22 reducing to £0.05M in 2024/25

- 7.25 The council's cumulative share of the Council Tax Collection Fund deficit at the end of 2020/21 is estimated to be £0.10M and the Government has announced that the deficits can be phased over a three year period to ease immediate pressures on budgets. This would be a £0.03M deficit in 2021/22 and 2022/23 and £0.04M in 2023/24. The current MTFs includes an assumption that there will be a Council Tax Surplus of £0.05M in each year. Given the impact of Covid-19 on recovery of Council Tax income and an increase in Council Tax Support it is unlikely a surplus will be achieved in any year to 2024/25. Therefore, the MTFs has been updated to remove the assumed surplus.

Reduced Council Tax Base reduced income £0.11M in 2021/22, £0.12M in 2022/23 increasing to £0.13M from 2023/24

- 7.26 The Council Tax Base for 2021/22 has been calculated a 66,627.2 Band D equivalents which is a decrease of 20.1 (0.03%) from the 2020/21 tax base of 66,647.3.
- 7.27 The November MTFs had assumed property growth of 850 new Band D equivalent homes on the 2020/21 level. Whilst the 2021/22 Council Tax Base allows for growth of 985 properties, the estimated impact of Covid-19 on increased Council Tax Support costs and reduced collection rates is likely to result in less Council Tax income of £0.12M per annum from 2021/22.

Additional Covid-19 Government Funding Announced

Local Council Tax Support Grant additional income £0.13M in 2021/22

- 7.28 This grant allocation is based on the share of working-age caseload, adjusted to reflect the average bill per dwelling and then apportioned between billing and major precepting authorities in the area based on their share of the Council Tax requirement in 2020/21. This council's share is £0.13M and will be paid as an un-ringfenced grant to help meet the additional costs of increased Council Tax Support caseloads in 2021/22. The grant can also be used to provide other support to vulnerable households including through local welfare schemes.

Covid-19 Government Funding additional income £0.81M in 2021/22

- 7.29 Additional un-ringfenced grant support of £0.81M has been announced to help meet the ongoing financial impact of Covid-19 which is based on the current grant allocation mechanisms used by the Government during 2020/21.

Income Compensation Scheme additional income £0.19M in 2021/22

- 7.30 It is proposed that the current scheme will be extended to cover losses incurred in the first quarter of 2021/22, which could result in an estimated future income claim of £0.19M.

Business Rates

7.31 Retained Business Rates and Business Rates Risk Reserve

- 7.31.1 The November MTFS included provision for an estimated 2020/21 deficit of £0.70M to be phased over 2021/22 to 2023/24 in line with new regulations announced to ease immediate pressures on council budgets. The £0.70M was based on the council's estimated maximum exposure to reduction in business rate income due to the safety net provisions in the regulations and the deficit was to be met from draws from the Business rates Risk Reserve. Based on new guidance and formula calculations is unlikely a spreading adjustment can be applied to the 2020/21 deficit due to the level of business rate relief grants. Further guidance is awaited and the position will be kept under review. The November MTFS assumptions have now been removed.

Review of Revenue Reserves and Balances

- 7.32 To ensure proposals are considered in a full financial picture, it is important to set out the expected position on earmarked reserves and the General Fund Balance.
- 7.33 In light of the increasing level of risk and uncertainty identified within the MTFS and the increased probability of resources being required to support its delivery, a full review of useable reserves and provisions has been undertaken to ensure that the level of reserves is appropriate given the level of risks identified.
- 7.34 The financial risks facing the council in the medium term are assessed within the MTFS. This includes assessing the risk of continuing reductions in government funding and the financial impact of the ongoing Covid-19 pandemic. The subsequent budget shortfalls that the council then faces and overall local and national economic factors can affect the financial stability of the council.
- 7.35 Maintaining appropriate and adequate risk reserves is essential to the council's contingency planning and to give the council resilience and flexibility. Whilst the use of risk reserves in the short term helps to manage downside risks should they materialise, use of one-off funding from reserves to support the annual revenue budget is not sustainable in the longer term.
- 7.36 The council currently maintains resources in the form of revenue reserves and capital receipts to:
- support the annual revenue budget;
 - fund the Capital Programme;
 - fund infrastructure and major development projects;
 - fund property and alternative investment;
 - support housing and homelessness;
 - manage risk; and
 - earmarked reserves for specific purposes.

- 7.37 A number of financial policies have been developed to understand how resources are allocated and drawn to and from reserves. These have been reviewed and the New Homes Bonus Grant Allocation Policy has been updated as part of the budget setting process. The revised financial policies are detailed in section 8 and Appendix 4.
- 7.38 The risks considered when reviewing the adequacy of reserves are detailed in Appendix 5. A further review of risks and levels of reserves and balances will be undertaken each year as part of the budget setting and final accounts process to ensure that the council has adequate resources to cover uncertainty and risk.
- 7.39 A full review of all reserves has been undertaken. However, following the extensive review and update of risk reserves as part of setting the budget for 2020/21, the reserves are currently adequate based on levels of risk identified. The exception to this is a request to approve an increase the MTFS Risk Reserve by £0.55M to meet any further direct or indirect financial impact of Covid-19 in addition to the pressures already specifically identified in setting the 2021/22 budget.

General Fund Balance

- 7.40 In accordance with the best practice guidance issued by CIPFA, the minimum level of general fund balances is reviewed and risk assessed on an annual basis.
- 7.41 The General Fund Balance is forecast to be £1.50M at the end of 2021/22. The required level of balance is determined by assessing the level of risk the council faces taking into account consideration both risk and affordability. This is currently assessed by the Executive Director of Finance and Resources (S151 Officer) at £1.50M. This equates to 4.76% of the Net Direct Cost of Services and is broadly comparable to other Borough Councils.
- 7.42 The General Fund Balance should only be used to fund one off revenue expenditure and is held to meet unforeseen expenditure. Use of the General Fund Balance should be prudent and is subject to the agreement of the S151 Officer.

8 Financial Policies

- 8.1 The council's financial policies have been reviewed as part of the MTFS and budget update. The proposed updated financial policies are set out in Appendix 4.
- 8.2 The current MTFS recognises the risk of assuming the receipt of NHB and only allocates the first £0.25M to support ongoing general fund services. Given the financial pressures of Covid-19 and achieving a balanced budget in 2021/22, the NHB financial policy has been updated. The updated financial policy for NHB assumes that any additional grant, received in addition to the first £0.25M, will be allocated as follows:

- 20% increased allocation to support general fund revenue services
- 55% to the Manydown Reserve to provide funding for the development of Manydown;
- 25% to the MTFS Risk Reserve;
- the first £0.25M per annum of any allocation to the Manydown Reserve will be reallocated to the Efficiency, Transformation and Digital Reserve; and
- in 2021/22 only, a further allocation of £0.55M to the MTFS Risk Reserve and an additional £0.63M NHB will be used to balance the 2021/22 revenue budget.

8.3 The policies have been reviewed to ensure that the MTFS reflects not only the actual anticipated receipt of income from all investments and business rates income but also the actual sum actually received. Draws to and from reserves will not be made to balance the position in year.

8.4 Reserves levels will be set on a risk assessed basis and will only be drawn on linked to those risks rather than annual fluctuations which must be mitigated in year and reviewed as part of the budget setting process.

8.5 Any year end revenue account deficit will be, in the first instance, allocated against the general fund balance. Any residual deficit will be allocated against the MTFS Risk Reserve. It should be noted that if a forecast outturn deficit is identified in year, it will be reviewed in year with appropriate actions taken to minimise and mitigate it in year.

8.6 Any year end surplus, after allowing for proposed carry forward requests which will be allocated to the carry forward reserve until approved, will be allocated based on a year end review of reserves based on updated assumptions regarding risk. Any residual surplus, not allocated to a risk reserve, will be allocated to the MTFS Risk Reserve.

8.7 Any budget not utilised in year may be subject to a carry forward request. This will be considered as part of the outturn position and any overall deficit or surplus considerations.

8.8 In the event that the Government announces that New Homes Bonus Grant is ceasing or being reduced to a level below that required to balance the budget after 2022/23, the required funding would be met from the MTFS Risk Reserve.

8.9 The New Homes Bonus financial policy will be kept under review in the future in light of the council's overall financial position, Council Plan priorities, capital programme resources and national scheme changes.

9 Updated Medium Term Financial Forecast

9.1 A summary of the updated MTFS for 2021/22 to 2024/25 including the final budget proposals and outcome of the reserves review is shown in Table 10.

Table 10 – Updated Medium Term Financial Forecast

	Original Budget 2020/21 £M	Forecast Budget 2021/22 £M	Forecast Budget 2022/23 £M	Forecast Budget 2023/24 £M	Forecast Budget 204/25 £M
Net Cost of Services					
Improving Safety	1.90	1.40	1.43	1.44	1.36
Planning for the future	3.73	3.46	2.82	2.45	2.34
Protecting and enhancing our environment	1.07	1.05	0.95	0.95	0.95
Strengthening Communities	11.24	11.94	11.21	11.16	11.20
Fit for the future	14.57	13.64	13.28	14.90	14.63
Net Inflation Allowances	Included	Included	0.53	0.95	1.52
Future Allowance For Growth	above	above	0.25	0.50	0.75
Net cost of Services	32.51	31.49	30.47	32.35	32.75
Investment Property Trading Accounts	(14.64)	(14.12)	(14.84)	(14.83)	(14.68)
Property Investment Strategy Income	(1.91)	(1.83)	(2.31)	(2.31)	(2.31)
Interest and Investment Income	(3.56)	(2.64)	(3.06)	(2.93)	(2.87)
Council Tax Income (base)	(8.43)	(8.43)	(8.43)	(8.43)	(8.43)
Council Tax Growth	0.00	0.00	(0.10)	(0.22)	(0.34)
Council Tax £5 Increase	0.00	(0.33)	(0.67)	(1.02)	(1.36)
Collection Fund (Surplus)/Deficit (council tax)	(0.05)	0.03	0.03	0.04	0.00
Retained Business Rates	(3.65)	(4.34)	(4.34)	(4.44)	(4.51)
Collection Fund (Surplus)/Deficit (business rates)	0.00	0.00	0.00	0.00	0.00
New Homes Bonus Grant	(3.08)	(2.56)	(0.88)	0.00	0.00
Other Government Grants	(0.59)	(1.66)	(0.33)	(0.27)	(0.21)
Corporate Income	(35.91)	(35.88)	(34.93)	(34.41)	(34.71)
Use of Revenue Budget to Finance Future Capital Spend	0.00	1.50	2.50	4.00	4.00
Reserves Review - MTFS Risk Reserve	0.00	0.55	0.00	0.00	0.00
Net Expenditure (Surplus) / Deficit	(3.40)	(2.34)	(1.96)	1.94	2.04
Contribution To / (From) Reserves:					
Revenue Reserves For Capital Purposes	(0.66)	(0.37)	(0.11)	0.00	0.00
Infrastructure Reserves	1.38	(0.90)	(0.41)	(0.03)	(0.06)
Earmarked Revenue Reserves	2.47	0.85	0.72	(0.75)	(0.38)
Risk Reserves	0.21	2.76	2.73	3.28	0.01
Total Contribution To (From) Reserves	3.40	2.34	2.93	2.50	(0.43)
Future Savings Requirement	0.00	0.00	0.97	4.44	1.61

Council Tax Base	66,647.00	66,627.20	67,477.20	68,327.20	69,177.20
Band D Council Tax	126.42	131.42	136.42	141.42	146.42

10 Risk Management

10.1 The council has a statutory requirement to consider risk management arrangements. This together with the requirement on the S151 Officer (Executive Director of Corporate Services) to report on the robustness of the budget and MTFs, makes it appropriate to consider identified financial risks and their mitigation.

10.2 A risk assessment has been completed in accordance with the council's risk management process and is attached as Appendix 5.

10.3 The key risks associated with the proposed 2021/22 budget are:
The ongoing impact on the economy from Covid-19 leading to:

- a) Reduced investment income;
- b) Reduced property rental income;
- c) Reduction in fees and charges income;
- d) Reduction in collection rates for council tax and business rates;
- e) Economic sustainability;

Legislative changes to local authority funding leading to:

- f) Increased financial risk and volatility;
- g) Reducing external specific grants (e.g. New Homes Bonus, government fair funding review and new business rates retention scheme);

Other risks:

- h) Impact of Covid-19 on staff morale and wellbeing;
- i) Unsustainable impact on staff resources to meet council priorities, provision of council services and meeting the additional activity posed by the Covid-19 pandemic in terms of response & recovery;
- j) Efficiency, savings and income targets not met;
- k) Unplanned expenditure requirements;
- l) Expenditure is not contained within approved budgets; and
- m) Impact of leaving the European Union.

10.4 The main risks to the budget for 2021/22 and the MTFs are mitigated through:

- The use of realistic and prudent assumptions;
- Prioritisation of activity within council resources;
- Maintaining adequate specific and general risk reserves;
- The approach to reshaping the structure in line with the Fit for the Future priority;
- The continuation of the digital strategy;
- The implementation of the Treasury Management Strategy;
- An actively managed Asset Management Plan;
- Implementation of the Property Investment Strategy; and
- A robust in-year budget monitoring process.

11 CIPFA Resilience Index and Financial Management Code

Resilience Index

- 11.1 In light of local authorities facing increasing financial pressures as demand for services increase alongside increased cost for services and cuts in funding the Chartered Institute of Public Finance and Accountancy (CIPFA) introduced an authoritative measure of local authority financial resilience through the creation of a new index to aid a clearer understanding of areas of financial risk. The index can be accessed using the following link:
<https://www.cipfa.org/services/financial-resilience-index/financial-resilience-index>
- 11.2 The index uses a range of indicators associated with financial risk including the rate of depletion of resources, level of resources generally, demographic and social services pressures and the level of borrowing.
- 11.3 The index is used as an indicator for whether an appropriate and robust independent challenge and support could be given to some councils on financial strategy and trajectories, which is intended to provide challenge where needed, so that appropriate action can be taken at a local level.
- 11.4 The index forms part of a broader strategy that CIPFA has for ensuring that S151 Officers have the support needed to achieve a balanced budget linked to a concern that financial management capabilities and sharing good practice have at times been hollowed out by the repeated need to cut budgets.
- 11.5 The index was first published in December 2019 and the S151 Officer reviewed the index findings compared to other Hampshire Boroughs and the indication of possible areas of financial stress. In the main the index did not flag any potential areas of significant financial stress with the exception of Fees and Charges and Council Tax as a proportion of expenditure incurred. These are low, especially in comparison to our comparator neighbours. However, this is in line with the policies that have been adopted by the council in recent years. These are both areas of potential review to be considered as part of closing the budget gap in future years
- 11.6 Further updates and development of the index are awaited from CIPFA, but at the time of writing this report there has been no further update to the index information available.

Financial Management Code

- 11.7 In conjunction, CIPFA has also published the new Financial Management (FM) Code, alongside the updated Prudential and Treasury Management Codes. The FM code comes into effect from 2021/22 when local authorities must be able to demonstrate compliance with the code.

11.8 The CIPFA guidance states that:

- The Financial Management Code (FM Code) provides guidance for good and sustainable financial management in local authorities and will provide assurance that authorities are managing resources effectively;
- It requires authorities to demonstrate that the processes they have in place satisfy the principles of good financial management. The FM Code identifies risks to financial stability and introduces a framework of assurance. This framework is built on existing successful practices and sets explicit standards of financial management;
- Complying with the standards set out in the FM Code is the collective responsibility of elected members, the chief finance officer and their professional colleagues in the leadership team. Complying with the FM Code will help strengthen the framework that surrounds financial decision making; and
- By following the essential aspects of the FM Code, local authorities are providing evidence to show they are meeting important legislative requirements in their jurisdictions.

12 Financial Regulations

- 12.1 It is important to review the Financial Regulations on a regular basis to ensure consistency and ongoing improvements of the financial management of the council.
- 12.2 The Chief Financial Officer has also undertaken a review of the Financial Procedure rules which underpin the Financial Regulations contained within the council's constitution.
- 12.3 No significant changes have been identified at this time.
- 12.4 Any changes to the Financial Regulations require approval of Council and are therefore detailed in Appendix 7. The changes are minimal and pick up minor adjustments and changes in designations.

13 Statement of the Section 151 Officer In Accordance with the Local Government Act 2003 – Robustness Of Estimates and Adequacy Of Reserves

- 13.1 Section 151 of the Local Government Act 1972 requires local authorities to make arrangements for the 'proper administration of their financial affairs' and to appoint a Chief Financial Officer (CFO) to have responsibility for those affairs. The CFO must exercise a professional responsibility to intervene in spending plans in order to maintain the balance of resources so that the authority remains in sound financial health.
- 13.2 Section 25 of the Local Government Act 2003 (LGA 2003) imposes a duty on the CFO to report formally to full Council on the following matters:

- The robustness of the estimates made for the purpose of calculations (to set the Council Tax); and
 - The adequacy of the proposed financial reserves.
- 13.3 The council is required to set a balanced budget each year and a minimum level of balances and reserves must be specified within the budget, to be taken account of when setting the budget requirement.
- 13.4 In setting the budget the council should have regard to the strategic and operational risks it is facing. The S151 officer has undertaken this risk assessment and has taken into account the risks, issues and mitigations as detailed in section 10 and Appendix 5.
- 13.5 Looking forward there are a number of risks on the horizon:
- Duration of the Covid-19 pandemic and Economic Recovery;
 - Impact of the Fair Funding Review;
 - Impact of HCC saving proposals in particular waste recycling;
 - Business Rate Retention, including rebasing;
 - Further changes in central government grant funding for example the NHB Grant; and
 - Any impact from leaving the European Union.
- 13.6 The MTF5 is based on a number of assumptions about future expectations which in the current economic climate and short term central government funding announcements are more subjective. A relatively small change in key assumptions can produce a significant change in the MTF5 position. Therefore, sensitivity analysis has been undertaken on the underlying key assumptions included in the MTF5 model. This is detailed in the Key Risks section of the MTF5 attached as Appendix 1.
- 13.7 As identified in the main body of the report, there is significant reliance on the income generated by property investment to sustain the financial stability of the council with approximately a third of income generated in this way. In the current economic climate, there is possible significant risk to loss of rental income generated and also the capital value of assets. Unlike some, the council has not borrowed to fund these investments.
- 13.8 In order to mitigate this risk, the S151 Officer has:
- Recommended that the level of direct property investment is limited to its existing level until the current development of the overarching property strategy and update of the asset management plan are completed;
 - Recommended that the current level should aim to be maintained by active asset management, so that any new investment is funded through the disposal of assets that no longer meet the property investment strategy. However, it is recognised that there may be a need to evaluate new opportunities which will be reviewed on a scheme by scheme basis that may, in the short term, exceed the current level of investment;

- Looked to mitigate the pressure on direct property investment income returns by introducing more diversity into the council's treasury management activity. This has included an investment into the CCLA Property Fund. Whilst riskier than normal treasury management activity, it yields a significantly higher return currently at 3.99%, it does however, hold significantly less risk than direct property investment. This is further detailed in the Treasury Management Strategy 2021/22; and
- Reviewed the level of the Rent Risk Reserve to recognise the potential significant impact of a reduction of property rental income.

13.9 Further, as detailed in paragraphs 2.30 to 2.33 greater emphasis will be put on focused asset management of the property portfolio to further manage income risk.

13.10 The revenue budget has been developed following a robust and coordinated process involving Cabinet, the Senior Leadership Team, Budget Holders and Financial Services. Detailed income and expenditure estimates have been reviewed along with a review of the implications of the 2019/20 outturn position and the 2020/21 forecast outturn position. Further, the impact in the longer term of financial issues that have arisen in year including Covid-19 have also been considered.

13.11 A range of budget proposals were considered by Cabinet who held a series of Priority Planning Sessions to agree both savings and pressures to be put forward alongside the executive commitments.

13.12 Financial Management and reporting arrangements have been reviewed in year and continue to provide robust and timely in year budget monitoring which ensures that potential issues and financial risks are flagged at the earliest opportunity allowing for actions to be put in place to mitigate the issues in year where possible.

13.13 The CIPFA resilience index was published in December 2019 as detailed in section 11. The S151 officer reviewed the index findings and the indication of possible areas of financial stress that were identified. In the main the index did not flag any potential areas of significant financial stress with the exception of Fees and Charges and Council Tax as a proportion of expenditure incurred. These are low, especially in comparison to our comparator neighbours. However, this is in line with the policies that have been adopted by the council in recent years. These are both areas of potential review to be considered as part of closing the budget gap in future years.

13.14 Overall, the risks associated with the general fund revenue budget have been identified and in the opinion of the S151 officer have appropriate mitigations put in place. The budget proposals put forward are robust, but the risk associated with non achievement of savings has been mitigated within the MTFs Risk Reserve. In addition, the proposed 2021/22 budget is not reliant on drawing from reserves to produce a balanced position.

- 13.15 To date there has been a reliance on government funding to support and mitigate the financial impact on the council of Covid-19. It is the opinion of the S151 officer, that further measures identified as part of the local government finance settlement, along with risk assessed reserves, the inclusion of additional pressures as can currently be assessed, and with the requested approval to an increase in the MTFs Risk Reserve for unknown further Covid pressures, that appropriate mitigations have been put in place for the financial impact of Covid-19. It should be noted however, that further review of risk and adequacy of reserves will be required if any sustained or substantial draw on risk reserves is necessary during a prolonged period of economic recovery.
- 13.16 Based on the potential risks identified and the risks that may arise in the future, it is the S151 officer's opinion that the General Fund Balance should be maintained at £1.50M. Additionally, it is the opinion of the S151 Officer, that the overall level of reserves and balances are adequate if the proposals in this report are approved.

14 Setting the Council Tax – Formal Resolution

- 14.1 The Borough Council must set Council Taxes including both the Borough and Parish requirements for Parish areas. Parish and Town Council precepts are solely the responsibility of the respective councils. The council has no control over them.
- 14.2 Parish Councils are not required to notify the council of their Parish precept demands for 2021/22 until 31 January 2021. The information will be updated and will be summarised in Appendix 2 for the final report to Council in February 2021.
- 14.3 The council is required to make a calculation of the Council Tax requirement including Parish precepts by deducting gross income from gross expenditure for the council as a whole, allowing for adjustments in balances.
- 14.4 The 1992 Local Government Finance Act contains a provision, which requires the council to resolve not to levy special expenses. Accordingly each year the council has passed an appropriate recommendation. The most common reason for declaring special expenses is where Parishes supply particular functions exclusively in their areas that the district council supplied in other parts of their area. In the borough area, matters are not that clear cut and the council has always taken the route of assisting Parishes through a range of grants.
- 14.5 The formal resolution for setting the proposed Council Tax for 2021/22 will be available for the final report to Council, based on the Parish precepts which will be set out in Appendix 2 and the level of the Borough's Council Tax which will be shown in Appendix 3. The Tax Base has been set by the Executive Director of Corporate Services (S151 Officer) at 66,627.2 Band D equivalent properties under the authority delegated by full Council on 13 December 2012.

15 Joint Manydown Committee (JMC)

- 15.1 Under the Joint Development Partnership Agreement between Hampshire County Council (HCC) and Basingstoke and Deane Borough Council, an annual budget for the Joint Manydown Committee must be agreed by each of the parent councils. The budget will also be reported to HCC via the Property Services Finance Panel under the delegated powers of the Director of Culture, Communities and Business Services.
- 15.2 The proposed JMC budget for 2021/22 is set out in Table 11 below and will result in net income of £0.08M. This is less than the £0.16M forecast in 2020/21 mainly due to the fact that the council will be surrendering part of the lease on the North site in the next year to progress the development of Manydown. If this is divided equally between the two partner councils, each will receive £0.04M. There is no requirement for any capital budget in 2021/22. This income has been assumed in the MTFS update.
- 15.3 The budget is based upon carrying out landlords' functions only.

Table 11 – Joint Manydown Committee Budget 2021/22

	2021/22 Estimated Budget £
<u>Expenditure</u>	
Land Management Fee	68,000
Tree Works and Maintenance	7,100
Lease Ground Rent	100
	75,200
<u>Income</u>	
Farm Business Tenancy Rent	(155,300)
	(155,300)
Net (Income)/Expenditure	(80,100)

Corporate Implications

16 Legal Implications

- 16.1 The council has a legal duty and councillors have a responsibility to set the Council Tax before 11 March each year.
- 16.2 The Local Government Finance Act 1992 requires the council to set a balanced budget.
- 16.3 The council has a legal requirement to hold a referendum if it cannot determine that its relevant basic amount of Tax for 2021/22 is not excessive in accordance with principles approved under Section 52ZB of the Local Government Finance Act 1992.
- 16.4 The Local Government Act 2003 places a duty on the council's Chief Finance Officer (Executive Director of Corporate Services (S151 Officer)) to advise on the robustness of the proposed budget and the adequacy of reserves.
- 16.5 The Medium Term Financial Strategy is a policy framework document that is required by law to be adopted by Council.

17 Financial implications

- 17.1 This report is financial in its nature therefore there are no additional implications that are not covered in it.

18 Risk Management

- 18.1 A risk assessment has been completed in accordance with the council's risk management process and is attached as Appendix 5.

19 Equalities implications

- 19.1 Equality Impact Assessments (EIAs) have been carried out to consider the impact of the 2020 to 2021 budget proposals on the protected characteristics groups and the implications for the Public Sector Equality Duty (Equality Act 2010).
- 19.2 All EIAs were reviewed after the public consultation to take into account any equalities issues that were not identified in the initial assessments (these updates are noted below). The EIAs will also be revisited to incorporate staff consultation responses.
- 19.3 Key findings from the assessments include:
 - 1. Review of current grants: could be positive for local groups, however, more detail is needed to be able to fully assess the impact of the review, which will be made available in a report to Cabinet.
Public consultation comments: any reduction to grants for voluntary or community organisations could have a serious impact on service delivery and operational viability. If the aim is to develop a strategy so that community and volunteer groups can deliver more, investment is needed.

2. Changes to / reviews of staffing levels and structures: not positive for anyone affected, however, they have been proposed with a view to maintaining essential service provision to residents. Consideration has been given to the profile of the members of staff who may be made redundant and there is not one group that is more differentially affected by the proposal than another.

Public consultation comments: concerns about the cumulative impact of proposed changes to the Community Wellbeing Team, redundancies at a time when it is difficult for people to find work, need to reduce senior management pay and focus on delivering core, quality business before making redundancies or selling services.

3. Review of Parklands Reception and Contact Centre: positive for the majority of customers, as it is more convenient to access council services without needing to travel to the council offices. For appointments that need to take place in a face to face environment, the proposals will ensure a Covid secure reception service is delivered. No differential impact has been identified for most groups, apart from those who need urgent support and are unable to wait for an appointment. Such instances would need to be addressed on a case by case basis. To mitigate the impact of the proposed change to payments, customers will be made aware of a range of other ways to make payments, which are Covid secure and accessible via a range of channels. Any customers who are unable to use the alternative payment methods will be supported to make payments on a case-by-case basis. The review of the contact centre service and targets has not been identified as having any differential impact on any groups.

Public consultation comments: the need for weekend opening times for full time workers and out of hours crisis support, particularly for people who are at risk of becoming homeless, and rough sleepers. There was concern about reception reducing times as post offices are closing rapidly. The need for access to face to face and phone contact was also highlighted as not all residents have ready access to the internet, or are comfortable using it.

4. Reduction in unauthorised encampments budget: no differential impact on any groups. Individuals who set up encampments illegally would be covered by the existing injunction. Public consultation comments included: concern that the injunction runs out in 2024 and could come under review at any time, any reduction in budget for unauthorised encampments may result in a less effective application of the injunction. There is also other work that needs to be done by the post even if the injunction is in place, and the Environmental Protection Team does not have capacity to do this.

5. Proposed reduction in parish grass cutting grants and grass cutting frequency: no differential impacts on any groups. However, if approved, this would need to be monitored to ensure that physical access barriers are not created for people with certain conditions, which could result in issues using the spaces affected.
Public consultation comments: no additional equalities issues were identified through the public consultation. Following the

public consultation and consideration of other feedback, this budget proposal has been withdrawn.

6. Review of the provision of the BLove event: no differential impacts on any group at this stage. However, the full review should consider the profile of the performers / providers to ensure that no groups are more adversely impacted by the changes than others. If any issues are identified, actions should be considered to mitigate the impact of these.
Public consultation comments: no issues were identified through the public consultation.

7. Community Strategy: a new strategy that provides the opportunity to deliver more through community and voluntary organisations could be positive for all groups. However, the detail of these proposals should be re-assessed once more detail is available.
Public consultation comments: concern that any changes in budget for services provided by the council would mean less guidance and support from council staff, which would impact on a range of groups, the need for more resource to deliver local activities, including the council's community team support to mitigate issues. Respondents also asked for more detail on the Community Strategy and noted the need to invest more in youth organisations.

8. Proposed revision of attendant cover at six sports grounds: as portable youth goals will not be provided for some teams with younger users and youth clubs, all existing youth football club customers will be issued with council portable youth goals (this has been implemented this year due to Covid restrictions on sharing equipment). New customers will be made aware of the requirement to supply and bring their own portable goals, however the council may be able to assist and lend goals to clubs on a case by case basis. No differential impact on any other service users from any groups.
Public consultation comments: a query about the impact on younger age groups and making sure that the council meets its duties. Additional information has been provided in the Appendix of the updated assessment to demonstrate that appropriate mitigating action will be taken. Consultation will be carried out with teams and leagues before April 2021 to seek their views on the situation with goal provision to understand if there are any additional concerns.

9. Centre shuttle – withdrawal of service at end of contract in 2021: negative for all service users. If the service is terminated it could have a differentially negative impact on those using the English National Concessionary Travel Pass Scheme, disabled service users and carers. However, these passes would also be valid on the alternative, commercially run route, where available. In addition, the council is actively working on an integrated park and ride and mass rapid transport system that would take in the route of the shuttle bus in the longer term.

Public consultation comments: no additional equalities issues were identified through the public consultation.

10. Changes to fees and charges:

- a. the removal of the concession for the free residents parking permit for over 75s would have an adverse impact on older permit holders, particularly if they are on a low income;
- b. the change to the concessionary rate for allotment charges to the state pension age could have an adverse impact on some older people on a low income, however, it is an optional service and a one-off annual payment;
- c. the removal of the concession of free parking for disabled badge holders would have an adverse impact on disabled people, particularly those on a low income, it could also affect carers and displace parking in 'safe' car parks with more people parking on the road side on double yellow lines with associated traffic hazards. Following the public consultation and consideration of other feedback, this proposal has been withdrawn;
- d. the introduction of car parking charges in rural car park would have an adverse impact on people living in rural areas. However, charging would allow for improvements to be made and, in some instances, increase capacity;
- e. the removal of the pest control subsidy for means tested benefits claimants would be negative for people in receipt of these types of benefits. Following the public consultation and consideration of other feedback, this proposal has been withdrawn;
- f. the other proposed changes to fees and charges included in the budget proposals were identified as having a neutral impact on the protected characteristics and potentially vulnerable groups. However, they would have an adverse impact for people on a low income.

Public consultation comments: concerns about parking charges, particularly the cumulative negative impact on disabled people who already have additional challenges and outgoings, Eastrop car park would be negative for families / other groups and village car park users would be disadvantaged. Charges should be means-tested rather than based on age and there was concern that the increase in fees for bowling clubs would have a negative impact on older people.

19.4 The results from the staff consultation will also be assessed in due course to consider any unidentified equalities issues arising from the proposals.

19.5 If approved, the proposed changes should continue to take into account equalities implications as part of their development and mitigating action should be taken where issues are identified for any groups. If changes are implemented, they should be monitored to identify any unforeseen impact and communicated through a range of channels.

20 Consultation and communication

Public Consultation

- 20.1 A public consultation was held from 11 November 2020 to 3 January 2021 to gather views on the council's budget proposals for 2021 to 2022. Respondents could provide answers to the consultation questions by using an online survey form or paper response form. Free text responses were also accepted by email or post.
- 20.2 An article promoting the consultation was published on the council's website and the budget consultation was promoted directly to stakeholders, including Parish Councils and partner organisations, through council contacts and networks. The consultation was highlighted to residents and other audiences through a range of channels, including media coverage in the Basingstoke Gazette and Observer and via the council's social media channels. Information on the proposals was taken to the local Parish and Town Council Network meeting in November 2020.
- 20.3 There was a total of 147 responses to the consultation. 126 were received via the survey (130 from organisations and 16 from individuals and one from a council team). The headline results relating to the budget are below. The figures noted relate to the online survey as responses were made directly to the survey questions, however, more detail of all of the consultation responses is in Appendix 6:
- The top three priorities that respondents wanted to be protected in the budget going forward were: collecting recycling and rubbish bins, provision of parks and other green spaces and protecting our natural environment. Dealing with antisocial behaviour and housing needs and advice were close in fourth and fifth place;
 - The overall approach to balance the council's proposed budget for 2021/22 was supported by 39% of respondents and 32% disagreed with them. 22% neither agreed nor disagreed with them. Some of the main themes included parking, climate change, reducing spend, prevention work, staff and Council Tax;
 - 69% of respondents supported the proposal to review local parking charges. The main concerns were around charges for disabled parking, car parks in Eastrop and rural areas, residents and visitors permits and the impact on independent retailers. Following the public consultation and consideration of other feedback, the proposals to charge for disabled parking and remove the subsidy for pest control has been withdrawn;
 - The proposed review of the service via Parklands Reception and the Contact Centre was supported by 64% of respondents. Points raised included continued need for face-to-face contact and the decline in post office provision;
 - 62% of respondents supported the proposed reduction in the unauthorised encampments budget. Concerns included the injunction

running out in 2024, and possible review at any time, how other work that in this area will be covered;

- With regards to reduction in parish grass cutting grants, 69% of respondents were in support of the proposal. The main concerns from Parish Councils were that it would mean a 'double taxation' on residents and that it should be calculated by the cost incurred by the borough council. Following the public consultation and consideration of other feedback, this proposal has been withdrawn;
- 77% of respondents supported the proposed reduction in grass cutting frequency. Several noted the opportunity to increase biodiversity and reduce costs;
- The proposed review of the provision of the BLove event was supported by 75% of respondents as it was seen as a cost saving;
- 58% of respondents supported the Community wellbeing proposal. Concern about losing Community Team support, resources available to deliver services by community organisations and the need for more details of the plans;
- The proposed revision of attendant cover at six sports grounds was supported by 60% of respondents. A query was raised about actions to mitigate the impact of this on the clubs, therefore more evidence was provided in the EIA.
- 60% of respondents supported the proposal to withdraw the Centre Shuttle. Suggestions included the need to wait for the rapid transit system, better understanding of COVID-19 impact and invest in electric buses;
- With regards to generating additional income, 55% of respondents supported this proposal, however, it was noted that core services should not suffer and the impact on other local businesses would need to be considered;
- Results from questions about the profile of respondents showed that there were slightly more responses from men and fewer responses from young people and those who are over 65. There were also less responses from individuals from ethnic minorities and those who described themselves as 'suffering from a long-term health problem or disability which limited day-to-day activities a lot or a little'.

Scrutiny Committee

The Scrutiny Committee considered the Cabinet's draft consultation proposals for the MTFs for 2020/21 to 2023/24 at their meeting on 24 November 2020. The committee's comments, and responses from Cabinet members, are in the draft minutes in the link below:

[http://modern.gov.basingstoke.gov.uk/ieListDocuments.aspx?CId=132&MId=1737&Ver=4&LO\\$=1](http://modern.gov.basingstoke.gov.uk/ieListDocuments.aspx?CId=132&MId=1737&Ver=4&LO$=1)

20.4 The main issues raised included:

- Concern regarding the logistics of the proposal to reduce the number of sports attendants;
- The need for more quantitative data in the Equality Impact Assessments;
- The removal of free parking for disabled badge holders;
- Replace the shuttle bus service with a park and ride;
- Garden waste proposals at odds with climate improvement commitments;
- Removal of concession for over 75's residents parking permits was a low cost saving;
- Removal of subsidy for pest control fees would adversely impact those that could least afford it;
- Introduction of rural car parks charges would drive residents to park on the road;
- Reducing the grass cutting grant for parish councils would unfairly impact parishes and have the effect of being a secondary tax on rural resident;
- Charges for bulky household waste and garden waste would lead to fly tipping;
- Any opportunities to facilitate a better return on investments and reserves.

Internal Staff Consultation

20.5 Consultation was held with staff and teams that would be directly impacted by the budget proposals which reduce staff numbers. The consultation was held between 14 December 2020 and 22 January 2021.

20.6 There was a total of 25 written responses. 24 from internal individuals/teams and 1 from Unison. The staff responses are analysed in Table 12 below:

Table 12 – Analysis of Staff Consultation Results

Service Area	Number of staff at risk in area	Total number of consultation responses
Healthy Communities	2	3
Traveller Liaison	1	3
Children, young people and families	2	3
Print Services	2	3
IT (Systems admin) vacant post	0	3
Manydown (Finance)	1	1
Benefits / Exchequer / Insurance/ Post and Scanning	2	8
Total	10	24

- 20.7 It should be noted that 7 of the 24 responses were received from those staff 'at risk' as a result of the proposals.
- 20.8 As a result of the staff consultation the saving proposal for a review of IT Team Resources has been reduced in 2021/22 by £0.04M reducing the saving from £0.06M to £0.02M to ensure that ongoing additional activity required as a result of the Covid-19 pandemic can be resourced.

Final Budget Communication

- 20.9 Further communication on the final budget will take place once approved by councillors. Communication channels will include press releases, social media, the council's website and engagement with stakeholders, including Parish Councils and partner organisations.

21 Climate Change Implications

- 21.1 This budget proposals will have a positive carbon impact, as a result of the ear-marking of a Climate Change Reserve with £1.00M in 2020/21.
- 21.2 This additional resource will enable the progress of new and existing initiatives that will reduce the carbon footprint of the council, as well as support organisations across the Borough as we aim for a carbon neutral Borough by 2030. At this early stage of developing initiatives it is not possible to quantify the benefits in terms of identifying future carbon reductions, but this will be assessed in the future as projects and opportunities are explored in more detail through the council's Climate Emergency Action Plan and a new Climate Change and Air Quality Strategy which Cabinet will recommend Council to adopt in March 2021.
- 21.3 Additionally, mitigating and adapting to climate change is being increasingly embedded within the council. As such, decisions on how revenue is spent across the organisation should also consider any climate change impact moving forward.

22 HR implications

Reforming local government exit pay

- 22.1 The Restriction of Public Sector Exit Payment Regulations 2020 came into force on 4 November 2020 and the Local Government Pension Scheme (LGPS) will be amended. The major implication is that these changes remove the automatic right to a payment of an unreduced pension for LGPS members over the age of 55 who are made redundant.
- 22.2 MHCLG issued a consultation on the potential changes to the regulations and the deadline to respond was extended to 18 December 2020 which means the LGPS scheme will not be amended until early 2021. This leaves the sector in the position of having pension scheme rules that appear at odds with the new regulations. On 16 December MHCLG issued a guide for local authorities for the interim period until MHCLG regulations come into force amending the Local Government Pension scheme rules in line with the Exit Payment Regulations.

- 22.3 The proposals in this report do have some staffing implications which are subject to their acceptance and the appropriate consultation with any individuals that may be affected. If any staff member were to be made redundant and be over 55, they would be subject to the amended regulations.
- 22.4 Currently a worker retiring from the LGPS on redundancy grounds from age 55 will typically get:
- Immediate payment of LGPS benefits unreduced;
 - Statutory redundancy payment (SRP); and
 - Discretionary compensation (decided by their employer based on limits within the Compensation Regulations).
- 22.5 Paying benefits early and unreduced creates a pension strain that the employer must currently pay. The proposal is that from now on an employee aged 55 or over would not be able to get both an unreduced pension and redundancy payment (whether statutory or discretionary). This is because the LGPS member must make a payment towards the pension strain, equal to their statutory redundancy pension thus in effect giving up that payment (although technically that redundancy payment must be made).
- 22.6 The proposals explicitly state that if pension is being paid immediately but not fully reduced then the employer may not arrange for any discretionary compensation. It is important to note that these changes apply regardless of pay and the value of the redundancy package (not just those affected by the £95k cap). Any member retiring on redundancy grounds whose LGPS benefits go into immediate payment will therefore receive no discretionary redundancy payment.
- 22.7 An update on the outcome of the consultation (if known) will be provided in the report to Council on 25 February 2021

Impact of the MTFS Proposals

- 22.8 Some of the budget proposals set out in section 6 involve reductions in staff numbers. The council has a range of policies in place to manage organisational change and restructuring and support staff affected.
- 22.9 Table 12 below details the current assumed impact on FTEs. Of the 24.89 FTE reductions, 17.09 are currently vacant.

Table 12 – Impact Of Budget Proposals On Full Time Equivalent Staff Numbers

	Estimated FTE Impact			Estimated Impact
	Increase	Decrease	Net Change	Number of Staff
Directorate				
Borough Development	0.00	(6.28)	(6.28)	6
Corporate Services	0.50	(5.50)	(5.00)	4
Residents' Services	2.60	(9.00)	(6.40)	8
Across Directorates	0.00	(4.11)	(4.11)	0
Total	3.10	(24.89)	(21.79)	18

22.10 In accordance with the council's Redundancy Handling Policy, the council's aim is to avoid compulsory redundancies wherever possible. Any redundancy proposals will be managed in line with this policy and associated policies such as the Protected Salary Policy as appropriate

22.11 However, where this is unavoidable, the council will deal with the issue in a fair and equitable manner. Where this is necessary, the council will ensure that:

- the total number of redundancies made is kept to a minimum;
- employees and, where appropriate, their representatives are fully consulted on any proposals and their implementation;
- selection for redundancy is clearly explained and will be objectively and fairly applied;
- every reasonable effort is made to redeploy employees selected for redundancy to alternative positions within the council; and
- support and advice is provided to employees selected for redundancy to help them find suitable work when their employment has come to an end.

Conclusion

23 Summary and reason for the decision

23.1 The MTFS continues the development of a robust and flexible financial framework that plans for the delivery of a balanced budget in the medium term and sets a financial approach to support the council's priorities during a period of considerable uncertainty and challenging public sector funding.

23.2 This does, however, allow the council the opportunity to review how it provides its services and how it interacts with its customers supporting the delivery of the Council Plan priorities and the budget provides support for the transformation programme.

23.3 The budget for the period of the MTFS provides additional funding for executive commitments and corporate priorities and proposes a multi stranded approach to balancing future year budgets. Alongside this it has provided for adequate reserves to support the financial resilience of the council over the medium and longer term.

23.4 There are further challenges ahead, with the ongoing Covid-19 pandemic, outcome of the fair funding review, business rates retention and further reviews of grant income, such as new homes bonus, all likely to have an impact on the financial stability of the council.

24 The options considered and rejected

24.1 A budget must be set as determined in legislation, however in doing so alternative financial strategy options, scenarios and MTFS assumptions have been considered and form an integral part of the development of the overall MTFS.

Date: 9 February 2021
Decision taken by: Cabinet

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Confidentiality	It is considered that information contained within this report (and appendices) do not contain exempt information under the meaning of Schedule 12A of the Local Government Act 1972, as amended, and therefore can be made public.