

**Medium Term Financial Strategy and Budget Proposals  
2021/22**

<b>Final Decision-Maker</b>	Council
<b>Lead Head of Service/Lead Director</b>	Mark Green, Director of Finance and Business Improvement
<b>Lead Officer and Report Author</b>	Mark Green, Director of Finance and Business Improvement
<b>Classification</b>	Public
<b>Wards affected</b>	All

**Executive Summary**

This report represents the final stage in this Committee's consideration of the budget for 2021/22. It brings together revenue and capital budget proposals for 2021/22, including a proposed level of Council Tax, so that a balanced budget may be recommended to Council on 24<sup>th</sup> February 2021. The budget proposals are consistent with the draft Medium Term Financial Strategy considered by this Committee on 25<sup>th</sup> November 2020. The budget proposals have been considered by Service Committees and their comments have been reflected in the latest proposals included within this report.

The report also deals with the proposed capital programme 2021/22 to 2025/26 and the Council's level of reserves.

**This report makes the following recommendations to this Committee:**

It is recommended that the Committee:

1. Notes the outcomes of consideration of budget proposals by the Service Committees;
2. Agrees the updated Strategic Revenue Projection set out in Appendix A;
3. Agrees the Budget Savings Proposals set out in Appendix B;
4. Agrees a £5.31 increase in Band D Council Tax for 2021/22 for recommendation to Council;
5. Agrees the Revised Estimates for 2020/21 and the Budget Estimates for 2021/22 set out in Appendix C for recommendation to Council;
6. Agrees the Capital Programme set out at Appendix D for recommendation to Council;
7. Agrees the Treasury Management Strategy, Investment Strategy and Capital Strategy set out in Appendix E for recommendation to Council;

8. Agrees an increase in the recommended minimum level of reserves to £4 million;
9. Agrees the updated Medium Term Financial Strategy set out in Appendix G;
10. Recommends to Council the appropriate matters for decision to set a balanced budget for 2021/22 and the necessary level of Council Tax in accordance with the Local Government Finance Act 1992 and the Localism Act 2011 including the decisions made above.

<b>Timetable</b>	
<b><i>Meeting</i></b>	<b><i>Date</i></b>
Policy and Resources Committee	10 February 2021
Council	24 February 2021

# Medium Term Financial Strategy and Budget Proposals

## 1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
<b>Impact on Corporate Priorities</b>	The Medium Term Financial Strategy and the budget are a re-statement in financial terms of the priorities set out in the strategic plan. They reflect the Council's decisions on the allocation of resources to all objectives of the strategic plan.	Section 151 Officer & Finance Team
<b>Cross Cutting Objectives</b>	The MTFS and the budget support the cross-cutting objectives in the same way that they support the Council's other strategic priorities.	Section 151 Officer & Finance Team
<b>Risk Management</b>	This has been addressed in section 5 of the report.	Section 151 Officer & Finance Team
<b>Financial</b>	The budget strategy and the MTFS impact upon all activities of the Council. The future availability of resources to address specific issues is planned through this process. It is important that the committee gives consideration to the strategic financial consequences of the recommendations in this report.	Section 151 Officer & Finance Team
<b>Staffing</b>	The process of developing the budget strategy will identify the level of resources available for staffing over the medium term.	Section 151 Officer & Finance Team
<b>Legal</b>	<p>Under Section 151 of the Local Government Act 1972 (LGA 1972) the Section 151 Officer has statutory duties in relation to the financial administration and stewardship of the authority, including securing effective arrangements for treasury management. The Medium Term Financial Strategy demonstrates the Council's commitment to fulfilling its duties under the Act.</p> <p>The Council is required to set a council tax by the 11 March in any year and has a statutory obligation to set a balanced budget. The budget requirements and basic amount of Council Tax must be calculated in accordance with the requirements of sections 31A and 31B to the Local Government Finance Act</p>	Legal Services

	<p>1992 (as amended by sections 73-79 of the Localism Act 2011).</p> <p>The Council is required to determine whether the basic amount of council tax is excessive as prescribed in regulations - section 52ZB of the 1992 Act as inserted under Schedule 5 to the Localism Act 2011. The Council is required to hold a referendum of all registered electors in the borough if the prescribed requirements regarding whether the increase is excessive are met.</p> <p>Approval of the budget is a matter reserved for full Council upon recommendation by Policy and Resources Committee on budget and policy matters.</p>	
<b>Privacy and Data Protection</b>	<p>Privacy and Data Protection is considered as part of the development of new budget proposals. There are no specific implications arising from this report.</p>	Policy and Information Team
<b>Equalities</b>	<p>The MFTS report scopes the possible impact of the Council's future financial position on service delivery. When a policy, service or function is developed, changed or reviewed, an evidence-based equalities impact assessment will be undertaken. Should an impact be identified appropriate mitigations will be sought.</p>	Equalities and Corporate Policy Officer
<b>Public Health</b>	<p>The resources to achieve the Council's objectives are allocated through the development of the Medium Term Financial Strategy.</p>	Public Health Officer
<b>Crime and Disorder</b>	<p>The resources to achieve the Council's objectives are allocated through the development of the Medium Term Financial Strategy.</p>	Section 151 Officer & Finance Team
<b>Procurement</b>	<p>The resources to achieve the Council's objectives are allocated through the development of the Medium Term Financial Strategy.</p>	Section 151 Officer & Finance Team

## **2. INTRODUCTION AND BACKGROUND**

2.1 This section sets out revenue and capital budget proposals for 2021/22 as follows:

- Background
- Local Government Finance Settlement 2021/22
- Feedback from Service Committees on budget proposals
- Updates to budget proposals
- Updates to Strategic Revenue Projection
- Revenue Estimates
- Capital Programme
- Balances / Earmarked Reserves

### **Background**

2.2 At its meeting on 25 November 2020, this Committee considered an updated Medium Term Financial Strategy (MTFS) for the next five years. The MTFS sets out in financial terms how the Strategic Plan will be delivered, given the resources available. The MTFS builds on the previous year's MTFS, but reflects the impact of Covid-19 by incorporating a re-prioritisation of Strategic Plan objectives, together with proposals for transformational budget savings to address the financial challenges that the Council now faces.

2.3 The financial projections underlying the MTFS were prepared under three different scenarios - adverse, neutral and favourable. All three scenarios assumed that budget proposals for future years which have already been agreed by Council will be delivered, and that Council Tax is increased by 2% in 2021/22. A further set of scenarios has been prepared assuming a zero increase in Council Tax.

### **Local Government Finance Settlement 2021/22**

2.4 The Provisional Local Government Finance Settlement for 2021/22 was announced on 17 December 2020. This confirmed several of the key assumptions incorporated in the MTFS.

- The Council Tax referendum limit will be 2%.
- The existing Business Rates regime will remain in place. Whilst the business rates multiplier will be frozen for ratepayers, local authorities will be compensated for the consequent loss of an inflationary increase.
- There will be no negative Revenue Support Grant.

2.5 Additionally, the Finance Settlement recognised the likely continuing impact of Covid-19 in 2021/22, and included a number of measures intended to support local government:

- a further £1.55 billion unringfenced grant to manage the immediate and long-term impacts of the pandemic;
- £670 million to help address the loss of Council income arising from more taxpayers requiring Council Tax Support;

- ongoing compensation for 75% of lost sales, fees and charges for the first three months of 2021/22.
- 2.6 The government expects councils to use the £1.55 billion unringfenced grant for priority pressures such as household waste collection, homelessness and rough sleeping, support for re-opening the country and the additional costs associated with local elections in May 2021. Councils have been told to plan on the basis of not receiving any additional funding for these pressures, so a careful assessment is needed of the financial impact of the pressures.
- 2.7 Maidstone's share of the unringfenced grant amounts to £860,000. In line with government guidance, the first call on this grant should be for the immediate Covid-19 response in 2021/22. However, to the extent that there are unused funds, it would be appropriate to deploy them to support the recovery from Covid-19. A further report will be brought to Policy and Resources Committee setting out the recovery strategy and likely funding requirements. As this is a one-off grant, it would not be prudent to use it to offset underlying budget pressures and it is has not therefore been included within the Strategic Revenue Projection.
- 2.8 As announced in the Chancellor's Spending Review on 25 November, Public Works Loan Board (PWLB) lending terms have been altered to prevent the use of PWLB borrowing for investment property bought primarily for yield. In return lending rates have been reduced by 1%, reducing the cost of borrowing. Along with a rephasing of the capital programme, this has reduced the cost of borrowing in the Strategic Revenue Projection.
- 2.9 There will be a new round of New Homes Bonus (NHB) payments in 2021/22, but there will be no ongoing payments in future years (as envisaged when NHB was introduced originally). In Maidstone's case, this means that New Homes Bonus will fall from £4.4 million in 2020/21 to £3.8 million in 2021/22. Other authorities have seen much bigger reductions, so to prevent those authorities seeing an overall reduction in their Core Spending Power, the government is using a new grant, the Lower Tier Services Grant (LTSG), to cushion the impact. Maidstone's LTSG amounts to £139,000 and it is proposed to use this in the same way as the Council uses New Homes Bonus, ie it is ringfenced for capital expenditure unless required to bridge the budget gap over the coming three years.
- 2.10 The outcome for the Council's budget gap of the above measures, before allowing for any further growth or savings, is to reduce the gap from £2.4 million to £1.6 million in 2021/22.
- 2.11 This is still a significant gap, and as explained in the draft MTFs, it may take 3 - 4 years to deliver savings to cover it. It is therefore proposed that any budget gap not covered within the year that it arises will be covered by other revenue resources.
- 2.12 The MTFs outlined an approach to addressing the budget gap that combined a re-prioritisation of Strategic Plan objectives, together with proposals for transformational budget savings. These proposals were presented to Service Committees in January 2021.

## **Feedback from Service Committees on Budget Proposals**

### 2.13 Communities, Housing and Environment Committee (5 January 2021)

The revenue budget proposals for services within the remit of the Committee were agreed for submission to Policy and Resources Committee.

### 2.14 Strategic Planning and Infrastructure Committee (12 January 2021)

The Committee felt that further resources should be directed to the formation and strengthening of the Council's planning policies, including those linked to climate change. There were concerns expressed that the Local Plan Review budget was insufficient, with further funding requested. Reference was made to the projected savings figures outlined for future years, and in particular the £75,000 service improvements saving scheduled for 2023/24, which aimed to simplify the Local Plan process along the lines suggested in the Government's 'Planning for the Future' White Paper.

The Committee resolved to agree the budget proposals subject to the following:

- a) the expected £75,000 service improvements saving for 2023/24 be removed;
- b) Policy and Resources Committee be requested to allocate £140,000 of the funding available from the Biodiversity and Climate Change Action Fund for planning policy development; and
- c) Policy and Resources Committee be requested to allocate the £139,000 in Local Tax Support Grant to the Local Plan Review budget.

### 2.15 Policy and Resources Committee (20 January 2021)

The revenue budget proposals for services within the remit of the Committee were agreed.

### 2.16 Economic Regeneration and Leisure Committee (26 January 2020)

The Committee expressed concern over deleting the two Economic Development team posts, in light of the local economic recovery from Covid-19 and proposed use of the £860,000 unringfenced government Covid-19 funding to allow a 2-year fixed term contract for an ED post.

Reference was made to the agreed savings for Maidstone Museum and resolutions from the 12 November 2020 meeting (Maidstone Museum Review item) and that a report be presented to ERL Committee in March or April to outline proposals to commence in December 2021. Policy & Resources Committee would be requested to progress the scheme.

Subject to the above points, the revenue budget proposals for services within the remit of the Committee were agreed.

## 2.17 Democracy and General Purposes Committee (27 January 2021)

This Committee considered whether to consult on holding Whole Council Elections, which formed part of a proposed restructure of democratic representation budget saving of £120,000, scheduled to be delivered in 2023/24. It decided not to proceed with consultation, which will prevent this element of the budget saving proposal from being delivered.

### **Updates to budget proposals**

#### *Service improvements and restructuring of democratic representation*

2.18 The decisions of the Strategic Planning & Infrastructure Committee and the Democracy and General Purposes Committee demand reconsideration of two transformation-related savings proposed for 2023/24 (£75,000 for service improvements and £120,000 for structure of democratic representation).

2.19 The draft MTFs described how the Council would need to embrace transformation in order to meet ongoing financial pressures, and this remains the case. So whilst the specific draft budget proposals presented to Service Committees will require reconsideration, it is still important that transformation budget proposals are developed. **It is therefore proposed that these savings targets are retained for 2023/24, under the generic headings of service improvement and restructuring.** As they are not due to be delivered until 2023/24, there remains time to develop specific proposals to meet the savings remit.

#### *Development of planning policies and local plan review*

2.20 Recommendations b) and c) of the Strategic Planning and Infrastructure Committee sought to address under-funding of planning work. There are a number of factors that have created pressure on the budget for the Local Plan Review:

- further work on sustainability appraisals and transport modelling
- accelerated timetable for LPR completion
- extension of contracts for specialist contractors
- volume of responses to December 2020 consultation.

2.21 Normally, budget pressures are dealt with through the annual budget setting process, with growth bids submitted for additional pressures that cannot be accommodated within existing budgets. It is important that proposed budget growth is considered within the overall budget context, so that members may make an informed decision about where to prioritise limited resources across the whole range of Council services.

2.22 Where pressures arise unexpectedly during the course of the financial year, provision exists within financial standing orders for budget transfers to be made to fund unavoidable budget pressures. If possible, such pressures are managed within the service area concerned, but if this is not possible, a corporate contingency fund is available.

2.23 The recommendations from Strategic Planning and Infrastructure Committee arise from substantive issues about the pressure on planning budgets. However, it is proposed that these issues are dealt with through the normal budget setting and monitoring process, as follows:

- Current year pressures on the planning service budget will be addressed as described in the Quarter 3 budget monitoring report, which can be found elsewhere on this agenda.
- So far as the overall funding of the local plan review is concerned, officers will review the budget for the current local plan review, through to its prospective adoption in 2023, and will bring forward growth proposals for future years and/or proposals for budget transfers in 2021/22 in future reports to Policy and Resources and Strategic Planning and Infrastructure Committees. These will be dealt with through the budget virement process within the 2021/22 financial year.

This approach will avoid having to utilise funds which it is intended be earmarked for Biodiversity and Climate Change and capital capital expenditure respectively.

#### *Deletion of Economic Development team posts*

2.24 As set out in paragraph 2.7 above, a report will be brought to Policy and Resources Committee setting out the recovery strategy and likely funding requirements and this will include reference to economic development support as appropriate.

### **Updates to Strategic Revenue Projection**

#### Council Tax

2.25 Policy and Resources Committee agreed at its meeting on 20 January 2021 that the Council Tax Base for 2021/22 will be 63,550.10. This is slightly more than the increase in the Council Tax Base assumed in the MTFs. The agreed Council Tax Base will yield total Council Tax income of £17,215,722 if Band D Council Tax is increased by 2% (£5.31), as set out in the agreed Medium Term Financial Strategy. This is £148,000 more than in the original Strategic Revenue Projection in the MTFs.

2.26 The government has recognised that the level of Council Tax Support assumed within the Council Tax base is unfortunately likely to increase, with growing unemployment and financial hardship generally, and is providing a Local Council Tax Support grant of £ in 2020/21. This will be applied to costs of providing local council tax support and other help to economically vulnerable households following the pandemic in line with government guidance and will therefore mitigate any shortfall in the projected Council Tax income set out here.

2.27 Taking into account expected increases in precepts from other organisations, the overall level of Band D Council Tax will be as follows:

	% change from last year	
Kent County Council	2.0	1,259.64
Kent County Council Social Care Precept	3.0	159.12
Kent Police and Crime Commissioner	7.4	218.15
Kent Fire and Rescue Service	1.9	80.82
Maidstone Borough Council	2.0	270.90
<b>ANNUAL CHARGE FOR 2021/22</b>	<b>4.7</b>	<b>£1,988.63</b>

2.28 The Council Tax base report to Policy and Resources Committee on 20 January 2021 projected a deficit of £3.1 million in total for current year (2020/21) collections. As set out in that report, this amount is spread across three years for the purpose of General Fund accounting, and is reduced by a surplus brought forward from earlier years. Maidstone's share of the deficit on this basis is £114,000. The risk of a deficit had already been recognised in quarterly monitoring reports during the course of 2020/21 and the potential future impact on reserves taken into account.

2.29 This deficit will ultimately be reduced as a result of the government's local tax income guarantee for 2020/21, which will compensate local authorities for 75% of irrecoverable losses. As both the £114,000 deficit and any related compensation relate to 2020/21, they are excluded from the calculation of the 2021/22 budget gap set out below.

### **Business Rates**

2.30 The Business Rates income estimate for 2021/22 is based on the recently completed NNDR1 return that has to be provided to the Department of Housing Communities and Local Government each January.

2.31 The Business Rates baseline, ie the notional amount of business rates due to the Council, after payments to preceptors and the government's tariff, excluding any growth, is £3.430 million, as set out in the Provisional Local Government Finance Settlement. As described above, the government has increased the Business Rates baseline by inflation even though business rate payers will not face an increase. This is worth an additional £170,000 compared with the amount anticipated in the MTFS.

2.32 The NNDR1 return indicates that, as in previous years, business rates will be higher than the baseline, owing to growth in excess of inflation over the years since the baseline was set in 2013/14. Maidstone's share of this growth amounts to £620,000, which is £15,000 more than assumed in the MTFS. This estimate is based on the existing methodology for projecting business rates income, with appropriate allowances for bad debts and business rates appeals. However, there is a risk that many businesses will appeal their assessments on the basis of a material change in circumstances following the Covid-19 pandemic, which could have the effect of reducing business rates growth or even eliminating it altogether.

2.33 Kent County Council and ten of the Kent districts continue to pool their business rates growth, which has the effect of reducing the levy on business rates growth that would otherwise be payable to central government. As

previously agreed by Council, Maidstone's 30% share of the saving on the levy is ringfenced for investment in the Council's economic development strategy. A further 30% represents a Growth Fund, spent in consultation with Kent County Council. Neither of these amounts are reflected in the Strategic Revenue Projection, as they have been earmarked for specific purposes.

- 2.34 As set out above, there is a risk that business rates appeals will have an impact on business rates growth or even eliminate it altogether. Whilst business rates pool proceeds have therefore been earmarked for specific purposes, no specific spending commitments should be made until there is more certainty about the likely outcome.
- 2.35 As with Council Tax income, an adjustment is made in respect of the deficit arising in 2020/21. This amounts to £1.456 million for business rates after allowing for the benefit of S 31 grant to cover business rates income that would otherwise be payable by businesses eligible for 100% relief.
- 2.36 Again, as with Council Tax income, this deficit will ultimately be reduced as a result of the government's local tax income guarantee for 2020/21. Both the deficit and any related compensation relate to 2020/21 and therefore excluded budget gap calculation.

### **Fees and Charges**

- 2.37 The level of fees and charges made by each Service Area were considered by Service Committees at their meetings in December 2020. The combined effect of changes in fees and charges has been incorporated in the budget proposals in Appendix B. After allowing for an anticipated reduction in income in 2021/22 arising from the ongoing impact of Covid-19, and offsetting the likely benefit of the government's ongoing compensation for 75% of lost sales, fees and charges for the first three months of 2021/22, the latest projection is £8,000 less than in the MTFS.

### **Inflation**

- 2.38 The core inflation assumption for general expenditure in the MTFS is 2%. Although CPI inflation is currently running at less than this amount, 2% remains the government's inflation target. Within the overall allowance for inflation, a reduced assumption has been made for payroll costs, representing a 1% envelope for all pay increases excluding increments.
- 2.39 The Council's inflation assumptions are applied to service budgets on a line-by-line basis when drawing up the budget. The draft inflation allowance included in the MTFS Strategic Revenue Projection is calculated on costs across the board, so when detailed budgets are finalised there is always an adjustment, which has led this year to the projected allowance for inflation in the Strategic Revenue Projection increasing by £85,000.

### **Revenue costs of capital programme**

- 2.40 An allowance is made in the Strategic Revenue Projection for the revenue costs of the capital programme, ie financing costs and Minimum Revenue

Provision. These costs have reduced significantly, owing both to the reduction in PWLB borrowing costs described above and the updating of the capital programme, as reported to Policy and Resources Committee at its meeting on 20 January, the which has led to a number of schemes being reprofiled into future years.

## Summary

- 2.41 In summary, the impact of the above changes to the Strategic Revenue Projection for 2021/22, as compared with the position shown in the draft Medium Term Financial Strategy as considered by this Committee on 25 November 2020, is as follows:

	£000
Projected budget deficit for 2021/22 as per draft MTFS	2,489
<u>Add:</u>	
Reduction in projected other income (fees and charges)	8
Additional inflation	85
Adjustments to existing savings	30
<u>Less:</u>	
Higher than projected increase in Council Tax base	-148
Government recalculation of business rates baseline	-170
Increase in business rates growth	-15
Revenue effects of updating capital programme and reduced financing costs	-671
Updated budget deficit for 2021/22	1,611

As envisaged in the MTFS, it is not possible to close the budget gap entirely in 2021/22, so the deficit of £1.6 million will be covered by reserves. The budget proposals set out in Appendix B will allow the budget gap to be closed over a period of three years.

## Revenue Estimates

- 2.42 Attached at Appendix C is a summary of the revenue budget for 2021/22, based on the assumptions above. The summary shows the Original Estimate 2020/21 as approved by Council in February 2020; the Revised Estimate 2020/21 calculated as part of the budget development work completed this year; and the Estimate for 2021/22 based upon the details set out in this report. The Estimate for 2021/22 is analysed between gross expenditure, income and net expenditure, so that Members may see clearly how income generated by the Council contributes towards expenditure budgets.
- 2.43 Appendix C presents the Committee with the budget structured in line with the relevant Service Committees and separately structured in line with the strategic priorities set out in the Strategic Plan.

- 2.44 The Revised Estimate 2020/21 shown in Appendix C totals £21,186,730. This figure is net of all income with the exception of the use of balances and the council tax requirement.
- 2.45 The Estimate for 2021/22 shown in Appendix C totals £21,134,820. This incorporates all the items discussed above. The figure is net of all income with the exception of Council Tax and Business Rates income. It excludes precepts.

### **Capital Programme**

- 2.46 A draft Capital Programme was reported to Committee at its meeting on 20 January 2021. The Capital Programme totals £130 million over five years and includes a number of major schemes intended to achieve the Council's long term strategic objectives. Details are set out Appendix D.
- 2.47 The Council has the power to borrow to finance capital expenditure subject to the guidance set out in the Prudential Code. In 2012 the Council approved in principle the use of prudential borrowing. The proposals set out in this report indicate a need for up to £103 million additional prudential borrowing over the life of the programme. The revenue costs of this borrowing are reflected in the Strategic Revenue Projections.
- 2.48 The arrangements for funding the capital programme are set out in the Treasury Management Strategy, Investment Strategy and Capital Strategy, which were considered by the Audit Governance & Standards Committee at its meeting on 18 January 2021. The Audit Governance & Standards Committee was made aware of the potential for prudential borrowing arising from approval of the recommendations in this report. It agreed the Treasury Management Strategy, Investment Strategy and Capital Strategy, subject to any amendments arising from consideration of the Capital Programme by Policy and Resources Committee. The updated Treasury Management Strategy, Investment Strategy and Capital Strategy are accordingly included as Appendix E.

### **Balances / Earmarked Reserves**

- 2.49 Attached at Appendix F is a statement of general fund balances and details of earmarked reserves. The earmarked reserves incorporate a capital reserve that includes all of the retained New Homes Bonus and other revenue support to the capital programme available from previous years.
- 2.50 General fund balances are estimated to be £7,714,000 by 31 March 2021. In considering the level of reserves that should be maintained the Committee should consider the minimum below which the Committee cannot approve the use of balances without agreement by the Council. Hitherto this figure has been set at £2 million. It is recommended that Committee propose to Council that the minimum level of balances be increased to £4 million in light of the heightened level of risk highlighted by the Covid-19 pandemic.

2.51 It can be seen that the level of reserves is comfortably in excess of the minimum level described, even if the minimum is increased from £2 million to £4 million.

### **Medium Term Financial Strategy**

2.52 Attached as Appendix G is the Medium Term Financial Strategy, updated to reflect the latest position as described in this report.

2.53 The financial projection that complements the Medium Term Financial Strategy is the Strategic Revenue Projection given at Appendix A. The financial projection considers the need for growth and savings over the period of the Medium Term Financial Strategy and incorporates assumptions about inflation and changes in local and national initiatives.

2.54 The financial projection that complements the Capital Medium Term Financial Strategy Statement is the capital programme given at Appendix E.

2.55 The Strategy may require amendment following Committee's consideration of this report or following consideration by Council on 24th February 2020. The final versions will be published as part of the budget documents on the Council's website following the Council meeting.

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## **3 AVAILABLE OPTIONS**

3.1 **Option 1:** To not recommend a budget or recommend a budget that is not balanced to Council.

3.2 The Council is statutorily required to set a balanced budget in time for the new financial year and in time for council tax billing to be achieved. If the Committee were to decide not to recommend a budget or recommend a budget that was not balanced Council would not be able to accept the proposal. A budget would need to be set and this would happen without the information or guidance from this Committee's work over the past year.

3.3 **Option 2:** The Committee could amend the budget set out in this report but would need to take care that the final recommendation to Council is a balanced budget.

3.4 The Director of Finance and Business Improvement (section 151 Officer) must provide confirmation to Council that "the budget calculations are based upon robust estimates and that the level of reserves is sufficient for the purposes of the budget exercise". Care must be taken in amending the budget set out in this report so that the Director of Finance and Business Improvement is able to make the necessary confirmation.

3.5 **Option 3:** the Committee recommend the budget set out in this report, including the proposed council tax charge.

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## **4 PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS**

4.1 Option 3 is the preferred option.

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## **5 RISKS**

5.1 The Council's MTFS is subject to a high degree of risk and certainty. In order to address this in a structured way and to ensure that appropriate mitigations are developed, the Council has developed a budget risk register. This seeks to capture all known budget risks and to present them in a readily comprehensible way. The budget risk register is updated regularly and is reviewed by the Audit, Governance and Standards Committee at each of its meetings.

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## **6 CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK**

6.1 Policy and Resources Committee received an initial report on the MTFS at its meeting on 21 July 2020 and has subsequently received further reports on the development of the budget for 2021/22.

6.2 A Residents' Survey was carried out in Autumn 2020 to obtain their views on the issues to be considered when setting a budget. The findings were reported to Service Committees in November and December 2020.

6.3 Detailed budget proposals were considered by individual Service Committees. The outcomes of this consultation are set out in this report at paragraphs 2.13 to 2.17.

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## **7 NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION**

7.1 The timetable for setting the budget for 2021/22 is set out below.

<b><i>Date</i></b>	<b><i>Meeting</i></b>	<b><i>Action</i></b>
10 February 2020	Policy and Resources Committee	Agree 2021/22 budget proposals for recommendation to Council
24 February 2020	Council	Approve 2021/22 budget

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## **8 REPORT APPENDICES**

The following documents are to be published with this report and form part of the report:

- Appendix A: Strategic Revenue Projection 2021/22 to 2025/26 – to follow
  - Appendix B: Budget Savings Proposals 2021/22 to 2025/26
  - Appendix C: Revised Estimates for 2020/21 and Draft Budget Estimates for 2021/22 – to follow
  - Appendix D: Capital Programme 2021/22 to 2025/26
  - Appendix E: Treasury Management Strategy, Investment Strategy and Capital Strategy
  - Appendix F: Statement of General Fund Balances and Earmarked Reserves
  - Appendix G: Updated Medium Term Financial Strategy 2021/22 to 2025/26
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## **9 BACKGROUND PAPERS**

There are no background papers.