

**REPORT TO THE PERFORMANCE SCRUTINY PANEL
MEETING OF 28th JANUARY 2021**

Status:	Discussion
Title:	Draft Budget 2021/22 & Medium-Term Financial Strategy (2022/23 to 2024/25)
Originator:	Clive Mason: Director; Finance & Assets
Where from:	Cabinet
Where to next:	Cabinet

Objective: to discuss the Draft Budget 2021/22 & Medium-Term Financial Strategy (2022/23 to 2024/25) (**Annex 1**) and to provide comments for Cabinet to consider at its meeting on 8th February 2021.

1. Outcome sought from Panel

1.1 Comments for Cabinet to consider on the 8th February 2021 when recommending a budget to Council on the 22nd February 2021.

2. Background

2.1 Cabinet approved on the 19th January 2021 the Draft Budget 2021/22 & Medium-Term Financial Strategy (2022/23 to 2024/25) (**Annex 1**) for consultation including proposals for budget growth, savings, and projects for inclusion in the capital programme.

2.2 The report has included the outcomes from the provisional Local Government Finance Settlement for 2021/22 from the Ministry of Housing, Communities & Local Government.

2.3 There is now the requirement for a period of scrutiny prior to the Cabinet meeting on 8th February 2021 and the setting of the Budget Requirement and Council Tax on 22nd February 2020.

3. Changes between the report presented to Cabinet on the 19th January and to Scrutiny on the 28th January

3.1 The attached report (**Annex 1**) includes three minor changes to the report presented to Cabinet; these are shown in **Annex 2**. None of these changes have an impact on the budget or decisions made to date as they are all typographical errors and clarifications.

4 Highlights of the Draft 2021/22 Budget & Medium-Term Financial Strategy (2022/23 to 2024/25)

4.1 The attached report (**Annex 1**) that was reported to Cabinet on the 19th January includes the Draft 2021/22 Budget & Medium-Term Financial Strategy (2022/23 to 2024/25). In respect of

i. **2021/22**

Revenue

- A net service saving of £717k; this includes:
 - £751k savings and income generation that has resulted from the Tranche 1 savings from the Budget Challenge 2025 process.
 - £187k savings due to a new approach to capital financing.
 - £221k in additional costs due to contractual (unavoidable) growth and employee costs.
- A forecast budget gap of £2.7m; which is 32.9% less than the £4m that was notified to councillors in the summer of 2020. This gap will be funded by the use of reserves.
- The council receives a series of extended and new grants for 2021/22;
 - an extension of New Homes Bonus; a total of £2m that includes an additional 1-year allocation of £932k,
 - new grants; including Lower Tier Services Grant (£300k), CV19 Emergency Grant (Tranche 5) (£337k), Local Council Tax Support Grant (£100k). Most of these are being allocated to reserves.
- An increase in Council Tax of £5.
- If this Draft Budget were approved, the Council would be setting a “balanced” budget for 2021/22.

Capital Programme

- A new capital programme of £3.4m; including significant investment in “digital” service transformation (including the new customer services system).

Reserves

The establishment of a new set of strategic reserves; including a:

- General Fund (Unallocated) Reserve, set at 20% of net expenditure.
- New set of earmarked reserves that aims to manage risk, contractual commitments, community, and commercial investment.

ii. **Medium-Term Financial Strategy (MTFS)**

Revenue

- Cumulative savings of more than £2m.
- An annual budget gap, which increases to £3.3m in 2024/25. However, this is expected to close further when the conclusions of Tranche 2 and 3 of Budget Challenge 2025 become known in the summer of 2021.
- Compared to 2021/22, government grant will significantly reduce. In 2022/23, New Homes Bonus will be legacy payments only (£556k) and then no longer received from 2023/24.

- Anticipating the introduction of Fair Funding and NDR Revaluation from 2022/23.
- An increase in Council Tax of £5 per annum.
- If this Draft MTFs was approved, the Council would be setting a “balanced” budget for until 2023/24; thereafter, it is “unbalanced”.

Capital Programme

- An increase in the capital programme in 2022/23, mainly due to the Market Harborough Leisure Centre, then a significant reduction in the programme to £1.1m by 2024/25.

Reserves

- The General Fund (Unallocated) Reserve, maintained at 20% of net expenditure until 2023/24, when it dips below the 20% threshold.
- All reserves used in 2024/25, and the Council will potentially go into negative revenue reserves of £746k.

4.2 Scrutiny are requested to review and consider:

- (a) The Draft 2021/22 Budget and Medium-Term Financial Strategy (2022/23 to 2024/25). This includes revenue, capital, and reserves.
- (b) Proposals for Council tax.

5 Equality Impact Assessment Implications/Outcomes (attach completed EIA)

5.1 None arising directly from this report.

6. Impact on Communities

6.1 None arising directly from this report. The Council’s final budget and Corporate Delivery Plan will determine the services and the way they will be delivered to the communities. As such there will be an impact on the communities which will be assessed as part of the individual or collective service(s) consideration.

7 Legal Issues

7.1 The Council has to set a balanced budget in order to set the Council Tax for the district.

8 Resource Issues

8.1 The Council is required to set a balanced budget.

9 Community Safety Implications

9.1 None arising directly out of this report.

10 Carbon Management Implications

10.1 None arising directly out of this report.

11 Risk Management Implications

11.1 The management and monitoring of the risks attached to the 2021/22 Budget & MTFS will be critical to ensuring the future financial standing of the Council.

12 Consultation

12.1 Consultation on the 2021/22 Budget & MTFS proposals is being undertaken.

13 Background Papers

13.1 Budget Working papers

Previous report(s): *None*

Annex:

1 Cabinet Report 19th January 2021: Draft Budget 2021/22 & the Medium-Term Financial Strategy (2022/23 to 2024/25)

2 Changes between Cabinet Report 19th January 2021 “Draft Budget 2021/22 & the Medium-Term Financial Strategy (2022/23 to 2024/25)” to that attached at Annex 1.