

# CABINET – 11TH FEBRUARY 2021

## Report of the Head of Finance

Lead Member: Councillor Tom Barkley

### Part A

#### ITEM 7 GENERAL FUND AND HRA REVENUE BUDGETS 2021/22

##### Purpose of the Report

This report sets out the proposed General Fund and Housing Revenue Account (HRA) Revenue Budgets for 2021/22, which together, represent the financial spending plans for all services of the Council. It is a legal requirement to set a balanced budget each financial year. The report also incorporates the proposed Council Tax levy which must be set by Council at its meeting on 22nd February 2021. The indicated Council Tax for Charnwood Borough Council as a whole is based on the budget to be recommended to Council and it is proposed that there is equivalent to an overall increase of £5.00 (3.60%) per band D property per annum in 2021/22 including Loughborough Special Levy. This is the allowable increase for the Council based upon the Council's current band D charge being in the lowest quartile across England.

The report also presents the 2021/22 proposals to increase rent and service charges within the ring fenced Housing Revenue Account.

Finally, the report incorporates the latest iteration of the Medium Term Financial Strategy which uses the 2021/22 budget as a base for financial projections into 2022/23 and 2023/24

##### Recommendations

That Council are recommended:

1. To approve the Original General Fund Revenue Budget for 2021/22 at £17,919,418 as set out in Appendix A1.
2. To set a base Council Tax at £131.08 at Band D, an increase of £4.45 on the 2020/21 rate as set out in Appendix A2.
3. To set the Loughborough Special Levy at £77.98, a 1.99% increase on 2020/21 rate, as set out in Appendix A3 and to approve the following savings and pressures
  - Loughborough Community Grant - £13.5k ongoing saving
  - Biggin Street toilet amalgamation with Town Centre toilet - £4.6k ongoing saving
  - Management of Open Spaces Contract - £1.3k ongoing saving (apportionment)

- Street Trading consent license - Loss of income £10.8k one off pressure
  - Carillion - Loss of income £3k one off pressure
4. To approve the Original HRA Budget for 2021/22 as set out in Appendix A5.
  5. To amend the HRA weekly rents in line with the Ministry of Housing, Communities and Local Government (MHCLG) guidance.
  6. To amend the non-HRA dwelling properties in line with the Ministry of Housing, Communities and Local Government (MHCLG) guidance.
  7. To approve the HRA service charges in accordance with the MHCLG Guidance.
  8. To approve that the shop rents retain their current rents in accordance with an assessment by the Valuation Office.
  9. To approve that garage rents retain their current rents in accordance with an assessment by the Valuation Office.
  10. To approve that the Leasehold Management and Administration charge increases to £131.94 per annum Leasehold flats, and £130.45 for Leasehold shops.
  11. That the Lifeline weekly charge is increased in line with MHCLG Guidance.
  12. To determine that the basic amount of Council Tax for 2021/22 is not excessive according to the principles set out by the Secretary of State.
  13. That delegation be given to the s151 Officer, in conjunction with the Lead Member for Finance, to amend this report for Council in line with the final settlement and updated NNDR figures.
  14. To note the Medium Term Financial Strategy 2021-2024 as set out at Appendix B

### Reasons

1. That the necessary finance is approved to carry out services in 2021/22.
2. That the Council Tax can be set in accordance with legal and statutory requirements.
3. That a Loughborough Special Levy can be set in accordance with legal and statutory requirements.
4. To ensure sufficient funding for the Housing Revenue Account in 2021/22.

5. To comply with social housing rents guidance.
6. To be consistent with the other council house stock.
7. To ensure the correct alignment of costs and service charges for tenants in accordance with best practice.
8. That shop rents follow the assessment and guidance provided by the Valuation Office.
9. To increase the rent generated for garages in line with the guidance from the Valuation Office.
10. That there is sufficient recovery of the costs associated with operating the leasehold flat and shop services.
11. That there is sufficient recovery of the costs associated with operating the Lifeline service.
12. To comply with the requirements of the Local Government Finance Act 1992.
13. To update the budget report in line with final settlement figures once these are received.
14. To inform members of the future financial outlook for the Council.

#### Policy Justification and Previous Decisions

The budget is essential to all policies of the Council and the setting of a Council Tax levy is a legal requirement of the Council. The rents are set in accordance with MHCLG Guidelines.

#### Implementation Timetable including Future Decisions and Scrutiny

This report will be available for consideration by the Scrutiny on 8th February 2021 and, if approved by Cabinet, will be tabled for agreement by Full Council on 22nd February 2021. The actual budget will then come into effect on 1st April 2021.

The draft budget was also considered by the Budget Scrutiny Panel on 1<sup>st</sup> December 2020 and their comments are due to be considered separately by Cabinet at the 11<sup>th</sup> February meeting and are also referred to later in this report.

#### Report Implications

##### *Financial Implications*

The effects of the adoption of these budgets are explained in Part B of the report

## Risk Management

Risks identified in respect of the Original Budget are tabulated below:

<i>Risk Identified</i>	<i>Likelihood</i>	<i>Impact</i>	<i>Overall Risk</i>	<i>Risk Management actions planned</i>
Failure to take account of the spending plans of the Council.	Unlikely (2)	Minor (1)	Very Low (2)	Robust budget planning and Budget Monitoring process are in place.
Further exceptional spending being required during the financial year.	Likely (3)	Major (3)	Moderate (9)	It is considered that the Working Balance reserve (and other revenue reserves) remain sufficient to manage normal and one-off events for 2021/22.

## Equality and Diversity

There are no specific Equalities and Diversity issues affecting the recommendation in this report, although any such issues arising from particular service pressures and savings will be considered and subject to an equalities impact assessment prior to proposals being implemented.

Key Decision: Yes

Background Papers: Public consultation on the draft budget – detail

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## Part B

### General Fund Revenue Budget 2021/22

1. Appendix 1 shows the General Fund summary position and includes a variance column comparing the Original budget being recommended to Council with the draft one reported to Cabinet on 12th December 2020. The changes are set out below.
2. Net Service Expenditure has reduced since the draft budget £196k, this being the removal of the proposed 2% pay award £236k, an increase of £100k for contractual insurance costs and a reduction of £60k for Covid Homelessness costs, which can be funded by Homelessness grants reserve and will be allocated as a one-off pressure in 2021/22.
3. The precept Income has reduced by £1,120k being the impact of the settlement, this can however be offset by two one off government grants allocated as part of the settlement for 2021/22 ( Lower Tier Services Grant £617k and Tranche 5 Covid Grant £801k) £1,418 giving a net precept difference of £298k.
4. At the date of drafting this report the NNDR1 Budget (National Non-Domestic Rates, also known as business rates) income figure has not yet been finalised. Whilst this has the potential to alter the Council's projected funding position it is not anticipated that any changes would be material in the context of the General Fund budget. If material, an update will be provided to Cabinet at the date of the meeting and for the purposes of the Council meeting updated figures will be provided.
5. It was envisaged that the new national business rate retention scheme would be in place from 2020/21 (with a headline 75% retention rate compared to the current 50% retention scheme currently in place), as the new funding regime derived from the Fair Funding review. However, this will now be delayed until at least the 2022/23 financial year and this budget assumes current business rate funding arrangements will continue. This budget assumes a 'safety net' position (92.5% of the government settlement adjusted for inflation, reflecting the current negative outlook for business rates. (The NDR settlement baseline position, plus Growth).

The council is part of the Leicestershire business rate pool which means that they do not have to pay this balance over to Central Government and payments instead are directed to the Local Enterprise Partnership (LEP) via the business rates pool.

6. Due to timing differences between years in finalising amounts due to other parties, e.g. the County, Police and Fire in respect of Council Tax and the County, Fire and central government in respect of NNDR, the authority operates a Collection Fund. This acts like a trust account where amounts are paid in/out during the year and surpluses/deficits are retained at the year end and then paid out/recovered in following years once final figures are known. The Collection Fund and the NNDR figure are linked and both of these figures will change for the final report to Council on 22<sup>nd</sup> February 2021 as the figures for County, Fire and Police are still provisional.
7. The amount due to the Council from Council Tax receipts has increase by £58k compared with the draft report. This reflects the increase in the Council Tax by charging permitted £5 per band D property, which is the fifth year in a row. (Loughborough Special Levy will increase by 1.99%, with the Borough precept calculated to ensure that the overall increase remains within the £5 limit)

8. The New Homes Bonus (NHB) Grant figure for 2021/22 shows a decrease of £1,289k since the draft report. This grant figure is the confirmed settlement figure based on 3-year NHB Legacy payment for 2021/22, (not 4 payment years as anticipated in the draft budget). It is not yet known what the financial impact will be in future years this has been delayed until 2022, this figure remains volatile for future financial planning.
9. The working balance shows a use of General Fund reserves of £847k to balance the budget, this is after allocating £1,418k two, one-off Government grants, otherwise there would have been a shortfall of £2.2m.
10. Service Pressures, Savings and additional income generation are summarised at Appendix 6. These include unavoidable Service Pressures of £1.8m, of which £0.8m are one off due to Covid offset by ongoing savings of £2 m. In addition, there are two one-off planning service pressures, connected with the delivery of the local plan of £0.1m funded from an earmarked planning reserve.
11. Commercialisation budget included within the Service Savings (Appendix 6) £470k which added to base budget of £180k is a net Commercial budget of £650k. The breakdown of this budget relates to the purchase of 4 Commercial Investment Properties, plus the vaccination centre. Further detail of the Commercial Property portfolio is provided within the Capital Strategy 2021/22

### Consultation on the Budget

12. A programme of consultation commenced following the consideration of the draft budget by Cabinet 10<sup>th</sup> December 2020. This has involved members of the public, partner organisations, scrutiny (especially the Budget Scrutiny Panel), unions and businesses.

### *Results of public consultation*

13. An on-line public consultation (36 responses) was undertaken as was a separate 'virtual chat' with seven residents. The detailed responses are available as background documents to this report but the key themes emerging from these exercises were:
  - There was a general recognition that the Council was under financial pressure
  - Of the proposals within the budget, the most contentious (all comments negative) was around the closure of Biggin Street toilets – this has been justified because of the proximity of these toilets to the public facility on Market Street and the general availability of toilets within restaurants and cafes around Loughborough
  - Feedback on the reduction in community grants and increase in garden waste collection fees was more mixed with a net balance of negative comments but some respondents supporting the proposals
  - There was some support for the purchase of an electric vehicle for the Mayor although other respondents queried why the Mayor should be provided with a vehicle at all

### *Budget Scrutiny Panel*

14. A Budget Scrutiny Panel has undertaken scrutiny of the draft budget for 2021/22. The recommendations of the Panel are set out in a separate report to this Cabinet meeting (item 6 on the agenda).

#### *Comments of the Industrial and Commercial Ratepayers Meeting*

15. A consultation meeting with representatives of Industrial and Commercial Ratepayers was held on 13th January 2021. In summary:
- The attendees raised concerns around the closure of Biggin Street toilets and reductions in community grants but accepted the Council's financial position required action to reduce the cost base
  - The national business rating system was raised as a concern and the possible timetable for reform was discussed
  - (Attendees also welcomed the Council's capital investment in the public realm and support for businesses through the Town Deal and the enterprise Zone.)

#### *Comments of the Loughborough Area Committee*

16. This Committee met on 16<sup>th</sup> December 2020 where the agenda included an opportunity to provide feedback on the draft budget. Principal matters raised were:
- Concerns were expressed around the closure of Biggin Street toilets
  - Changes in recharges were discussed, particular in respect of CCTV and festive decorations
  - Reduction in the community grants schemes were discussed; it was clarified that strategic partner grants to community centres were not being reduced
  - A request to provide additional bus shelters was discussed
17. We would like to take this opportunity to thank all those who responded to the consultation. Further of the consultation discussions and responses referred to above are available as background documents to this report (public consultation results) or as meeting minutes, published on the Council's website.

#### Loughborough Special Expenses (Appendix 3)

18. The budget position for Loughborough Special Expense and Levy for 2021/22. The increase to the Loughborough Special Levy is 1.99% to a rate of £77.98 per Band D property (2020/21: £76.46). The savings and pressures have been identified as follows:
- Loughborough Community Grant - £13.5k ongoing saving
  - Biggin Street toilet amalgamation with Town Centre toilet - £4.6k ongoing saving
  - Management of Open Spaces Contract - £1.3k ongoing saving (apportionment)
  - Street Trading consent license - Loss of income £10.8k one off pressure
  - Carillion - Loss of income £3k one off pressure

#### Council Tax Base

19. The tax base, as approved by a decision delegated to the s151 Officer, has been used in the relevant calculations.

## Precept Amount

20. The NNDR figures are not yet available, and the settlement figures have been used in these calculations. Appendix 2 shows an equivalent overall increase of £4.56 on the Base Band D Council Tax plus the Loughborough Special Levy. The band D rate for 2021/22 is set at £131.08 for the base precept.

## Parish and Town Councils and Other Precepts

21. All Parish and Town Council precepts have been received and are detailed in Appendix 4. Approved precept information is still to be received from the County Council, the Police and Fire Authorities and the figures therefore shown in Appendix 2 are provisional. These will be updated in time for the main Council meeting on 22nd February 2021.

## General Fund Revenue Balances and Reserve

22. The General Fund Balances are included in Appendix A1. The budget shows that £847k use of Working Balance is required to balance this year's budget, in addition a transfer of £1,561K Business Rate Appeals Adjustment will be added, with a Working Balance estimated to be £2.534m as at March 2022.

It is a requirement to ensure that the level of balances is appropriate for the Council's commitments and current level of expenditure. The recommended minimum working balance set by the Section 151 Officer is £2m, representing six weeks net expenditure, in line with good practice. The original budget balance on this fund at the end of March 2022 is projected to be above this limit.

The Reinvestment Reserve This is used for three purposes, these being:

- For items that produce a payback to the Council;
- To fund costs that lead to appreciable service improvements;
- To fund one-off costs.

The Reinvestment reserve has a balance of £357k to be used for the above purpose. This may be topped up should this be operationally justified and financially feasible.

The Capital Plan Reserve is estimated to be £1.819m at the end of March 2022. This revenue reserve is used to finance General Fund capital expenditure, also the reserve can be used for revenue expenditure and there is no minimum balance for this reserve.

There are nine other Earmarked Reserves which may be used in line with the purpose of the reserve fund or for general purposes totaling £1,007m.

The overall total General Fund reserve balances estimated as at March 2022 is £5,717m.

We will create a new Commercialisation Reserve in 2021/22 based on paragraph 11 above, to cover any future losses on the Commercial Property Income; by the end of 2021/22 we estimate that the balance on this reserve will be of the order of £500k.

### Housing Revenue Account (Appendix A5)

19. The HRA budget position for 2021/22 is a breakeven. The overall position of the balances is an increase of £72k from draft budget.
20. There have only been some minor changes to the final budget compared with the draft budget that was presented to Cabinet on 10<sup>th</sup> December 2020. Amounts totaling £106k have been taken out to reflect 2% salary pay award, offset by service charge income is lower £34k, due to the recovery of costs spread over additional financial years.

### HRA Balances

21. The HRA Balances have been budgeted at £110 per property at approximately £602k. At 31 March 2022, the HRA Financing Fund balance is forecast as being £6,027k. This includes adding an estimated underspend of £332k from the 2020/21 budget.

### HRA Services Pressures

22. The ongoing service pressures for the HRA are the same as those listed in the draft budget (Cabinet report 10th December 2020) and total £22.5k whilst net savings total £176.3k, a net ongoing saving of £153.8k. (Appendix A5)

### Report of the Chief Finance (Section 151) Officer under Section 25 of the Local Government Finance Act, 2003

23. Section 25 of the Local Government Act 2003 requires the Chief Finance Officer (Section 151 Officer) of a local authority to report on the robustness of the estimates included in the budget and the adequacy of the reserves for which the budget provides. This report must be considered by Cabinet and full Council as part of the budget approval and council tax setting process.
24. The proposed budget is set against the context of continued reductions in core Government funding and significant uncertainty as to future funding levels. The budget proposed, in the light of the ongoing impact of the COVID-19 pandemic, is appropriately prudent and, if delivered, will leave the Council's Working Balance at £2.5m at 31<sup>st</sup> March 2022, above the £2m minimum set by the s151 Officer.
25. The Council's S151 Officer is required to report to Cabinet and full Council the key risks facing the Council in relation to current and future budget provision. The short term impact of COVID-19 can be regarded as the principal budget threat in 2021/22. In subsequent years the lack of certainty around Government funding combined with the medium and longer term impact of COVID-19 are the key budgetary risks.
26. The Medium-Term Financial Strategy (MTFS) provided at Appendix B of this report considers the medium term financial outlook for the Council in more detail.

### Robustness of Estimates

27. The Local Government Finance Act 1992 also requires an authority to take due consideration before setting the budget as there is no recourse to setting a further

levy during the year, and any unexpected financial event would have to be met from reserves, or by cutting expenditure on services.

28. This budget has been drawn up using the best estimates of the cost of service delivery by those officers delivering the services, under the overall management of the Chief Financial Officer and with professional advice and guidance from the Financial Services team. The basis of estimation has been to take account of all known costs in delivering a set level of service together with any new or amended services that have been approved by Members.
29. It is recognized that during the eighteen months period, from the start of the budget process until the end of that financial year, there are likely to be budgets that have pressures on spending; equally there are budgets that will under spend. The key is to ensure that the position is under control at all times and that timely, effective action is taken where budget issues are identified in year. Financial procedures are in place to ensure that all decisions that affect spending are fully considered before committing the authority, and that effective monitoring is in place.
30. All spending plans are based on the service planning process and the proposed use of reserves and balances conforms to the approach set out in the Financial Strategy.

#### Adequacy of Reserves

31. The Chief Financial Officer can confirm that the levels of reserves for both the General Fund and HRA are considered to be adequate to fund the planned expenditure identified by the Council as presented in this report. However, they will need to be monitored and reviewed in the future to ensure that they can be maintained at an adequate level.

#### Assurance Statement of the Council's Section 151 Officer

32. The Chief Financial Officer confirms that this budget, as set out above and in the attached appendices, is robust and meets the requirements of the Council for its current spending plans and conforms with the procedures agreed for the use of balances.

#### Appendices

- A1 - General Fund Budget Summary 2021/22
- A2 - Council Tax Analysis 2021/22
- A3 - Loughborough Special Expenses 2021/22
- A4 - Council Tax Town and Parish Council Precepts 2021/22
- A5 - HRA Revenue Budget Summary 2021/22
- A6 - HRA Services Pressures and Savings 2021/22
- A7 - General Fund Service Pressures and Savings 2021/22
  
- B - Medium Term Financial Strategy 2021 - 2024

## Appendix A1

Actual 2019/20 £000	General Fund Budget Summary	Original Budget 2020/21 £000	Revised Budget 2020/21 £000	Draft Original Budget 2021/22 £000	Final Original Budget 2021/22 £000	Variance Draft Budget vs Final Budget 2021/22 £000
19,176	General Fund Service Expenditure	19,038	22,643	19,262	19,026	236
0	Service (Savings) 2021/22	0	0	(2,059)	(2,059)	0
0	Service Pressures 2021/22	0	0	1,819	1,859	(40)
0	Service Pressures One Off 2021/22	0	0	106	106	0
<b>19,176</b>	<b>Net Service Expenditure</b>	<b>19,038</b>	<b>22,643</b>	<b>19,128</b>	<b>18,932</b>	<b>196</b>
213	Revenue Contributions to Capital	0	0	0	0	0
227	Interest Paid	240	240	240	240	0
(562)	Less: Interest on Balances	(500)	(300)	(300)	(300)	0
<b>19,054</b>	<b>Total Borough Expenditure</b>	<b>18,778</b>	<b>22,583</b>	<b>19,068</b>	<b>18,872</b>	<b>196</b>
	Contribution (from)/to Reinvestment Reserve					
74	Reserve	(36)	(195)	0	0	0
(2,200)	Contribution(from)/to Working Balance	(1,069)	(1,822)	(1,391)	(849)	(542)
(173)	Contribution (from)/to Collection Fund	143	143	50	2	48
(213)	Contribution(from)/ to Capital Plan Reserve	0	500	0	0	0
395	Contribution (from)/to Other Reserves	(45)	(63)	(106)	(106)	0
<b>16,937</b>	<b>Precept Requirement</b>	<b>17,771</b>	<b>21,146</b>	<b>17,621</b>	<b>17,919</b>	<b>(298)</b>
5,290	NNDR/RSG	4,947	4,947	4,379	4,547	(168)
6,893	Council Tax Receipts	7,288	7,288	7,582	7,640	(58)
1,213	Loughborough Special Levy	1,271	1,271	1,321	1,311	10
3,731	New Homes Bonus	4,122	4,122	4,289	3,000	1,289
0	Lower Tier Services/Tranche 5 one off Grant	0	0	0	1,418	(1,418)
(17)	General Government Grants (Covid)	0	3,375	0	0	0
(173)	Collection Fund Surplus/(Deficit)	143	143	50	2	48
<b>16,937</b>	<b>Precept Income</b>	<b>17,771</b>	<b>21,146</b>	<b>17,621</b>	<b>17,919</b>	<b>(298)</b>
<b>£000</b>	<b>REVENUE RESERVE BALANCES</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	
<b>Actual 2019/20</b>		<b>Original 2020/21</b>	<b>Revised 2020/21</b>	<b>Draft Budget 2021/22</b>	<b>Final Budget 2021/22</b>	
6,871	<b>Working Balance at 1 April</b>	5,900	4,498	1,820	1,820	
(2,373)	Transfer from/(to) General Fund	(926)	(1,679)	(1,341)	(847)	
0	Transfer from Growth Support Fund	0	101	0	0	
0	Transfer from/(to) Reinvestment Reserve	(170)	0	0	0	
0	Contribution to the LLEP Enterprise Zone	0	(1,100)	0	0	
0	Business Rates Appeals Adjustment	0	0	1,561	1,561	
<b>4,498</b>	<b>Balance at 31 March</b>	<b>4,804</b>	<b>1,820</b>	<b>2,040</b>	<b>2,534</b>	
809	<b>Reinvestment Reserve at 1 April</b>	366	883	418	357	
0	Transfers from/(to) Fund one off Item	(36)	(195)	0	0	
0	Committed Reinvestment Reserve	0	(270)	0	0	
74	Transfers from/(to) General Fund	170	0	0	0	
<b>883</b>	<b>Balance at 31 March</b>	<b>500</b>	<b>418</b>	<b>418</b>	<b>357</b>	
2,193	<b>Capital Plan Reserve at 1 April</b>	1,288	1,980	1,808	1,819	
0	Transfer from/(to) General Fund	0	500	0	0	
(213)	Funding of Capital Expenditure	0	(630)	0	0	
<b>1,980</b>	<b>Balance at 31 March</b>	<b>1,288</b>	<b>1,850</b>	<b>1,808</b>	<b>1,819</b>	
101	<b>Growth Support Fund at 1 April</b>	5	101	0	0	
0	Transfer from/(to) General Fund	0	(101)	0	0	
<b>101</b>	<b>Balance at 31 March</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>0</b>	
763	<b>Other Revenue Reserves at 1 April</b>	700	1,158	1,113	1,113	
395	Transfers from/(to) Fund one off Item	(45)	(45)	(106)	(106)	
<b>1,158</b>	<b>Balance at 31 March</b>	<b>655</b>	<b>1,113</b>	<b>1,007</b>	<b>1,007</b>	
<b>8,620</b>	<b>TOTAL BALANCES</b>	<b>7,252</b>	<b>5,201</b>	<b>5,273</b>	<b>5,717</b>	

COUNCIL TAX ANALYSIS 2021/22					
2020/21			2021/22		%
57,607.2		TAX BASE (at CBC collection rate)	58,286.9		Change Per Band D
16,621.0		LOUGHBOROUGH TAX BASE	16,815.4		1.18
£	£ p		£	£ p	%
17,771,035	308.49	TOTAL BUDGET REQUIREMENT	17,919,418	307.43	(0.34)
(1,270,842)	(22.06)	Less: Loughborough Special Levy	(1,311,265)	(22.50)	1.99
16,500,193	286.43	Less:	16,608,153	284.93	(0.52)
(4,121,865)	(71.55)	New Homes Bonus	(3,000,484)	(51.48)	(28.05)
(4,947,000)	(85.87)	NNDR	(4,379,000)	(75.13)	(12.51)
0	0.00	Government Grants/S.31	(1,417,924)	(24.33)	0.00
0	0.00	Compensation	(168,489)	(2.89)	0.00
7,431,328	129.00	Revenue Support Grant	7,642,256	131.11	1.64
(142,865)	(2.48)	Collection Fund (Surplus)/Deficit	(2,009)	(0.03)	(98.79)
<b>7,288,463</b>	<b>126.52</b>	<b>BASIC BOROUGH PRECEPT</b>	<b>7,640,247</b>	<b>131.08</b>	<b>3.60</b>
3,821,293	66.33	Other Precepts			
77,408,639	1,343.73	Parishes	4,051,639	69.51	4.79
3,914,985	67.96	Leicestershire County Council	77,408,639	1,328.06	(1.17)
13,435,739	233.23	Combined Fire Authority	3,914,985	67.17	(1.16)
98,580,656	1,711.26	Police & Crime Commissioner for Leics	13,435,739	230.51	(1.17)
			98,811,002	1,695.25	(0.94)
1,270,842	76.46	SPECIAL LEVY (LOUGHBOROUGH)	1,311,265	77.98	1.99
107,139,961	1,859.84	<b>TOTAL REQUIREMENT</b>	107,762,514	1,848.83	(0.59)
105,869,119	1,837.78	<b>AVERAGE PARISH PRECEPT</b>	106,451,249	1,826.33	(0.62)
103,318,668	1,847.90	<b>LOUGHBOROUGH PRECEPT</b>	103,710,875	1,834.80	(0.71)

Final Figures still awaited

## LOUGHBOROUGH SPECIAL EXPENSES

2020/21		2021/22
Loughborough Special Expenses Budget	Service	Loughborough Special Expenses Budget
£		£
68,400	Loughborough CCTV	78,900
80,300	Community Grants - General / Fearon Hall / Gorse Covert	66,800
45,700	Marios Tinenti Centre / Altogether Place / Community Hubs	45,800
8,800	Charnwood Water Toilets	6,300
35,300	Voluntary & Community Sector Dev Officer post (75% LSX)	35,700
4,500	Biggin Street Toilet - Friday Opening	0
121,000	Contribution towards Loughborough Open Spaces Grounds Maintenance	122,400
(8,300)	November Fair	(2,700)
	<u>Parks:</u>	
350,400	Loughborough - including Loughborough in Bloom	353,200
69,800	Gorse Covert and Booth Wood	70,300
	<u>Sports Grounds:</u>	
115,300	Derby Road	115,600
43,200	Lodge Farm	43,100
74,300	Nanpantan	75,400
19,000	Park Road	19,100
20,700	Shelthorpe Golf Course	23,800
37,300	Loughborough Cemetery	47,700
43,300	Allotments - Loughborough	49,200
14,000	Carillon Tower	16,600
48,400	Festive Decorations and Illuminations	55,800
99,600	Town Centre Management	112,600
1,291,000		1,335,600
	Adjustments from Year 2019/20	(24,335)
(20,158)	Adjustments from Year 2018/19	
1,270,842	AMENDED SUB TOTAL	1,311,265
Divided by		Divided by
16,621.00	Council Tax Base	16,815.40
76.46	Special Council Tax	77.98

## 2021/22 Council Tax - Parish Precepts

Parish/Meeting/Town Council	Precept Requirement	Council Tax Base	Parish/ Special Requirement at Band D
	£		£
Anstey	309,361	2,627.3	117.75
Barkby / Barkby Thorpe	13,794	159.5	86.48
Barrow-upon-Soar	208,715	2,484.1	84.02
Beeby	0	42.4	0.00
Birstall	456,136	4,565.1	99.92
Burton-on-the-Wolds, Cotes, & Prestwold	31,500	554.8	56.78
Cossington	14,500	216.9	66.85
East Goscote	59,000	936.7	62.99
Hamilton Lea	0	281.4	0.00
Hathern	47,000	897.2	52.39
Hoton	11,550	147.1	78.52
Mountsorrel	508,260	2,989.6	170.01
Newtown Linford	54,075	532.3	101.59
Queniborough	62,161	1,232.9	50.42
Quorndon	284,627	2,435.1	116.89
Ratcliffe-on-the-Wreake	3,000	90.4	33.19
Rearsby	23,010	485.6	47.38
Rothley	190,207	2,290.3	83.05
Seagrave	18,984	275.6	68.88
Shepshed	335,000	4,889.3	68.52
Sileby	225,248	2,766.0	81.43
South Croxton	11,751	134.1	87.63
Stonebow Village	0	8.5	0.00
Swithland	4,650	160.4	28.99
Syston	526,163	4,366.5	120.50
Thrussington	11,500	257.5	44.66
Thurcaston & Cropston	40,842	942.6	43.33
Thurmaston	470,652	2,836.5	165.93
Ulverscroft	0	60.1	0.00
Walton-on-the-Wolds	5,000	129.5	38.61
Wanlip	3,000	87.2	34.40
Woodhouse	83,126	977.7	85.02
Wymeswold	38,827	611.3	63.52
	4,051,639	41,471.5	
Loughborough (Special Expenses)	1,311,265	16,815.4	77.98
Total	5,362,904	58,286.9	
Average			92.01

## Appendix A5

2019/20 Actual	Housing Revenue Account	2020/21 Original Budget	2020/21 Revised Budget	2021/22 Draft Original Budget	2021/22 Final Original Budget
<b>£000</b>		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
	<b>Expenditure</b>				
5,220	Supervision and Management	5,550	5,540	5,441	5,393
6,718	Repairs and Maintenance	6,769	6,824	6,802	6,752
191	Rents, Rates and Other Charges	139	224	225	225
270	Provision for Bad Debts & Other Charges	383	593	383	383
3,249	Depreciation	3,189	3,189	3,409	3,409
(17,892)	Net Revaluation non-current assets increase	0	0	0	0
18	Debt Management Expenses	10	10	10	10
(2,226)	<b>Expenditure Sub-total</b>	16,040	16,380	16,270	16,172
	<b>Income</b>				
(20,483)	Dwelling Rent Income	(20,937)			
(366)	Shops, Land and Garages Rent	(360)	(20,580)	(21,100)	(21,100)
(55)	Warden Service Charges	(57)	(350)	(355)	(355)
(355)	Central Heating, Cleaning and Communal Charges	(350)	(49)	(49)	(53)
(143)	Leasehold Flat and Shop Service Charges	(158)	(323)	(336)	(309)
(26)	Hostel Service Charges	(31)	(143)	(143)	(143)
(11)	Council Tax Recharged	(11)	(30)	(29)	(24)
			(10)	(10)	(10)
(21,439)	<b>Income Sub-Total</b>	(21,904)	(21,485)	(22,022)	(21,994)
(23,665)	<b>Net (income)/Cost of service</b>	(5,864)	(5,105)	(5,752)	(5,822)
(85)	Transfer from General Fund – Grounds Maintenance	(84)	(84)	(85)	(85)
2,709	Interest Payable	2,706	2,709	2,709	2,709
(124)	Investment Income and Mortgage Interest	(66)	(35)	(25)	(27)
(21,165)	<b>Net Operating Expenditure/(Income)</b>	(3,308)	(2,515)	(3,153)	(3,225)
3,659	Revenue Contribution to Capital	3,308	3,308	3,153	3,225
(556)	Pension Adjustment	0	0	0	0
(1)	Accumulated Absence Adjustment	0	0	0	0
17,892	Reversal of Gain on Revaluation	0	0	0	0
20,994	Appropriations	3,308	3,308	3,153	3,225
(171)	<b>(Surplus)/Deficit for the year</b>	<b>0</b>	<b>793</b>	<b>0</b>	<b>0</b>
	<b>HRA Balances:</b>				
(613)	<b>HRA Balance at beginning of year</b>	(610)	(610)	(607)	(607)
(171)	(Surplus)/Deficit for the year	0	793	0	0
174	Transfer to/from Reserves	3	(790)	5	5
(610)	<b>HRA Balance at end of year</b>	<b>(607)</b>	<b>(607)</b>	<b>(602)</b>	<b>(602)</b>
(8,061)	<b>HRA Financing Fund beginning of year</b>	(8,235)	(8,235)	(6,320)	(6,320)
0	Adjustments to 2020/21 Budget	0	(332)	0	
(174)	Transfer to/from Reserves	(3)	790	(5)	(5)
0	Revenue Contribution to Capital	1,457	1,457	370	298
(8,235)	<b>HRA Financing Fund at end of year</b>	<b>(6,781)</b>	<b>(6,320)</b>	<b>(5,955)</b>	<b>(6,027)</b>
(3,364)	<b>Major Repairs Reserve at end of year</b>	<b>(3,364)</b>	<b>(3,111)</b>	<b>(3,111)</b>	<b>(3,111)</b>
(12,209)	<b>Overall HRA balances end of the year</b>	<b>(10,752)</b>	<b>(10,038)</b>	<b>(9,668)</b>	<b>(9,740)</b>

**Appendix A6**

<b>Housing Revenue Account Service Pressures &amp; Savings Summary 2021/22</b>		<b>2021/22 £ 000's</b>	<b>2021/22 £ 000's</b>
	<b>Ongoing One-Off</b>	<b>Savings</b>	<b>Pressures</b>
<b>Supervision and Management</b>			
Housing Income Team - reduction of Travel expenses	Ongoing	(2,800)	
Post: M294 (Financial Inclusion Officer) vacancy savings of 5hrs	Ongoing	(4,100)	
Tenancy Services - Cleaning of HRA Properties and Pest Control	Ongoing	(13,800)	
Tenancy Services - reduction of Travel expenses	Ongoing	(10,800)	
Post: Q077 (Tenancy & Estate Management Officer) 37hr saving	Ongoing	(35,900)	
ASB - reduction of Travel Expenses based on previous years actuals	Ongoing	(4,500)	
Tenant Participation & Consultation - reduction of Travel expenses	Ongoing	(1,000)	
Tenant Participation & Consultation - reduction of Subsistence	Ongoing	(2,300)	
Wardens Services - reduction of Furniture budget	Ongoing	(5,000)	
Wardens Services - reduction of Equipment budget	Ongoing	(4,000)	
Central Control - reduction of Buildings R&M budget	Ongoing	(1,800)	
Central Control - reduction of Travel expenses	Ongoing	(600)	
<b>Repairs and Maintenance</b>			
Grounds Maintenance variation	Ongoing		1,400
Compliance - increase in Legionella budget	Ongoing		15,000
Compliance - reduction of Legal income budget	Ongoing		3,600
Central Control - Disaster Recovery Plan contract	Ongoing		2,500
Responsive Repairs- reduction of Travel expenses	Ongoing	(3,200)	
Voids - Hire of Rooms	Ongoing	(700)	
Voids - reduction of Travel	Ongoing	(1,100)	
Rechargeable Repairs - cost saving	Ongoing	(1,800)	
Health & Safety - reduction of Equipment budget	Ongoing	(5,000)	
Capital Team - reduction of Travel expenses	Ongoing	(15,700)	
Capital Team - reduction of Equipment budget	Ongoing	(1,500)	
Compliance - reduction of Gas App replace & renew budget	Ongoing	(30,000)	
Compliance - reduction of Disabled Adaptations budget	Ongoing	(10,000)	
Compliance - reduction of Fire Alarms budget	Ongoing	(13,000)	
Compliance - reduction of Travel expenses	Ongoing	(800)	
Compliance - Fire Ext budget no longer needed	Ongoing	(1,000)	
Compliance - reduction of Legal cost budget	Ongoing	(3,600)	
Business Support - reduction of Travel expenses	Ongoing	(2,300)	
<b>Total Ongoing Savings</b>		<b>(176,300)</b>	<b>22,500</b>
<b>Overall Net savings</b>			<b>(153,800)</b>

**Appendix A7**

<b>General Fund Service (Savings) and Pressures Summary 2021/22</b>	<b>£'000's</b>	<b>one off /ongoing</b>
<b>Corporate Savings</b>		
Minimum Revenue Provision & interest savings on Fleet purchase	(350)	ongoing
Corporate - staff T&Cs	(200)	ongoing
Increase manage vacancy allowance from 2.5% to 3.5% based on vacant hours analysis	(150)	ongoing
<b>Commercialisation</b>		
Commercialisation - Rental Income Increase to a £650k Budget	(470)	ongoing
<b>Deletion of vacant posts or vacant hours - No service changes required</b>		
Finance - Payments Assistants 21.5hrs Post Q045 4.5hrs, Post M142 17hrs	(17)	ongoing
Procurement Team - 3-year SLA with Nottingham City Council Post M267 20 hrs, Post L310 37 hrs	(13)	ongoing
Neighbourhood Development Post A052 7 hrs, Post P002 Admin Assistant 22 hrs	(25)	ongoing
Street Management - Street Warden Post M005 37 hrs	(29)	ongoing
Environmental Planning Assistant M388 37hrs, Compliance Technician P139 37hrs, & Principal Planning Officer P214 0.50 hrs	(64)	ongoing
Customer Service and Contact Centre vacant posts	(56)	ongoing
<b>Other service reviews – changes in organisational structure</b>		
Service Reviews across 8 Head of Service Areas	(340)	ongoing
<b>Service changes</b>		
Reduce Member Grants to £500 per Cllr	(13)	ongoing
Merge grant including sports grants and reduce to £50k in total. Community Development Engagement and Loughborough Grants total £104k	(54)	ongoing
Reduce LLEP Funding to £9k	(8)	ongoing
Reduce Staff Training budget from £60k to £50k and Member Training Budgets from £10k to £7.5k based on the reduced cost of online training going forward	(12)	ongoing
Reduce Scrutiny Committees by two from four Member Allowance saving	(10)	ongoing
Change Mayoralty car to electric at the end of the current lease in Jan 2021	(2)	ongoing
Reduce Environmental Services Communications budget, related to campaigns and other Environmental projects	(60)	ongoing
Consistency in the opening hours at the museum all year to allow for the option of delivering specific events at the Museum in the hours closed to the public.	(2)	ongoing
Biggin Street Public Toilets - Consolidate onto Market Place facilities	(20)	ongoing
Sell wood from the Outwoods	(10)	ongoing
Increase Garden Waste charge by £1 per year from £40 to £41 and £45 to £46 (national average is £40)	(30)	ongoing
Reduce quality of life tree works budget to £28k	(10)	ongoing
Planning Applications - Bank Charges reduction	(2)	ongoing
Planning Applications - Increase in Pre-Application Advice Income	(7)	ongoing
Provision of Building Control Services for NWLDC - Management Fee	(20)	ongoing
Crematorium Turnover Commission Income increase	(15)	ongoing
<b>Total Savings</b>	<b>(2,059)</b>	

<b>General Fund Service Pressures 2021/22</b>	<b>£'000's</b>	<b>one off /ongoing</b>
<b>One Off Covid 19 Related Pressures</b>		

Leisure Centres - Assumes No income but no subsidy	247	one off
Markets income - Estimated income Loss	128	one off
Town Hall - Estimated income loss, assumes Panto attendance is unrestricted by COVID	273	one off
Town Centre Street trading income Loss	11	one off
Public Conveniences loss of income	18	one off
Museum loss of income	4	one off
Carillon income shortfall	3	one off
Car parking - Estimated loss of income, assumed at 85% of pre Covid 19 Levels	141	one off
<b>Contractual Costs/Pressures</b>		
Revenues & Benefits - Capita	23	ongoing
Environmental Services Serco contract costs including Fleet costs	236	ongoing
Open spaces - Idverde	17	ongoing
Trade Waste	19	ongoing
HR contractual inflation	6	ongoing
Corporate Merchant Bank Charges	17	ongoing
Members Allowance inflation	16	ongoing
<b>Other Pressures</b>		
Planning Fees & Charges - Income Levels reduced to reflect recent history	300	ongoing
Local Plans - Contribution to Strategic Growth Plan	30	ongoing
Building Control - Street Naming & Numbering – Income reductions recent history	26	ongoing
Reduced Lottery Income to reflect recent history	11	ongoing
Organisational Development - Residents Survey	8	ongoing
Website Development	2	ongoing
Cyber Insurance, Commercial Property and Insurance Contractual increases	100	ongoing
Supported Living additional Housing Benefit losses to £665k (worse case could be £1.1m)	200	
<b>Total Pressures</b>	<b>1,859</b>	
<b>Net (Saving)</b>	<b>(200)</b>	
<b>Items to be funded as One Off from un ringfenced Planning Reserve</b>		
Local Plans Examination Costs	96	
Appeals & Enforcement Costs	10	
<b>Total One-off Items funded by Planning Reserve</b>	<b>106</b>	



**Charnwood Borough Council  
Medium Term Financial Strategy  
2021 – 2024**

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## 1. Foreword

As I write each new foreword to the latest iteration of the Medium Term Financial Strategy (MTFS) I reflect on the significant financial uncertainties facing the Council, but console myself with the thought that next year we will have much greater clarity over our financial position.



Writing now, in January 2021 the entire fabric of society continues to be stressed by the ongoing impact of the COVID-19 pandemic which we have all lived through now for many months.

The impact of this on communities across the planet has been profound, not least in terms of the global impact on health and mortality. In this context, the financial fortunes of an individual local authority may not be seen as significant, but we have an important role in continuing to deliver critical services for our communities within Charnwood and helping them recover from the pandemic. A forward look at our financial prospects and our progress towards financial sustainability is an important element in our efforts to continue in this vital role

Of fundamental importance to local government is the outcome of the Fair Funding review, which was due in the autumn of 2019. A combination of (initially) Brexit uncertainty combined with the impact of COVID-19 has resulted in this exercise being delayed. It is hoped that the results of this review maybe forthcoming in the autumn of this year, although there is no certainty in the timescales at this time, and previous experience suggests that this may be optimistic .

One anticipated outcome of the Fair Funding review is a multi-year settlement which would enable medium term financial planning, but in the absence of this, we have been forced to rely on projections based on prior years. However, the recent provisional local government financial settlement (December 2020) offers very little information beyond the 2021/22 financial year due to the one-year only nature of many elements of the settlement. Unfortunately therefore, the funding projections for future years are extremely speculative. Further, the actual funding that we're likely to receive (excluding COVID-19 grants) leaves us around £0.4m below what we projected in the draft budget and of the total funding, around £2.8m is identified as either specifically one-off or earmarked for reduction in future years. In practice, we would expect to see the government mitigate the impact of this, perhaps by relaxing the cap on council tax increases, but at the time of writing there are no indications as to what future financial settlements might look like.

Notwithstanding the impact of COVID-19 on our finances in this financial year, which were summarized in the Revised Budget report presented to the Council meeting in November 2020, the Council's reserves remain adequate. However, there is little doubt that our financial challenges are greater, and the timescale to address these has been shortened. Great progress has already been made in developing our

commercial property income streams and identifying savings that are reflected in our budget for 2021/22 but the effort needs to continue as we look to become ever more efficient and develop our transformation and commercialisation programmes.

Councillor Tom Barkley  
Cabinet Lead Member for Finance  
January 2021

## 2. Executive summary

This Medium Term Financial Strategy (MTFS) considers the financial outlook for Charnwood Borough Council ('Charnwood', or the 'Council') for the three financial years 2021/22, 2022/23 and 2023/24. The document's focus is on the 'General Fund'; certain aspects of the Housing Revenue Account are also discussed but the outlook for this is dealt with separately within the 30 year Housing Revenue Account business plan.

At the core of this document are the financial projections for these three years which show the funding challenges during this period. The timing of this iteration of the MTFS is somewhat later than in previous years which has allowed us to take account of the provisional local government finance settlement and prepare a draft budget which forms the first year (2021/22) of the projections. Council will be asked to approve this budget in conjunction with this MTFS.

In summary the financial projections show:

- 2021/22 (the budget) shows a use of reserves of some £1.0m
- 2022/23 will see a £1.1m use of reserves
- 2023/24 will see a further £0.8m use of reserves

Over the three year MTFS period this would imply a use of reserves of £2.9m.

The uncertainty, and associated limited confidence that can be placed on these projections should not be underestimated, due to the ongoing impact of COVID-19 on the Council's income and expenditure, the extent to which government wishes to provide financial support help Council's through this period, and the future financial settlements that local government will be offered about which little is known at present.

In broad terms, the projections assume that the impact of the pandemic will abate as the 2021 calendar year progresses and that income levels will return towards pre-pandemic levels and that COVID-19 related expenditure pressures will reduce.

The financial settlement for 2021/22 is some £0.4m below that estimated within the draft budget but its impact is mitigated by one off COVID-19 funding such that the Working Balance (the Council's principal reserve against financial shocks) should be above the draft budget projections at 31 March 2022 (£2.5m versus £2.0m)

No such mitigation can be assumed for the latter years of the MTFS period so it is assumed – in the absence of other information – that future financial settlements will in total equate to that for 2021/22. This assumption on future financial settlements may appear somewhat pessimistic – being around £1.0m below the initial (pre-COVID-19) 2020/21 allocation it is important to note that within the latest settlement a number of elements are either due to reduce significantly (New

Homes Bonus), or are potentially awards for a single year only (such as Lower Tier Services Grant). It is unlikely that all such funding – some £2.8m - would be removed but all this funding must be regarded as at risk.

Further, this assumption implies that the Government will provide – via as yet unidentified grants – replacement grant funding amounting to £2.7m in 2022/23 and £3.6m in 2023/24. **This assumption is highly speculative and represents the principal financial risk within the MTFS projections.**

The budget for 2021/22 reflects significant progress in commercial income generation and identification of savings but projections for 2022/23 and 2023/24 do not represent a financially sustainable outlook in the context of the Councils current reserve levels (Section 11 of this Strategy sets out more detail on this).

**Finally, It is important to note** that in respect of the 2022/23 and 2023/24 financial years the projections do not take account of management actions – which will clearly be necessary – to address the financial challenges identified these projections. To this extent the financial projections for these years should be regarded as an estimate of the financial challenge facing the Council, not a financial prediction.

Going forward, it will be necessary to continue with the efforts targeted at financial sustainability and this will be a major component of Council activity for the foreseeable future.

#### *Budgetary approach for 2021/22 and future budgets*

It is hoped that one outcome of the delayed Fair Funding review, originally slated for the autumn of 2019, will be a multi-year financial settlement which will significantly assist in future financial planning. In the absence of any reliable steer on future financial settlements at this time however, our budgetary approach will be to aim to maintain the Council's working balance at or above the £2.0m level considered adequate by the Section 151 Officer. This objective is achieved in respect of the budget proposed for the 2021/22 financial year.

### 3. Introduction

The Medium Term Financial Strategy (MTFS) takes a forward look at the political, economic and regulatory environment facing the Council and uses these to create a high level financial model of future potential revenues and costs.

This model attempts to identify potentially significant funding surpluses or shortfalls that may arise in the medium term, and to inform the Council's budget setting process. It takes into account existing income and expenditure patterns – although these are very disrupted due to COVID-19 - together with identified and material cost pressures. The model also incorporates projected savings and efficiencies from the implementation of existing strategies, policies and projects, where these are considered sufficiently likely to materialize, and considers significant budgetary risk identifiable from current budgetary monitoring to attempt a holistic view of the Council's future financial position.

In order to balance the desire to take a long term view of the Council's financial future, and the limits on our ability to create meaningful forecasts over such a period, the MTFS has been developed to cover three years, from 1 April 2021 to 31 March 2024. The first year of this projection uses the 2021/22 budget figures presented to Council for approval alongside this document.

The purpose of this document can be summarised as follows:

- Outline the principal factors that will influence the availability of the Council's financial resources in the medium term
- Inform and define the medium term service delivery plans, in the context of financial challenges identified in financial terms
- Provide the financial basis for the Council to decide its corporate priorities for future years.

**However** – it is important to state that in respect of the 2022/23 and 2023/24 financial years the projections do not take account of management actions – which will clearly be necessary – to address the financial challenges inherent in these projections. To this extent the financial projections for these years should be regarded as an estimate of the financial challenge facing the Council, not a financial prediction.

#### *Scope of the MTFS*

This strategy document concentrates on the General Fund, which deals with non-housing revenue items and derives its income from charges, government grants, council tax and business rates. The Housing Revenue Account (HRA) has its own business plan and both General Fund and HRA capital expenditure are subject to a three year programme which is reviewed separately from revenue items. However, the impact of capital investment and the HRA on the General Fund is considered as part of this strategy. In particular, the MTFS reflects the

impact of the Council's Capital Strategy, which itself incorporates both the Treasury Management Strategy and the Commercial Investment Strategy.

The Council's finances are actively managed on an ongoing basis and the adoption of this strategy will require executive decisions to carry out any significant actions identified.

## 4. Political, economic and regulatory outlook

In assessing prospects for the Council's finances it is necessary to consider how the wider political and macro-economic factors feed through into the availability of funding for the public sector, what proportion of this will be allocated to local government, and within this allocation – eventually informed by the Fair Funding review – what the funding settlement for each Council will be. Local economic factors will also impact Council income streams, the demand for Council services, and the Council's ability to fund these.

At the time of drafting this Strategy (January 2021) the UK has finally secured a free trade deal with the EU following the United Kingdom's exit from the European Union, and whilst the arrival of COVID-19 gives rise to medium term optimism economic activity in the UK remains severely constrained by the restrictions brought about by the pandemic.

An alternative economic forecast, more focussed on monetary policy and interest rates, is presented within the Capital Strategy (also presented to Cabinet and then Council for approval in February 2021). For variation and contrast, the Deloitte economists' more general summary of the UK economy is provided below:

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### ***Deloitte COVID-19 economics monitor***

#### *GDP growth forecast for the UK*

We have revised our UK GDP numbers to reflect the impact on activity of restrictions needed to contain the new COVID-19 variant. The main change is a larger contraction in the first quarter, but we expect the downturn in GDP to be smaller than in the first half of 2020, given increased business preparedness and continued fiscal and monetary support. In the second quarter we expect the rollout of the vaccine and warmer weather to allow for a modest easing of restrictions, followed by a strong bounce in the third quarter as vaccine coverage exceeds 50% of the population.

#### Our forecast profile for UK GDP growth (base case)

Quarterly (QoQ)								Annual	
2020				2021				2020	2021
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	YoY	YoY
-2.5%	-19.8%	15.5%	-2.5%	-3.5%	2.5%	9.0%	1.5%	-11.3%	2.6%

- The conclusion of a EU-UK free-trade agreement has bolstered the sterling exchange rate, bringing it closer to what international price-level differentials would suggest.
- Mortgage approvals hit a 13-year high in November as buyers took advantage of the stamp-duty holiday. Strong demand pushed house prices to a record-high in December.
- In November, the share of retail sales conducted online soared to a record-high 36%.
- In August-October the unemployment rate rose to 4.9%, up from 4.2% in the previous three months. Redundancies rose by 217,000 to a record high 370,000, but fell slightly in the month of October.

Our latest survey of British Chief Financial Officers (CFO's) took place between 2-14 December.

- CFOs' optimism rose to a 12-year high, buoyed by the prospect of mass vaccinations and a return to growth in 2021.
- The Brexit trade deal, which came after the survey closed, should be positive for business confidence. CFOs saw a no-deal outlook as a significant risk to the economy.
- Half of CFOs think it will take until the last quarter of 2021 or later for their own revenues to return to pre-pandemic levels.
- CFOs expect levels of home-working to rise five-fold by 2025 compared to pre-pandemic levels, and forecast higher levels of taxation and regulation in the longer term.

*Public health and the lockdown - Cases surge as new COVID-19 variant spreads*

- In the UK new daily cases surged starting in mid-December, as a more infectious COVID-19 variant gained traction. Several countries restricted travel from the UK, but cases of the new variant have already been registered in Europe and the US.
- The UK and other European countries have tightened and extended restrictions that were eased after cases peaked in November.
- Hospitalisations from COVID-19, which lag new cases by several weeks are at record highs in the UK and the US. Daily deaths are near record-highs in the US and Germany and rising in the UK.
- The start of vaccinations has raised hopes that we may be nearing the end of the pandemic, but questions remain about the timeline for vaccinating large cohorts of the population, the vaccine's ability to reduce transmission and developing countries' access to the vaccine.

*Policy response – fiscal support expanded*

- Central banks in the euro area, UK and US are expected to maintain or even expand their loose policy stances – involving ultra-low rates and bond purchases – over the medium term.
- Low interest rates, high private savings and low inflation expectations mean that governments can borrow at record-low rates and spend a lower share of their expenditure on interest payments, despite higher overall debt.

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In summary, the above analysis offers grounds for cautious optimism for the next financial year with the prospect of economic activity recovering, although still well below pre-pandemic levels.

In the medium term, the consensus opinion amongst professional economists is that 'Brexit' will have a negative impact on the economy in both the short and longer term. Inevitably, there is no consensus on the overall degree of impact, although a 'no deal' scenario has been avoided and the UK will benefit from a more 'managed' exit.

As noted above, the demand for the Council's services and its income streams are affected by the general economic health of the Borough, whilst prevailing interest rates have a direct impact on the Council's interest receipts. Areas of deprivation do exist in the Borough but as a whole Charnwood is above averagely prosperous, with a ranking of 236 out of 317 English local authorities<sup>1</sup> (where '1' is

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<sup>1</sup> English local authority Index of Multiple Deprivation 2019 (IMD average ranks – File 10; latest result available, updated October 2019)

the most deprived and '317' the least deprived local authority respectively). This relative prosperity is an important factor in the projected housing growth in the Borough and this growth will affect both costs and revenues as it arises. In the relatively short term however, and over the period of this MTFS, the general assumption is that the economic landscape will be one of an uncertain and patchy recovery.

#### *Fair Funding review and future local government financial settlements*

The 'Fair Funding review' in which the government is to create a new framework for local government funding based on a greater level of local business rate retention and set new funding baselines was originally planned for implementation from the 2020/21 financial year. This would have created a multi-year financial settlement from this year. However, the results of the Fair Funding review have been further delayed and at the time of writing this report there is no clear timetable for its completion. Local Authorities have therefore been allocated financial settlements on a one-year only basis for both 2020/21 and 2021/22.

Given the one-year only basis of the recent settlements, and the absence of any material indication of future settlements, there is little option but to assume future settlements will be in line with the most recent. This is discussed further in subsequent sections of the MTFS.

More detailed assumptions around the key individual components of the Council's revenue streams and expenditure are set out in subsequent sections of the MTFS.

## 5. Financial projections – overview

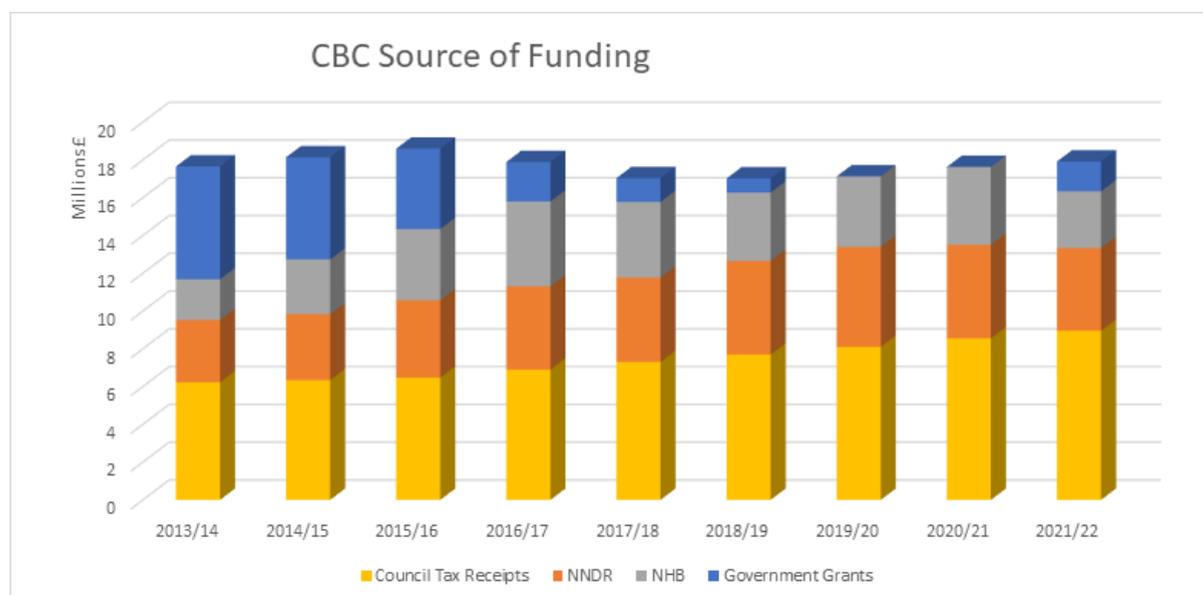
At the heart of this MTFS is the high level financial model. This is used to derive an estimate of the Council's future revenues and costs and the associated impact on the Council's reserves. Subsequent sections describe how the model has been developed and the key assumptions used, as follows:

- Local government financing regime: discusses the projected mix of council tax and government grant revenues over the period of the MTFS
- Treasury management and investment income: discusses the Council's current approach to fund investment and projected levels of interest receivable, together with comments on envisaged future activities
- Key operational assumptions: describes the derivation and key assumptions underpinning the projections of operational income and expenditure
- Transformation and Efficiency Plans: describes the activities undertaken and identified, and initiatives planned and underway that will address the budget challenges
- Budget risks: sets out material high-level risks identified
- Existing financial resources and use of prudential borrowing: describes how revenue and capital expenditure of the Council may be financed over the period of the MTFS using reserves or prudential borrowing
- General Fund financial projections: presents the projected financial outlook for the Council over the period of the MTFS in tabular form

## 6. The local government financing regime

The Council's funding is currently derived from a mixture of council tax receipts, new homes bonus payments, a share of locally collected business rates and direct government grant funding. A continuing theme from the government has been the drive towards financial independence for local authorities and the move towards localism. In practice this now means a reduction in levels of direct (formula) grant funding, and increasing reliance on council tax receipts. The graph below illustrates this trend.

Table 1: Relative funding streams



The envisaged outcome of the Fair Funding review was a new national business rate retention scheme (with a headline 75% retention rate compared to the current 50% retention scheme currently in place), alongside a possible replacement of the New Homes Bonus scheme to offer incentivization for housing growth. However, this will now be delayed until at least the 2022/23 financial year, and given the impact of COVID-19 and Brexit, combined with the ongoing review of the business rates system, it is possible that previous Fair Funding proposals will be re-evaluated.

The principal features of the financing regime and key assumptions and sensitivities in respect of Charnwood are discussed in more detail in the following paragraphs.

### *Council tax*

It is generally assumed that there is resistance from local citizens to any significant increases in Council Tax. With this in mind, the Coalition government (2010 – 2015) introduced legislation requiring council tax increases above a certain level to be endorsed by the public through a local referendum. This restrictive approach has continued under successive Conservative administrations. However, in recognition of increasing evidence that local authorities are struggling financially the Government somewhat relaxed the limits at which a local authority would trigger a referendum and in recent years has allowed all District and Borough Councils to increase council tax

by up to a maximum of £5 or 2% per band D property as well as allowing authorities with Social Care responsibilities an additional 2% increase on top of the standard cap that would have triggered a referendum. These relaxations have only been confirmed on a year by year basis but for the purposes of the MTFs, these limits are assumed to apply to District and Borough Councils for each of the financial years considered. At the time of writing the government consultation on the 2021/22 settlement remains open and the Council, along with the District Council Network, and other local authorities have lobbied for a further relaxation of council capping rules; the outcome of this lobbying is as yet unknown.

In comparison to other districts, Charnwood's council tax charges are still amongst the lowest in the country as the data from the Department of Communities and Local Government below illustrates:

Table 2: Comparison of District Band D Council Tax Charges 2020/21

	<b>Council Tax Band D</b>	<b>Rank (of 188)</b>		<b>Council Tax Band D</b>	<b>Rank (of 188)</b>
NATIONAL PICTURE			LEICESTERSHIRE AUTHORITIES		
<u>Lowest</u>					
Breckland	£95	1	Hinckley & Bosworth	£135	14
West Oxfordshire	£104	2	<b>Charnwood</b>	<b>£149</b>	<b>23</b>
Hambleton	£114	3	Harborough	£168	50
<b>Charnwood</b>	<b>£149</b>	<b>23</b>	Blaby	£168	52
			North West Leicestershire	£173	67
			Melton	£208	124
			Oadby & Wigston	£230	154
<u>Median</u>					
South Holland	£188	93			
North Devon	£188	94			
East Staffordshire	£189	95			
<u>Highest</u>			* Calculation includes Band D and Share of Loughborough Special Rate (or Equivalent) spread across whole tax base		
Oxford	£314	186			
Preston	£321	187	Source: MHCLG		
Ipswich	£369	188			

Given Charnwood's low tax charge and future funding uncertainties it is assumed that Council Tax will increase by the maximum amount in all of the financial years covered by this MTFs; this maximum is calculated on the basis of £5 per Band D property but has to be adjusted for the impact of increases in special expenses areas.

The actual amount of Council Tax collected will also vary in line with the tax base, essentially the number of properties against which Council Tax is levied. The tax base for this purpose is assumed to increase by 1.9% year on year over the period of this document (based on a moving average of increases in recent years).

As noted, the £5 increase must also take into account the Loughborough Special Expense area – so the Borough increase has to be below this overall limit.

Table 3: Projected Council Tax income tax increase

<i>(Amounts £000)</i>	<i>2021/22 budget</i>	<i>2022/23</i>	<i>2023/24</i>
Assumed council tax income	7,640	8,055	8,482

### *Loughborough Special Rate*

The town of Loughborough does not have the equivalent of a town council and the role that this organisation would fulfill is therefore undertaken by the Borough Council.

The Loughborough Special Rate is levied on the residents of Loughborough by the Borough Council and is used for activities specifically related to Loughborough town. This set of activities is comparable to those performed by towns and parishes and used by other Councils in equivalent situations. These activities have been validated by the Council and include maintenance of parks, cemeteries and memorials, management of allotments and costs associated with the Loughborough Fair and festive decorations. A full list of activities is set out in the Budget Book issued by the Council each year and available at:

[https://www.charnwood.gov.uk/files/documents/2020\\_21\\_budget\\_book/2020-21%20Budget%20Book.pdf](https://www.charnwood.gov.uk/files/documents/2020_21_budget_book/2020-21%20Budget%20Book.pdf)

For the purposes of the MTFs the Special Rate is assumed to increase by 1.99% year on year and is included within the projections.

**Note: The above paragraphs assume that council tax increases for 2021/22 will be approved by the meeting of the full Council in February.**

It should also be noted that for the purposes of assessing whether Council Tax increases are excessive when the government calculates the year on year level of increase for Charnwood, it includes both the main Borough charge and the Loughborough Special Rate.

Table 4: Projected Loughborough Special Rate income

<i>(Amounts £000)</i>	<i>2021/22 budget</i>	<i>2022/23</i>	<i>2023/24</i>
LSR – 1.99% increase assumed	1,311	1,364	1,419

### *Provisional local government finance settlement 2021/22*

The latest (albeit provisional) local government finance settlement continues the recent series of 'one-off' allocations, and comprises a mix of business rate retention, historic grant allocations, new, one-off grants, and COVID-19 specific funding. This is tabulated below:

Table 5: Provisional local government finance settlement

<i>(Amounts £000)</i>	<i>2020/21 budget</i>	<i>Draft budget 2021/22</i>	<i>Provl Settlement 2021/22</i>
Revenue Support Grant	0	0	168
Retained business rates	4,947	4,379	4,379
New Homes Bonus	4,122	4,289	3,000
Lower Tier Services Grant	0	0	7617
Movement on collection fund	143	50	2
<i>Sub-total</i>	<i>9,212</i>	<i>8,718</i>	<i>8,166</i>
Tranche #5 COVID-19 fuding	0	0	801
<b>Total</b>	<b>9,212</b>	<b>8,718</b>	<b>8,967</b>

### *Revenue Support Grant*

Revenue Support Grant (or 'formula' grant) is (historically) allocated to each local authority by the government using an assessment of need based on the characteristics of population, geography and other sources of finance available to an individual local authority. From 2014/15 this grant – which at that time was worth £4.2m to the Council – was gradually phased out and theoretically eliminated from 2020/21. The rationale and purpose of the award within the 2021/22 provisional settlement is therefore somewhat unclear and there is obvious uncertainty around the existence and amount of any future allocations.

### *Local share of national non-domestic rates ('business rates' or 'NNDR')*

From 1 April 2013 the structure of local government finance changed, with local authorities retaining a share of business rates collected in their area. The calculations are based on target rates of collection set by government and result in Charnwood retaining around 9% of the total collected. A baseline amount of retention is set out within the settlement equating to £4.3m for 2021/22 but the amount the Council receives is subject to a number of variables including collection rates and business rate reliefs for which the Council receives compensation via 'Section 31' grants. Local authorities can increase their business rate income by growing the business rate take in their area; conversely, if collections fall then local authorities bear an element of risk. Additionally, local authorities bear risks associated with rating appeals (many of which extend back for some years) and non-payment by businesses.

Discounting the impact of COVID-19, recent experience in Charnwood suggests, generally, a small degree of business rates growth envisaged over the period of the MTFs. In the medium term initiatives such as the development of the Loughborough University Science Park and, particularly, Charnwood Campus and the inclusion of these in an Enterprise Zone are hoped to offer some additional upside. However, given the prevailing economic climate, and in particular the impact of COVID-19 on many business sectors, a conservative projection for business rate retention, based on the 2021/22 baseline amount, is considered appropriate for the 2021/22 budget and this iteration of the MTFs.

Table 6: Projected local share of business rates

<i>(Amounts £000)</i>	<i>2021/22 budget</i>	<i>2022/23</i>	<i>2023/24</i>
NDR retention	4,379	4,465	4,551

### *New Homes Bonus*

The New Homes Bonus (NHB) was designed to provide an incentive payment for local authorities to stimulate housing growth in their area. The calculation is based on council tax statistics submitted each October and, up to 2016/17, a 'bonus' was payable for the following six financial years based on each (net) additional property using a standardised council tax Band D amount (this varies with the national average but is historically £1,500+ per property). In two-tier local government areas this payment is split in the ratio 20% to county councils, 80% to district councils.

The NHB scheme started in 2011/12, so 2016/17 was the first year in which the Council received a full six years funding. Up until 2016/17 the amount of NHB received grew naturally due to the cumulative funding effect since the scheme was introduced in 2011/12. From 2017/18 the mechanism under which NHB funding levels are determined changed. The number of years over which the funding is received reduced to five in 2017/18 then a further reduction to four years applied from 2018/19 onwards. Additionally a 'deadweight' growth upon which no bonus is payable ('deadweight' growth) was been introduced, further reducing future payments. The deadweight growth was set at 0.4% in respect of 2018/19; this could vary but has been maintained by the government in future years.

In the 2020/21 settlement the government started, in effect, to phase out NHB and whilst an award was made for this year, this was a one-year award only and attracted no legacy payment; however, the total amount received was in line with previous years as three sets of 'legacy payment' were due. In the 2021/22 NHB comprises the remaining two legacy payments due and another one-year award for this year – resulting in a significant (£1.3m) reduction versus the previous year.

Based on the above, and in the absence of any one-year awards, NHB will reduce to just under £1m in 2022/23 and disappear thereafter. Some sort of replacement for NHB aimed at incentivising housing growth

Table 6: Charnwood New Homes Bonus – historic and projected 2015/16 – 2020/21

	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
'Legacy payments'	3,621	3,731	3,023	2,185	988	-
One-off single year awards	-	-	1,106	815	-	-
<i>Total NHB grant received</i>	<i>3,621</i>	<i>3,731</i>	<i>4,129</i>	<i>3,000</i>	<i>988</i>	<i>Nil</i>

### *Lower Tier Services Grant*

The Lower Tier Services Grant is identified within the settlement as a one-year only grant. This is regarded within the local government sector as 'dampening' for the effects of the reduced New Homes Bonus awards in 2021/22.

### *COVID-19 funding*

The government has provided various types of COVID-19 funding within the 2020/21 financial year (more detail of which was set within the Revised budget for this year approved by a meeting of full Council in November 2020). This funding has either been unringfenced – for local authorities to spend as locally determined – or provided with conditions in order to address specific issues such increased homelessness or community support.

Alongside the settlement further COVID-19 support for local authorities was announced, the principal item being the fifth tranche of unringfenced support allocated for 2021/22 which is calculated to amount to £0.8m.

Other support comprises:

- Extension of the compensation scheme for losses of sales, fees and charges into the first quarter of 2021/22 – no detail of this scheme's operation is yet available but it can be regarded as potential additional revenue that will arise in 2021/22
- A local taxation support scheme that will provide compensation for irrecoverable council tax and business rate losses – again, full detail of the operation of this scheme is not yet available; compensation will actually relate to the 2020/21 financial year so in effect, any award will benefit the 'starting position' in terms of the Council's reserves for 2021/22

Given the uncertainty around the operation of these schemes no account of potential grant award is included within either the budget or MTFS.

### *Summary of funding assumptions*

Table 7: Summary of government funding – Budget and MTFS projections

<i>(Amounts £000)</i>	<i>Budget = Provl Settlement 2021/22</i>	MTFS projection 2022/23	MTFS projection 2023/24
Revenue Support Grant	168	-	-
Retained business rates	4,379	4,465	4,551
New Homes Bonus	3,000	988	-
Lower Tier Services Grant	617	-	-
Movement on collection fund	2	(15)	(15)
<i>Sub-total</i>	8,166	5,438	4,536
Tranche #5 COVID-19 fuding	801	-	-
<b>Other – non-specific funding</b>	-	2,728	3,630
<b>Total</b>	<b>8,967</b>	<b>8,166</b>	<b>8,166</b>

The table above illustrates the risk that a very significant funding gap could arise following the outcome of future local government financial settlements given the one-off or diminishing nature of awards contained within the 2021/22 provisional settlement. This is projected at £3.5m in 2022/23 and some £4.4m in 2023/24.

It does not seem likely that all this funding would be lost without some significant level of mitigation so it is therefore assumed that other government funding will be forthcoming to offset £2.7m and £3.6m of the prospective funding reduction respectively. If correct, this assumption would result in a new equilibrium funding level of £8.2m, in line with the 2021/22 settlement excluding the Tranche #5 COVID-19 grant and some £1m below the funding level allocated for 2020/21.

**It must be stressed that, in the absence of further information, this assumption is necessarily highly speculative and gives rise to an enormous level of uncertainty. Other uncertainties within the MTFS projections exist, but are rendered irrelevant by the scale of potential error inherent within this assumption.**

## 7. Treasury management and commercial investment income

### *Treasury management*

The majority of the Council's investments are short-term, mainly made up of cash deposited for short periods on money markets. The remainder is made up of loans to other local authorities for periods of up to two years and longer term holdings in property funds. In recent years these have had a value in the range of £39-£66m at any point in time. Broadly, these amounts represent a combination of Council Reserves (including the Housing Revenue Account), business rates and council tax collected on behalf of the County Council, local police and fire authorities, and parishes. The investment income generated from these balances remains an important source of funding for the Council despite the ongoing low level of interest rates.

In selecting its investments, the Council must balance the rates of return available whilst ensuring the security and liquidity of its investments. As a body that must take its stewardship of public money seriously, the Council adopts a prudent treasury management strategy. This strategy is subject to Council approval each year and aims to allow the Council's finance team appropriate levels of latitude in the day to day management of treasury operations within closely defined operational parameters.

The investment strategy is weighted towards security and liquidity of capital and, in general, it is envisaged that this approach will continue. However, this strategy assumes a continuation of the trend of recent years to seek increased returns through loans to other public sector bodies and investments in a wider range of financial instruments, such as property funds. Therefore, whilst security and liquidity remain paramount, the Council is now adopting a more proactive approach and is accepting a slight degradation in risk and liquidity factors<sup>2</sup> in exchange for higher returns. This matter is discussed in more detail in the Council's Capital Strategy, which is also scheduled for Cabinet and Council approval in February 2021.

For the purposes of projections, it is assumed that:

- Interest rates are likely to rise in the medium term
- Average cash balances available for investment will reduce (reflecting use of internal borrowing to finance the commercial property portfolio and the delivery of the capital plan)
- The net effect of the above will deliver returns in line with the 2020/21 budget

Table 8: Investment income (interest receivable) projections

<i>(Amounts £000)</i>	<i>2021/22 budget</i>	<i>2022/23</i>	<i>2023/24</i>
Interest receivable	(300)	(300)	(300)

<sup>2</sup> Context here is important; the Council's investments can / will still be regarded as low risk within the range of all available financial investment opportunities

### *Commercial investment income*

In 2020/21 (to date) the Council has built up a portfolio of commercial properties for investment purposes at a cost of £22m, generating gross annual rental returns in excess of £1m. Up to date these purchases have been financed by ‘internal borrowing’ – using existing cash resources earmarked for other activity (such as delivery of the capital plan).

However, additional acquisitions, or any other major capital initiatives, would almost certainly require use of external debt and if the Council wishes to use the Public Works Loan Board (typically the cheapest available source of debt finance) then restrictions imposed as part of the 2020 autumn statement preclude any acquisition of additional commercial property within the extant capital plan. This restriction does not completely prevent additional acquisitions but workarounds such as the creation of special purpose corporate bodies may be required and for the purpose of this MTFS it is assumed that no further commercial property investment will occur.

Whilst over £1m in gross annual rentals will be generated from the existing investment properties the Council will adopt a prudent approach to recognizing this income with the 2021/22 budget and MTFS projections assuming net rentals of £0.65m per annum. This allows proper allowance of Minimum Revenue Provision (a charge reflecting the need to repay capital purchases unfunded by earmarked reserves), notional interest payments (reflecting the current internal borrowing arrangements) and creation of a reserve to allow for potential void rent periods, additional interest costs should debt need to be externalized, and similar.

Further details of the investment property portfolio are set out within the Capital Strategy 2021/22.

Table 9: Commercial (investment) property income projections

<i>(Amounts £000)</i>	<i>2021/22 budget</i>	<i>2022/23</i>	<i>2023/24</i>
Net rentals (after MRP, interest and provision)	(650)	(650)	(650)

## 8. Key operational assumptions

The Council's 'Net Service Expenditure' is the total amount spent on services, offset by income associated with the provision of those services such as planning fees receivable, income generated by the Council's car parks, or service specific grant income. The basis of the Council's projected Net Service Expenditure for the purposes of the MTFS is the 2021/22 budget.

For this iteration of the MTFS the key assumptions are around payroll costs (wages, salaries and on-costs, particularly employer pension contributions), indexation increases in major contracts, and services pressures identified as part of the 2021/22 budget setting process.<sup>8</sup>

### *Payroll costs*

The Chancellor's autumn statement included an announcement that public sector pay would be frozen, other than for staff earning at living wage levels. Local government pay is not strictly within the scope of organisations included within this announcement (having separate negotiation arrangements) but usually tracks other public sector pay closely. The MTFS therefore assumes essentially zero pay rises for 2021/22 and a small increase of 1% applicable to subsequent years.

Table 10: Payroll cost assumptions

<i>(Amounts £000)</i>	<i>2020/21 Budget</i>	<i>2021/22</i>	<i>2022/23</i>
Wages and salaries	+0%	+1%	+1%
<ul style="list-style-type: none"> <li>No annual increase 2021/22; 1% subsequent years</li> </ul>	14,187	14,329	14,472

### *Indexation cost increases in major contracts*

The indexation of major contracts – including environmental services, maintenance of open spaces and revenues and benefits – is reflected in the detailed 2021/22 budget calculations within the 'Savings and Pressures' line. The cost increase is calculated at £0.3m – principally due to costs associated with the impact of the environmental services fleet replacement. In subsequent years the general increase is assumed as:

- £0.2m in 2022/23
- £0.4m in 2023/24 (compared to 2021/22 base)

Table 11: Major contracts – cost indexation

<i>(Amounts £000)</i>	<i>2020/21 Budget</i>	<i>2021/22</i>	<i>2022/23</i>
Revenues & Benefits - Capita	23	23	23
Environmental Services Serco contract costs including Fleet costs	236	236	236
Open spaces - Idverde	17	17	17
Trade Waste	19	19	19

<i>(Amounts £000)</i>	<i>2020/21 Budget</i>	<i>2021/22</i>	<i>2022/23</i>
HR contractual inflation	6	6	6
Corporate Merchant Bank Charges	17	17	17
Members Allowance inflation	16	16	16
General indexation applied	-	200	400
<b>Totals</b>	<b>334</b>	<b>534</b>	<b>734</b>

## Service pressures

Service pressures excluding those relating to contracts are tabulated below:

Table 12: COVID-19 related and other service pressures

<i>(Amounts £000)</i>	<i>2020/21 Budget</i>	<i>2021/22</i>	<i>2022/23</i>
<b>COVID-19 related pressures</b>			
Leisure Centres – loss of subsidy	247	247	247
Markets income - income losses	128	64	64
Town Hall – income losses	273	-	-
Car parking - Estimated loss of income, assumed at 85% of pre Covid 19 Levels	141	141	141
Other COVID-19 related income losses	36	-	-
<b>Other pressures identified</b>			
Planning Fees & Charges - Income Levels reduced to reflect recent history	300	150	-
Local Plans - Contribution to Strategic Growth Plan	30	30	-
Building Control - Street Naming & Numbering - Income Levels reduced to reflect recent history	26	13	-
Cyber Insurance (new requirement) and Commercial Property Insurance cover	123	126	130
Supported Living additional Housing Benefit losses to £665k (worse case could be £1.1m)	200	300	400
Other sundry	21	21	21
<b>Sub total</b>	<b>1,525</b>	<b>1,092</b>	<b>1,003</b>
Contract related pressures – as above (Table 11)	334	534	734
<b>Totals</b>	<b>1,859</b>	<b>1,626</b>	<b>1,737</b>
<b>OTHER one off – local plan development</b>	<b>106</b>	<b>-</b>	<b>-</b>

The assumptions underpinning material elements within the above table are set out below.

COVID-19 related pressures:

- **Leisure centres** – it is assumed that in the remaining period of the leisure contract that centre income will recover from the impact of COVID-19 and that no additional Council support to the contractor will be required; however, it is assumed that ongoing fragility amongst leisure providers generally will result in the Council being unable to retain income subsidy in existing or any new contract
- **Markets** – it is assumed income levels will recover in 2021/22 and 2022/23 but then plateau towards a new lower normal in 2023/24 reflecting the loss of some existing traders and permanent changes in shopping habits
- **Town Hall** – shows and room hire will continue to operate at below previous levels in the initial months of 2021/22 but it is assumed that the key pantomime shows will be able to run in line with pre-pandemic operations for Christmas 2021; in subsequent years the MTFS assumes the Town Hall will operate at pre-pandemic levels
- **Car parking** – income is assumed at 85% of pre-pandemic levels across the MTFS period; underpinning assumptions are that economic activity will near normal by late spring 2021 but that permanent changes in shopping and commuting habits will restrict income recovery

Other pressures:

- **Planning fees** – the service pressure relating to planning fees in 2021/22 reflects income shortfalls in respect current and previous financial periods; in subsequent years it is assumed that either planning fees will recover and/or the cost base within the service will be adjusted to mitigate income shortfalls
- **Insurance costs** – additional insurance costs will be incurred due to an identified need to upgrade the Council's protection against cyber attacks and also to reflect additional property insurance required arising from the development of the commercial property portfolio; the MTFS projections assume some increases due to indexation in the latter years of the projection
- **Supported living costs** - these costs arise due to differences between housing benefit payments that the Council is required to make and amounts that are recoverable from the Government in respect of certain supported living facilities; there is little the Council can do to mitigate this issue and the projections assume an increase in units within Charnwood, rental increases applied, and an increasing number of claimants moving onto Universal Credit from housing benefit – all of which adversely affects the Council's financial position

## 9. Transformation and Efficiency plans

Charnwood has embarked on a programme to achieve financial sustainability. This programme is ongoing and has a number of elements as outlined below:

- Service reviews
- Assets and fixed costs
- Commercialisation and income generation
- Procurement
- Regeneration and economic growth
- Other - Technical and tactical approaches

The initial results of the programme are reflected in the savings and commercial income generating opportunities identified and reflected in the budget for 2021/22. As summarized below:

Table 13: Identified savings and income generation opportunities

<i>(Amounts £000)</i>	<i>2020/21 Budget</i>	<i>2021/22</i>	<i>2022/23</i>
<b>Corporate Savings</b>			
Minimum Revenue Provision & interest savings on Environmental Services Fleet purchase	(350)	(350)	(350)
Corporate - staff T&Cs / increase in managed vacancy allowance	(350)	(350)	(350)
<b>Commercialisation</b>			
Commercialisation - Rental Income Increase to a £650k Budget	(470)	(470)	(470)
<b>Staffing efficiencies – various services</b>			
Deletion of vacant posts or vacant hours - No service changes required	(204)	(204)	(204)
Other service reviews – changes in organisational structure	(340)	(340)	(340)
<b>Service changes</b>			
Reductions in grant schemes - various	(75)	(75)	(75)
Reduce Staff Training budget from £60k to £50k and Member Training Budgets from £10k to £7.5k based on the reduced cost of online training going forward	(12)	(12)	(12)
Reduce Scrutiny Committees by two from four Member Allowance saving	(10)	(10)	(10)
Change Mayoralty car to electric at the end of the current lease in Jan 2021	(2)	(2)	(2)
Reduce Environmental Services Communications budget, related to campaigns and other Environmental projects	(60)	(60)	(60)
Stop managing specific pieces of land - removing them from the Open Spaces Contract (90% is land at Bishops Meadow which is rented to a farmer). Other is land where there is no access, or no maintenance is required.	(70)	(70)	(70)
Consistency in the opening hours at the museum all year to allow for the option of delivering specific events at the Museum in the hours closed to the public.	(2)	(2)	(2)

<i>(Amounts £000)</i>	<i>2020/21 Budget</i>	<i>2021/22</i>	<i>2022/23</i>
Biggin Street Public Toilets - Consolidate onto Market Place facilities	(20)	(20)	(20)
Sell wood from the Outwoods	(10)	(10)	(10)
Increase Garden Waste charge by £1 per year from £40 to £41 and £45 to £46 (national average is £40)	(30)	(30)	(30)
Reduce quality of life tree works budget to £28k	(10)	(10)	(10)
Planning Applications - Bank Charges reduction	(2)	(2)	(2)
Planning Applications - Increase in Pre-Application Advice Income	(7)	(7)	(7)
Provision of Building Control Services for NWLDC - Management Fee	(20)	(20)	(20)
Crematorium Turnover Commission Income increase	(15)	(15)	(15)
<b>Total Savings</b>	<b>(2,059)</b>	<b>(2,059)</b>	<b>(2,059)</b>
Less: Commercial property investment income	470	470	470
<b>Savings net of commercial property income</b>	<b>(1,589)</b>	<b>(1,589)</b>	<b>(1,589)</b>

For the purposes of the MTFs projection it is assumed that savings and income generation identified in respect of the budget year 2021/22 will carry forward into future years, being specific actions and initiatives, and with a high level of probability that these can be delivered and sustained into the medium term.

It is recognized that further savings and / or income generation will be required in 2022/23 and 2023/24 to address the financial challenges identified within the MTFs projections, and as such it is important to note that the projections above are arithmetic in nature rather than predictions of a likely outcome.

## **10. Existing financial resources and use of prudential borrowing**

Currently, the Council retains a number of reserves on its balance sheet, representing amounts that the Council may use to deliver or enhance Council services. Broadly, these are of three types:

- The General Fund balance that can be used to fund any type of expenditure
- Balances that may be used to fund any type of expenditure but which have been earmarked for specific uses by the Council
- Balances that are restricted in use by Government regulation that can be used to fund only specific types of expenditure, usually of a capital nature

There are also other balances on the Council's balance sheet created as a result of Government regulation or accounting rules. These balances are not available to fund expenditure of any type.

In recent years Charnwood has continued to invest in service delivery and the MTFs assumes that:

- The General Fund balance will be maintained at a level of not less than £2m in line with good practice
- Other reserves will be utilised or created during the period of the MTFs as appropriate; additionally, transfers between reserves may be deemed appropriate

As will be seen from the financial projections the Council reserves levels are low and may go into deficit. Further action is required to address the projected net funding deficit across the period of the MTFs, as existing reserves cannot be used to fund ongoing revenue costs as these are to be set aside for one off emergency items.

In addition, the Council could consider utilising reserves in the short term in order that services can be restructured in a cost effective and efficient manner giving a sustainable base for the future.

### *Growth Support Fund and Capital Plan Reserve*

The Growth Support Fund has been established to support growth throughout the Borough. This fund is a revenue reserve and can be used for a variety of purposes, both revenue and capital. In addition, a Capital Plan Reserve has been created so that the Council can supplement its level of usable capital receipts. This reserve is designed to be used for General Fund capital items only but it is not constrained and could also be used to fund general fund revenue expenditure.

### *Usable Capital Receipts Reserve*

The Usable Capital Receipts Reserve represents the proceeds of asset sales available to meet future capital expenditure. The use of this reserve is restricted for application on items of a capital nature.

The Council has a well-established process exists for the management of the capital plan. For the purposes of the MTFS we are therefore able to assume that sufficient resources exist, or will be generated, to finance all uncompleted schemes within the current Capital Plan. Funding required beyond this point will rely on the Council's ability to generate new receipts from asset sales, or funding from revenue and/or reserves or Prudential Borrowing, which is discussed below.

### *Use of Prudential Borrowing – General Fund*

Charnwood had been able to avoid the use of borrowing in recent years but in the 2020/21 financial year undertook Prudential Borrowing to finance the acquisition of commercial properties for investment purposes (some £22m at the date of writing this Strategy) and to part finance the purchase of the new environmental services fleet.

Additional detail of this is set out in the Capital Strategy 2021/22.

### *Use of Prudential Borrowing for Housing*

The Council will externally borrow, if necessary, to undertake works in line with its Housing Capital Investment Programme and 30-Year Housing Business Plan. Where feasible it will 'internally borrow' from the General Fund provided there are surplus amounts available for this purpose. These internally borrowed amounts will be at similar interest rates to those offered by the government's Public Works Loan board (PWLb). The Council retains all its Council dwellings rental income in order to service the HRA debt, pay for repairs and maintenance of the housing stock and for its housing operations generally. This borrowing, and any additional borrowing as mentioned above, is segregated from General Fund borrowing and so does not directly impact on the MTFS. Further details regarding the HRA are set out in the section covering the Housing Revenue Account.

## 11. Financial Projections 2020 – 2023

Table 14 MTFS financial projections – General Fund

	2021/22 £000	2022/23 £000	2023/24 £000
<b>Expenditure</b>			
Baseline Net Service Costs	19,206	19,348	19,492
Service pressures	1,965	1,626	1,737
Commercial investment contribution	(650)	(650)	(650)
Other service savings	(1,589)	(1,589)	(1,589)
<b>Net Service Expenditure</b>	<b>18,932</b>	<b>18,735</b>	<b>18,990</b>
Interest payable	240	240	240
Interest receivable	(300)	(300)	(300)
<b>Total Borough Expenditure</b>	<b>18,872</b>	<b>18,675</b>	<b>18,930</b>
<b>Funding</b>			
Council Tax Receipts	7,640	8,055	8,482
Loughborough Special Levy	1,311	1,364	1,419
Revenue Support Grant	168	0	0
NNDR	4,379	4,465	4,551
New Homes Bonus	3,000	988	0
Lower Tier Services Grant	617	0	0
Tranche #5 COVID-19 funding	801	0	0
<b>Government Grants - non specific</b>	<b>0</b>	<b>2,728</b>	<b>3,630</b>
Collection Fund Surplus/(Deficit)	2	(15)	(15)
	17,919	17,584	18,066
<b>Projected use of reserves</b>			
<b>General fund</b>	<b>849</b>	<b>1,076</b>	<b>848</b>
Collection fund movement	(2)	15	15
Other revenue reserve	106	0	0
	<b>18,872</b>	<b>18,675</b>	<b>18,930</b>

The implication of the above projections is that to bring the Council's finances back into a sustainable position (ie. where expenditure is restricted to match funding) is that by 2023/24 the Council will need to remove around £1m from its projected cost base over and above savings identified and income generation created to date. **Critically, this assumes that funding due (or likely to) fall away from 2022/23 is replaced – which is a highly uncertain proposition at this time.**

The impact of these projections on the Council's revenue reserves is set out below:

Table 15: Projected movement on Working Balance

	2021/22 £000	2022/23 £000	2023/24 £000
<b>GF working balance</b>			
Balance brought forward	1,820	2,534	2,000
NNDR - technical adjustment	1,561	-	-
Use of balance in year	(847)	(1,091)	(863)
	2,534	1,443	1,137
<b>Additional Financial challenge</b>	<b>0</b>	<b>557</b>	<b>863</b>
<b>Balance carried forward</b>	<b>2,534</b>	<b>2,000</b>	<b>2,000</b>

The above projection shows that to maintain the Working Balance at a minimum level of £2m (as recommended by the Section 151 Officer) additional savings or income generation of £0.5m and £0.8m will need to be found in 2022/23 and 2023/24 respectively. Failure to find these savings or income streams would see the Working Balance reduce to £0.6m by 31 March 2024.

Table 16: Other Revenue Reserves

	2021/22 £000	2022/23 £000	2023/24 £000
<b>Other Revenue Reserves</b>			
Reinvestment Reserve	357	357	357
Capital Plan Reserve	1,819	1,819	1,819
Other Revenue Reserves	1,007	1,007	1,007
	<b>3,183</b>	<b>3,183</b>	<b>3,183</b>

(Movements in other reserves are typically not be directly connected to revenue expenditure but will in practice diminish through utilization over the MTFs period)

**Collection Fund:** In any year the amounts of council tax or business rates actually collected will differ from that budgeted due to additions or removals of

properties from the register, or non-collection of amounts billed. These surpluses or deficits are managed through the collection fund and (effectively) reflected in adjustments to precepts in subsequent years.

The 'NNDR – technical adjustment' identified within the movements on the Working Balance arises from the unwinding of a Collection Fund adjustment relating to the provision on business rate (or NNDR) appeals.

## 12. Risk and sensitivities

The delay in the Funding review and the one-year 'sticking plaster' nature of the likely local government financial settlement (historically there are little or no changes between the provisional and final settlements - which is usually communicated in mid-February) means that there is a high level of uncertainty around future funding in the latter years of this MTFs and a very wide range of plausible funding outcomes. The difference between maintaining funding at 2021/22 levels (including one-off COVID-19 funding) and minimum assumed future funding (where New Homes Bonus reduces in line with legacy payments and other one-off grants are not replaced) can be calculated at £3.5m in 2022/23 and £4.4m in 2023/24.

The other key sensitivity relates (inevitably) to COVID-19. In 2021/22 COVID-19 related pressures – principally are projected at £0.8m, falling to £0.5m in 2022/23 and 2023/24. Clearly much uncertainty remains about the progression of the pandemic, and whether changes in the patterns of Council income and expenditure prove temporary or permanent.

In the light of the above, other sensitivities are of less relevance but of note:

### *Supported living*

The projections assume these costs increase from £0.7m to £0.9m across the period of the MTFs. Based on current information around supported living units existing and planned, it is possible that costs could exceed £1m. However, should either the Council be successful in lobbying the Government about the impact of this situation, or the main providers in Charnwood achieve Registered Provider status then the cost to the Council could fall significantly.

### *Planning fees*

Planning fees are known to be cyclical in nature. Based on recent history a service pressure of £0.3m relating to loss in income versus historical budget is assumed; however, given the substantial nature of some individual planning fees a variance (adverse or negative) of this sort of amount around the budgeted figure would not be unusual.

### *Additional COVID-19 support*

The budget for 2021/22 does not include any projection for the support available arising from the extension of the sales, fees and charges compensation scheme into the first quarter of this year. It is not yet clear how this scheme extension is to work but based on the existing scheme compensation of up to £0.3m may be possible.

Further, as yet unknown and unspecified COVID-19 support may also be forthcoming depending on the progression of the pandemic.

### **13. Note on the Housing Revenue Account**

The Housing Revenue Account (or HRA) is a ring-fenced set of transactions that sit within the wider financial records of the Council. It had budgeted gross income of £21.9m in 2021/22 of which £20.9m was dwelling rents. Expenditure on management and repairs amounted to £12.3m whilst depreciation was £3.2m. A further £2.7m was required for interest payments on its debt.

There is a surplus or deficit on the HRA each year which is added to the brought forward HRA balance. This balance should always be in surplus and at 31 March 2020 it was £0.6m equating to its target balance of that amount. There is an additional £7.3m in a new Housing Financing Fund, the purpose being to help militate against the financial pressures that national policy may place on the HRA in the medium-term. There is £2.7m in the Major Repairs Reserve which has restrictions on its use to capital expenditure and the repayment of loans.

Rental levels are largely controlled by central government and there are certain other restraints on how the Council may manage its housing stock. The most recent 30 Year Housing Business Plan, which effectively represents the MTFs for the HRA, was approved by Council in November 2014.

### **14. Reserve Strategy**

As outlined above, from 2022/2023 onwards grant funding from central government is highly uncertain. The Council's strategy is to maintain a minimum of £2.0m in the working balance.

The Council's reserves have been adversely affected by COVID-19 (such an emergency is precisely why the Working Balance reserve is maintained) and concerted efforts will need to continue in order to meet this objective and ensure the Council remains financially sustainable.

The budget proposed for 2021/22 would leave the Working Balance at £2.5m, above the £2.0m minimum.

### **15. Monitoring, Delivery and Review**

There are well established processes for the monitoring of budgets which include regular outturn reports to the Performance Scrutiny Panel and Cabinet. For example, Revenue and Capital Plan outturn reports are usually presented to Cabinet in the July following completion of the financial year. Internally, budgets are monitored on a regular basis with regular Senior Leadership Team review whilst a series of 'Boards' chaired by the Council's Directors are in place to drive through the financial sustainability agenda.