



Colchester

## Cabinet

Item  
**7(i)**

27 January 2021

<b>Report of</b>	<b>Chief Operating Officer</b>	<b>Author</b>	<b>Paul Cook</b> <b>☎ 505861</b> <b>Darren Brown</b> <b>☎ 282891</b>
<b>Title</b>	<b>Budget 2021/22 and Medium-Term Financial Forecast</b>		
<b>Wards affected</b>	All		

### 1 Executive Summary

- 1.1 The report recommends a sustainable 2021/22 budget and Medium Term Financial Forecast 2021/22 to 2024/25.

### 2 Recommended Decision

- 2.1 To approve the 2021/22 Revenue Budget and revised Medium Term Financial Forecast as set out Appendix A.
- 2.2 To note the budget robustness statement and forecast level of balances set out in Appendix B.
- 2.3 To approve the Treasury Management Strategy 2021/22 to 2024/25 set out in Appendix C
- 2.4 To recommend to Council the 2021/22 revenue budget requirement of £20.623m as set out in Table E1 in Appendix E.
- 2.5 To recommend to Council Colchester's element of the Council Tax at £200.52 per Band D property being an increase of £4.95.
- 2.6 To increase the officer delegation to write off bad debts to £10k as per Section 12 of this report, subject to the approval of 19 January 2021 Governance and Audit Committee.
- 2.7 To note the proposed government changes to external audit arrangements set out in Section 8.19.

### 3 Reason for Recommended Decision

- 3.1 To balance the 2021/22 budget and revise the Medium Term Financial Forecast.

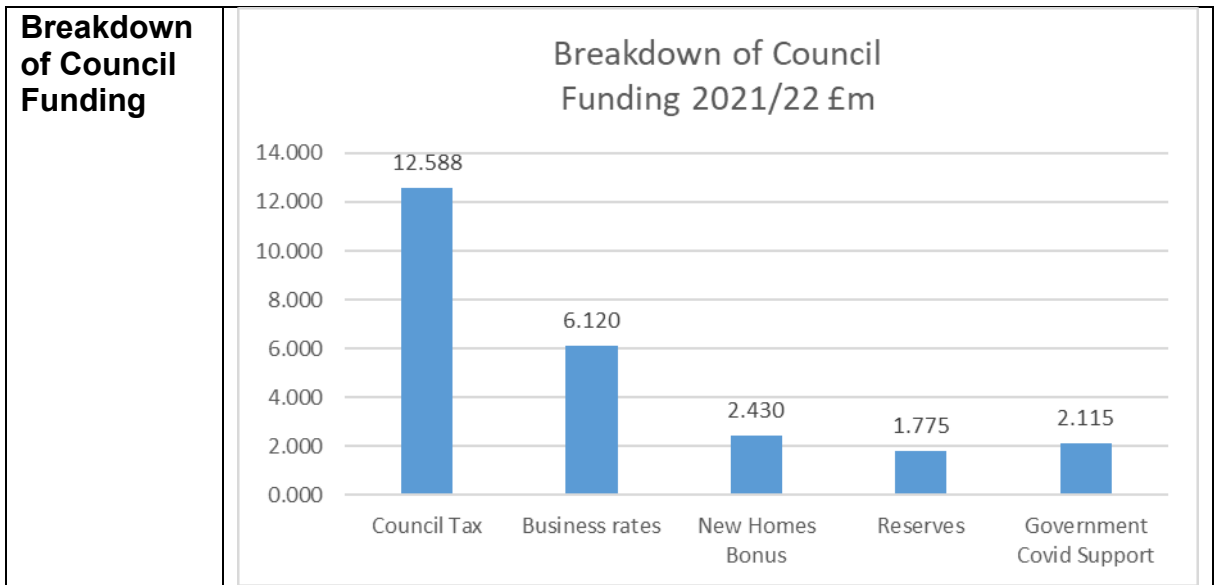
### 4 Alternative Options

- 4.1 None.

## 5 Summary of Council Funding

5.1 The table below describes some of the key budget terms used in the paper and the needs and services to which they relate and the sources of budget funds.

<b>Revenue</b>	These are the running costs and income sources of the Council, including <ul style="list-style-type: none"> <li>• Salaries of staff</li> <li>• Supplies and services provided to the Council and residents</li> <li>• Fees and charges where payments are required</li> </ul>
<b>Capital</b>	Council investment in land and buildings, plant and equipment, whether Council buildings, leisure, sports and other facilities, or in support of services to residents.
<b>Housing Revenue Account or HRA</b>	The costs of maintaining or adding to the Council's circa 5,900 council houses and flats. This account is kept separate from the Revenue and Capital accounts and is self-financing, in that income must meet or exceed spend in any year.
<b>General Fund</b>	Non-HRA services accounted such as waste collection, housing benefit administration, planning, democratic services and sports and leisure for example.
<b>The 21/22 Budget</b>	General Fund Revenue financial plan for next year 2021/22
<b>MTFF</b>	Our financial plan for the next four years on General Fund or Medium Term Financial Forecast
<b>Net Budget requirement</b>	A technical budget setting calculation the Council must make in accordance with complex rules set by the Government. It is essentially running costs less sales fees and charges and grants for individual services.
<b>Net General Fund Services Budget</b>	At some £23m (excluding North Essex Parking Partnership) it reflects the costs of all services and payments passing through the Council, at some £89m less £66m income, as set out in Appendix G.
<b>Government funding</b>	Since 2012 this comes mainly from retained Business Rates. New Homes Bonus is also a significant if reducing item. The balance of Council funds comes from Council Tax.
<b>Business rates</b>	We collect about £70m a year of which we expect to retain £6.120m in 2021/22. Business rates are set nationally.
<b>Council tax</b>	We collect about £110m, most of which goes to Essex County Council and expect to retain £12.588m in 2021/22. Our part of the Council Tax may be increased up to a maximum £5 per annum in 2021/22, without a referendum.
<b>Collection Fund</b>	Under government regulations, business rates and council tax are held and accounted for in a separate Collection Fund. This income is then distributed as required, to the government, the county council, and others, including this Council. It is also used to hold and share surpluses or to meet budget deficits, often over several years.

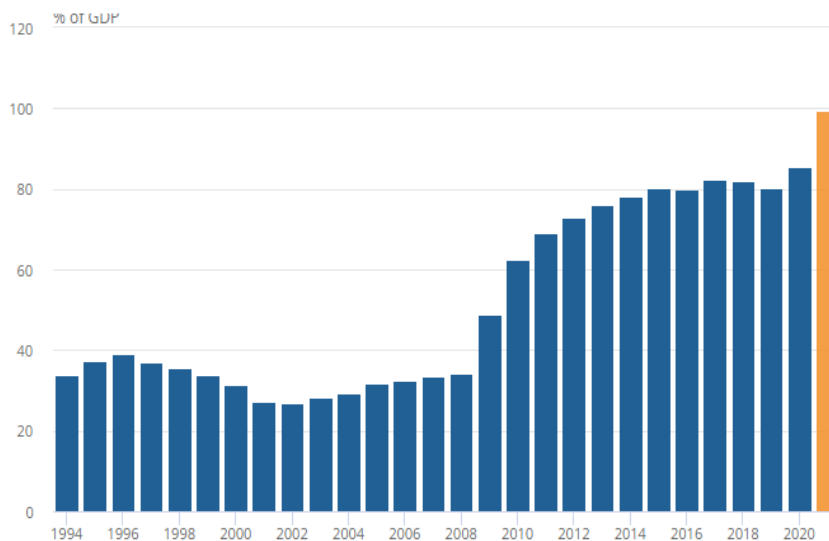


## 6 Macro-economic context

- 6.1 Public debt rose by £301.6 billion in the first eight months of the financial year to reach £2.1 trillion at the end of November 2020. At some 99.5% of gross domestic product (GDP) this was the highest level of government indebtedness since the 1960's and will increase throughout the MTFE period. Public sector borrowing costs are relatively low, but public finances will need to be put on a sustainable basis. To do so it is likely that government funding to Local Authorities will be reduced, as was the case after the financial crisis of 2008 and this could be a significant issue for this Council, in the medium term.

**Figure 8: Debt as a ratio of GDP has increased considerably during the COVID-19 pandemic**

Public sector net debt excluding public sector banks, UK, March 1994 to the end of November 2020



- 6.2 The HM Treasury average of independent forecasts for GDP decline in calendar year 2020 is 10.9%. In calendar year 2021 the economy is expected to recover by 5.4%, with a full recovery to pre pandemic levels unlikely before late 2022, at best. Unemployment has already risen sharply to 6% and is expected to rise further to 6.8% in calendar year 2021. The impact on the Council is likely to be reduced Government support in the medium term as the public finances need to be put back in order. A depressed economy will also impact on the Council's income, from less resident and visitor discretionary spend on leisure, to areas such as commercial rents and car parking. Higher unemployment will create an increased demand for Local Council Tax Support.

### FORECASTS FOR THE UK ECONOMY

This edition of the comparison contains 18 new forecasts, all of which were received between December 1st and December 11th 2020. The tables below summarise the average and range of independent forecasts for 2020 and 2021 and show the average of this month's new forecasts.

Forecasts for 2020					
	Independent*				Average of new* forecasts
	Averages		December		
	December	November	Lowest	Highest	
GDP growth (per cent)	-10.9	-10.6	-11.5	-8.9	-11.1
Inflation rate (Q4: per cent)					
- CPI	0.7	0.6	0.3	1.0	0.7
- RPI	1.4	1.2	0.7	1.7	1.4
LFS unemployment rate (Q4: %)	6.0	6.4	4.5	7.5	5.9
Current account (£bn)	-60.8	-61.2	-88.2	-42.1	-58.3
PSNB (2020-21: £bn)	380.9	359.2	332.5	422.7	381.2

Forecasts for 2021					
	Independent*				Average of new* forecasts
	Averages		December		
	December	November	Lowest	Highest	
GDP growth (per cent)	5.4	5.3	1.3	7.5	5.4
Inflation rate (Q4: per cent)					
- CPI	1.9	1.9	0.8	3.7	2.0
- RPI	2.6	2.6	1.1	4.9	2.7
LFS unemployment rate (Q4: %)	6.8	7.2	5.7	8.1	6.7
Current account (£bn)	-84.0	-77.2	-137.0	-40.0	-77.9
PSNB (2021-22: £bn)	199.7	195.9	138.6	276.0	202.1

## 7 Outlook for Local Government Funding

- 7.1 The provisional 2021/22 Local Government Finance Settlement was published on 17 December 2020. The Settlement is in three main parts:

- Support for Covid costs and impacts
- Core funding from government
- Changes to local authority external audit

- 7.2 Consultation on Covid support and impacts ended on 14 January 2021. Support has covered most costs and lost income in the current financial year 2020/21 and Councils are promised further help in 2021/22. Due to a prudent level of reserves and sound financial management Colchester has been able to cover direct and indirect Covid costs as well as lost income in 2020/21. The Council can do so again in 2021/22.

- 7.3 Government consultation on core funding ended on 16 January 2021. The Local Government Association response highlighted that more than 85% of the core funding increase next year is dependent on councils increasing council tax by up to 5%. These figures include the 3% social care precept which does not benefit Colchester Borough Council finances.
- 7.4 Whilst there is continuing government support for most Covid costs and impacts, changes to core funding are much more concerning. In the longer term the local government finance settlement is likely to be constrained by the long-term pressures on public finances from the massive direct and indirect costs associated with the pandemic. Colchester budgets could be significantly affected from the 2022/23 financial year.
- The latest Spending Review was for one-year only, for budget year 2021/22 and a Comprehensive Spending Review is overdue. A new Spending Review should provide greater medium-term certainty but may also see adjustments to Departmental Expenditure Limits (DEL) which favour departments other than the Ministry for Housing, Communities and Local Government (MHCLG).
  - Long awaited proposals to introduce 100% business rates retention by local authorities. The detail of the proposals has yet to be published.
  - The long delayed Fair Funding Review may redistribute government support to Local Authorities and impact significantly on this Council's spending power.
  - Changes to New Homes Bonus have been made that reduce future year income. Further changes may be made under a planned review of the scheme. This could disadvantage the Council given the levels of housing growth in the Borough over the last decade and the new homes bonus this provided.
- 7.5 The changes set out above could present a significant risk to our finances and accordingly our service provision, as reflected in the Strategic Risk Register. Any extended disruption caused by the Covid pandemic may however delay or impact the Government's ability to develop and introduce such measures and to provide the stability needed for the Medium-Term Financial Forecast (MTFF). This will be kept under constant review.
- 7.6 The Covid pandemic, its economic aftermath and accelerated societal trends will create downward pressure on shopping and visiting. These changes will be compounded by increased reliance on online access to services. This could have a significant impact on the Council's leisure and car park income.
- 7.7 Business rates and Council Tax payments recovery are likely to prove increasingly challenging, as businesses struggle, injured by repeated lockdowns and facing difficult trading and economic conditions.

## **8 Overview of Government Funding for Covid-19 and the Provisional 2020 Local Government Finance Settlement**

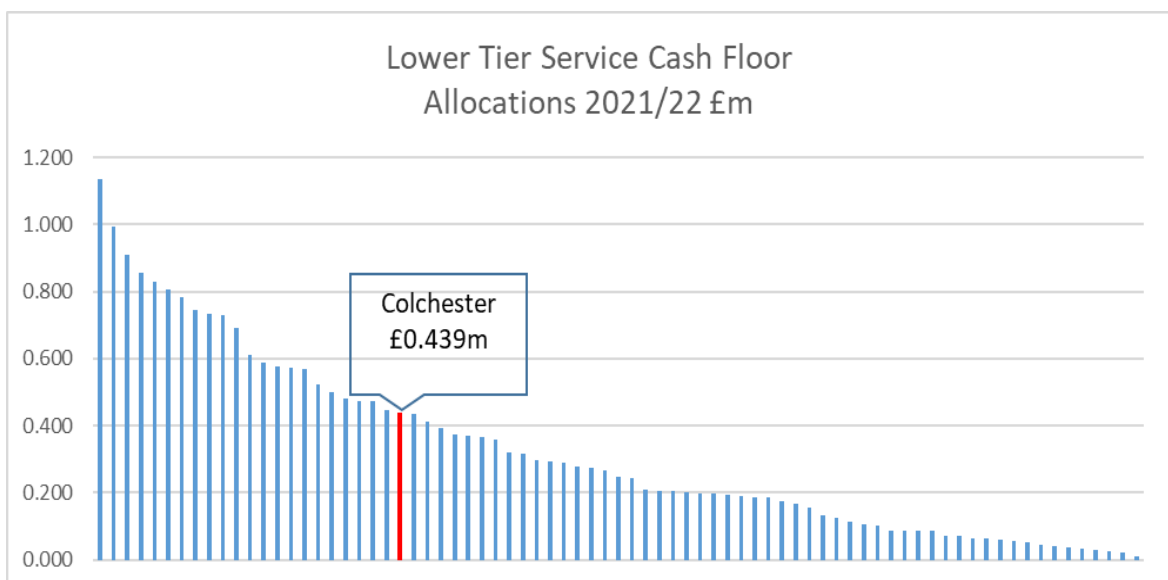
### **Covid Funding**

- 8.1 Substantial Government financial support has been received during 2020/21 with unringfenced grants of £2.914m and Income Loss Support Grant currently forecast at £3.928m
- 8.2 The 2020 Spending Review announced £1.550bn new Covid funding in 2021/22 for local government. The Colchester allocation of £993k for 2021/22 was announced by MHCLG on 17 December 2020 in the provisional Local Government Finance Settlement. This is welcome additional support for the Council.
- 8.3 The Spending Review also announced £670m support for increased Local Council Tax Support (LCTS) costs. The allocation in the provisional Local Government Finance Settlement is £1.7m for the Colchester billing area, covering the impact on all recipients of Council Tax. The allocation for Colchester is £0.2m. The current Medium Term Financial Forecast assumption is a 12.5% increase in demand for this help with Council Tax bills, assuming the current normal eligibility criteria. The additional funding will help meet this cost.
- 8.4 The Spending Review extended sales fees and charges income loss grant to Q1 of 2021/22. This was confirmed in the provisional Local Government Finance Settlement. This is a forecast £500k gain for the Council and has been built into the Medium-Term Financial Forecast. The grant will continue to be calculated on 2020-21 income budgets. The extension of the grant is welcomed by the Council.
- 8.5 Under the Spending Review the government announced it will provide Income Loss grant towards **irrecoverable** 2020/21 council tax and business rates losses. This was confirmed in the provisional Local Government Finance Settlement. This additional support is welcomed by the Council. The council tax collection rate assumption has been increased in the Medium-Term Financial Forecast to 97.5% (from 95%). This means a £1m forecast loss to bear in 2021/22, of which Colchester must bear 25%. This is provided for in the Medium-Term Financial Forecast.

### **Core Funding**

- 8.6 There is no change in the Settlement to the council tax referendum principles for 2021/22. For district councils the limit remains £5 or 2% whichever is the higher. However, a £5 council tax increase is already assumed by Government in calculating and proposing to maintain Colchester's 2021/22 core spending power at the same level as 2020/21. Not to make a £5 council tax increase would lead to a loss of £498k spending power in 2021/22. The Council would have expected more flexibility on referendum limits in 2021/22 and that a 2% council tax increase would not automatically be assumed in assessing Spending Power.
- 8.7 Immediate 2021/22 changes and a proposed fundamental review of New Homes Bonus is likely to have a very significant impact on Colchester's funding. Colchester is a rapidly growing borough and is particularly badly affected.
- 8.8 The provisional Local Government Finance Settlement finalised 2021/22 entitlements. The New Homes Bonus earned by Colchester for 2021/22 is £2.430m, some £1.772m in legacy payments and £0.708m for 2021/22.

- 8.9 There are no legacy payments for the bonus already earned in 2020/21 (year 10 of the scheme). This is a direct loss of £1.286m in 2021/22 and a loss over the Medium-Term Financial Forecast period of £3.858m compared to the previous arrangements.
- 8.10 Similarly, there are no legacy payments for the bonus earned for 2021/22 (year 11 of the scheme). This is a direct loss of £0.708m in 2022/23 and a loss over the Medium-Term Financial Forecast period of £2.124m compared to the previous arrangements.
- 8.11 New Homes Bonus forecasts for later years of the Medium-Term Financial Forecast have therefore been reduced to £800k (excluding the affordable housing element) and no further legacy payments are assumed. The planned use of New Homes Bonus is set out in the Appendix I.
- 8.12 The Local Government Finance Settlement introduced a new Lower Tier Services Grant in 2021/22. The grant is in two parts – service and cash floor.
- 8.13 The service component of the grant is directed to all 364 councils providing lower tier services. This is the responsibility for services such as homelessness, planning, recycling and refuse collection and leisure services. The bulk of funding is paid to unitary authorities, metropolitan districts and London Boroughs. This element of the grant is based on 2013/14 spending data.
- 8.14 The cash floor component is intended to protect 77 of the lower tier authorities, so they do not have reduced core spending power in 2021/22 compared to 2020/21. Colchester falls into this category.
- 8.15 The Colchester Lower Tier Services Grant allocation for 2021/22 is £0.623m. This comprises £184k for services and £439k for the cash funding floor. Colchester's cash floor allocation is the 22<sup>nd</sup> highest of all authorities demonstrating the impact of the settlement on this authority. The Lower Tier Services Grant will only partially compensate for the loss of New Homes Bonus referred to above. There appears to be no commitment the new grant will be paid after 2021/22. So whilst Colchester will be initially protected from some funding losses the medium term position is less clear.



- 8.16 The net impact of the settlement on the Council is that additional costs and income losses in 2020/21 have been largely covered with £1.000m unplanned use of reserves being required. In 2021/22 the extent of government support for Covid costs and income losses has yet to be finalised. Current expectations are that the Council will need to use £2.400m of reserves in addition to its previously planned usage. The Council is also needing to make £2.528m of savings in 2021/22. There are a number of major changes to Government funding in the medium term and these will need to be watched carefully. In particular the loss of New Homes Bonus is a concern.

### **Changes to local authority external audit**

- 8.17 Following delivery problems and delays with 2018/19 and 2019/20 audit delivery an independent review commissioned by the Government has been carried out by Sir Tony Redmond.
- 8.18 The Government intends to set 30 September as the publication date for 2020/21 and 2021/22 accounts. Audit firms will be required to improve their skills and training.
- 8.19 Audit fees are likely to increase, but some additional funding will be provided to authorities to meet the cost. External auditors will report annually to the full Council. The complex form of accounts will be reviewed, including a standardised statement of service information and costs.
- 8.20 Colchester has been able in recent financial years to produce its accounts for audit to meet a 31 July publication timetable. It is disappointing that a later publication date is now envisaged by government with increased audit costs.

## **9 Budget Pressures, Response and Remedies for the Council**

- 9.1 We have an exceptionally challenging health and economic situation nationally and locally, damaging all forms of income to the Council and increasing our costs. The Council has responded robustly, to reduce the impacts whilst retaining a prudently progressive approach to the 2021/22 budget, that supports investment in the local economy, local businesses and those they employ, and recovery.
- 9.2 The rate of recovery will be dictated by Government policy on lockdown. Income budgets in 2021/22 assume a reduced level compared to 2020/21 original budgets and a gradual recovery. Any losses compared to 2020/21 original budget are likely to be protected by Government income loss grant. However, the position needs to be kept carefully under review through the normal monitoring processes. The financial position will be updated early in the new financial year and fully updated for Quarter 1. This will include regular reports to the Cabinet and Scrutiny Panel.
- 9.3 Despite the highly challenging context, the Council's Budget will allow it to maintain essential as well as highly regarded discretionary services to residents and to meet the environmental, health, housing and other needs of the Borough, as set out within the Council's Strategic Plan.



- 9.4 Working in partnership with the Business Improvement District (BID) and other groups the Council will also continue to ensure everything possible is done to promote economic and town centre recovery. It will continue to invest in the future of Colchester as a place in which to live, work, visit and invest, with projects such as the Northern Gateway. A vigorous programme of housing investment will continue. Capital investment will deliver improved services and retain or increase employment. The programme invests in local community facilities including £1.500m for St Marks Community Centre. This will be partly funded from S106 resources.
- 9.5 Council efficiencies, and service delivery improvements will deliver a wide range of saving, some £2.528m in 2021/22. These were reported to October 2020 Cabinet and there are no significant changes since.
- 9.6 The Council's expenditure assumptions allow for usual pressures and cost growth, such as inflation and interest charges, and the wholly exceptional income loss and other pressures created by the pandemic and related economic crisis. Together these total £7.376m in 2021/22. The key items:
- Covid income losses - £4.129m
  - Waste and recycling - £1.044m due to the low market prices for materials combined with increased service volumes
  - Interest payable to finance 2021/22 capital programme - £0.644m
  - Transformation and Recovery - £0.500m
  - Inflation allowance - £0.440m
  - Council tax sharing agreement - £0.150m lost income
- 9.7 The Capital Programme is reported separately on this agenda.
- 9.8 The 2021/22 budget assumes a £4.95 Colchester council tax increase that will raise some £0.5m annually, and the Medium-Term Financial Forecast assumes the same increase is made in future financial years.
- 9.9 A 97.5% council tax collection rate is assumed but Local Council Tax Support take-up from 2021/22 is assumed to be 12.5% higher than originally budgeted for 2020/21. Growth in property numbers is assumed to be 1% per annum.
- 9.10 The Medium-Term Financial Forecast also assumes a £200k gain from the Council's membership of the Essex Business Rates Pool.
- 9.11 Minor increases to Council tax and sales, fees and charges have been made, as agreed by Cabinet in November 2020. Some are below inflation, others broadly in line with inflation but together they help maintain Council income.
- 9.12 Despite significant savings and efficiencies, it will be necessary to use £2.400m of Council reserves in 2021/22 to meet Covid related lost income and other pressures. This is in addition to the reserves already used in 2020/21. A full statement on reserves is provided in Appendix H.

9.13 The Medium-Term Financial Forecast and the assumptions used are set out in Appendix A to this report.

## **10 MTFF Consultation**

10.1 A public consultation has been undertaken on the 2021/22 budget and the results are set out in Appendix D.

10.2 The budget strategy and timetable have ensured that information is available for Scrutiny Panel and input from all Members.

10.3 A cross-party Task and Finish Group considered the introduction of green waste collection charges to help reduce the budget gap. The Group did not support charges. Their recommendations were accepted by the Cabinet in August 2020.

10.4 Budget workshops were held on 4 August 2020; 26 August 2020; 5 October 2020 and 7 December 2020. This allowed all members to understand and share in the task of meeting the budget challenge, to be achieved by cost reduction, service transformation and efficiencies that included staff reductions, and the use of reserves.

10.5 The Leader of the Opposition and the Shadow Portfolio Holder for Business and Resources attended Budget Workshops and are also able at any stage of the budget process to meet with officers to assist with consideration of any alternative budget proposals.

10.6 The statutory consultation with business ratepayers will take place on 9 February 2021.

## **11 Risk Management Implications**

11.1 Extensive modelling work has been undertaken with service managers to assess the potential range of impacts on spend and income of the crisis before adopting the assumptions described within the report.

11.2 Staff and support costs reflect current assumptions and progress made in this financial year but will be subject to the progress of our service transformation and efficiency work.

11.3 The pandemic and related economic crisis will however mean very significant uncertainties will need to be managed in year. If necessary, by seeking further government support or by drawing yet further on reserves to ensure, as is mandated, that the budget is balanced

## **12 Financial implications**

12.1 As set out in the main body of this report.

12.2 Under Financial Regulations, any debt write-off in excess of £5k must be referred to the Portfolio Holder. It is recommended this limit is increased to £10k from April 2021 and then by inflation subject to minimum steps of £1k, consistent with wider good practice.

12.3 The change will not have a direct financial impact but will ease administration. This change is subject to approval at the 19 January 2021 Governance and Audit Committee.

### **13 Environmental and Climate Change Implications**

13.1 All budget measures are assessed for their likely environmental impact, reflecting the Council's commitment to be 'carbon neutral' by 2030. Environment and Climate Change is an essential cross-cutting theme in the Council's recovery planning and a core theme of the new Strategic Plan.

13.2 In addition to specific programmes, the Medium-Term Financial Forecast allows £100k from 2021/22 for Climate Change initiatives.

### **14 Equality and Diversity Implications**

14.1 Consideration will be given to equality and diversity issues in respect of budget changes proposed as part of the budget process. This will be done in line with agreed policies and procedures including production of Equality Impact Assessments where appropriate.

### **15 Other Standard References**

15.1 There are no direct Publicity, Human Rights, Community Safety or Health and Safety implications as a result of this report.

## **Appendices**

<b>A</b>	<b>2021-25 Medium Term Financial Forecast and Assumptions</b>
<b>B</b>	<b>Budget Robustness Statement</b>
<b>C</b>	<b>Treasury Management Strategy Statement</b>
<b>D</b>	<b>Budget Consultation</b>
<b>E</b>	<b>Technical reconciliations of budget requirement 2021/22</b>
<b>F</b>	<b>Summary Budget 2021/22</b>
<b>G</b>	<b>2021/22 General Fund Budgets</b>
<b>H</b>	<b>Reserves, Provisions and Balances</b>
<b>I</b>	<b>Allocation of New Homes Bonus</b>

## Appendix A – 2021-25 Medium Term Financial Forecast and Assumptions

<b>2021/22 Budget and MTFF</b>	<b>21/22</b>	<b>22/23</b>	<b>23/24</b>	<b>24/25</b>
	£'000	£'000	£'000	£'000
<b>Previous year's budget</b>	<b>21,599</b>	<b>25,028</b>	<b>22,583</b>	<b>23,123</b>
Cost pressures & Growth items	2,103	279	1,821	940
Capital financing	644	(50)	200	200
Income losses	4,129	(2,000)	(350)	(200)
Transformation and recovery	500	(500)	0	0
Savings	(2,528)	(315)	(290)	(50)
Change in forecast use of new homes bonus	(1,419)	141	(841)	300
<b>Current year's budget</b>	<b>25,028</b>	<b>22,583</b>	<b>23,123</b>	<b>24,313</b>
Business rates	(6,120)	(5,580)	(5,123)	(4,667)
Govt - Covid Funding	(1,493)	0	0	0
Govt Grant	(622)	0	0	0
New Homes Bonus	(2,430)	(2,091)	(950)	(950)
Council Tax	(12,588)	(13,027)	(13,475)	(13,931)
Previously planned use of reserves	625	625	750	750
Covid use of reserves	(2,400)	(900)	(400)	(200)
<b>Budget Gap Cumulative</b>	<b>0</b>	<b>1,610</b>	<b>3,925</b>	<b>5,315</b>

<b>MTFF Assumptions</b>	<b>21/22</b>	<b>22/23</b>	<b>23/24</b>	<b>24/25</b>
Council Tax collection	97.5%	97.5%	97.5%	97.5%
Growth in council tax base	1.0%	1.0%	1.0%	1.0%
District council tax increase	£4.95p	£4.95p	£4.95p	£4.95p
LCTS increased take-up	12.5%	12.5%	12.5%	12.5%
Rate of increase in charges	3.0%	3.0%	3.0%	3.0%
Business rates Covid impact	250k	333k	333k	333k

## **Appendix B – Budget Robustness Statement**

- 1 In 2019/20 the Council contained spend within the approved budget. In 2020/21 the Council's financial position has been substantially affected by the Coronavirus pandemic. However, most income losses and additional costs have been met by Government grants and expenditure controls. The unplanned use of reserves in 2020/21 is therefore expected to be limited to around £1m.
- 2 Government has already committed to provide additional support for Covid costs in the early part of 2021/22. The income loss grant is extended into 2021/22 and will now cover irrecoverable council tax and business rates losses in 2020/21.
- 3 The Council has a good record of delivering agreed savings. The 2021/22 savings proposals were developed by a comprehensive programme of officer meetings reviewing all service budgets line by line supported by Finance Business Partners.
- 4 The Council has in place reliable revenue and capital monitoring processes enabling it to take corrective action in the event of unexpected budget variations. The Council has good finance and performance monitoring processes including the Performance Management Board, the Revolving Investment Fund Steering Group and a Cabinet chaired Budget Group. These arrangements will ensure that any new expenditure proposals are adequately assessed and that overall spend is managed effectively, in line with overall budgets.
- 5 The Council is relying on an additional £2.400m use of balances to deliver its core services in 2021/22. Given the exceptional situation this is appropriate.
- 6 The budget process allows for the review of budget proposals by the Scrutiny Panel and this has applied to the 2021/22 proposals.
- 7 The use of resources judgment by BDO (the external auditors) in the 2019/20 audit was satisfactory, following an assessment of the Council's approach.
- 8 There is an effective risk management process in place in the Council.
- 9 The 2021/22 Provisional Local Government Finance Settlement suggests significant reductions in the Council's New Homes Bonus allocation from 2021/22 onwards. This has been recognised in the MTFF and only a small and decreasing value of New Homes Bonus is used in later years to support the base budget.
- 10 The MTFF nonetheless shows significant gaps in 2022/23 and onwards. Work will therefore begin earlier than usual to address the gaps. By organisational transformation work and the identification of further savings.
- 11 The Chartered Institute of Public Finance and Accountancy resilience index has yet to be updated, but Colchester would expect, on current criteria and past performance to score well, given robust controls, high rates of collection and effective prudent stewardship including reserves.
- 12 It appears therefore that the 2021/22 budget and Medium Term Financial Forecast are robust and the reserves and balances adequate as set out in the succeeding tables.

**Appendix C – Treasury Management Strategy Statement**

**See separate document on Agenda**

## Appendix D – Budget Consultation

- 1 Residents were invited to participate in a consultation to help Colchester Borough Council understand what matters most to the public and to gauge their support for the Council's approach to the financial challenge and budget gap. An online survey was launched on Monday 9 November 2020 and was advertised via the council's website and through local media. The survey ran for a period of four weeks closing on Friday 4 December. A total of 184 responses were received.
- 2 Key Findings
  - 2.1 Residents were asked how well informed they felt about the financial challenges facing Colchester Borough Council?
    - 68.5% (126 people) stated that they feel either 'slightly' or 'well' informed.
    - 27.2% (50 people) stated that they 'do not feel' informed.
    - 4.3% (8 people) said that they 'do not know'.
  - 2.2 Residents were then asked which services interested them most in the budget. The responses were:
    - Planning & Building Control
    - Housing
    - Recycling & Rubbish Collections
    - Housing Benefit and Council Tax
    - Environmental & Animal Services
  - 2.3 Residents were then asked if they Agreed or Disagreed with the approach set out within the Budget Strategy?
    - Priorities:
      - 88.4% either 'Agree' or 'Strongly Agree'
      - 8.8% Neither 'Agree' or 'Disagree'
      - 2.8% either 'Disagree' nor 'Strongly Disagree'
    - Efficiency:
      - 91.1% either 'Agree' or 'Strongly Agree'
      - 7.2% neither 'Agree' nor 'Disagree'
      - 1.7% either 'Disagree' or 'Strongly Disagree'
    - Service Provision:
      - 89.5% either 'Agree' or 'Strongly Agree'
      - 6.0% neither 'Agree' nor 'Disagree'
      - 4.5% either 'Disagree' or 'Strongly Disagree'
    - Commercial:
      - 68.1% either 'Agree' or 'Strongly Agree'
      - 15.1% neither 'Agree' nor 'Disagree'
      - 16.8% either 'Disagree' or 'Strongly Disagree'
    - Communities:
      - 80% either 'Agree' or 'Strongly Agree'
      - 13.3% neither 'Agree' nor 'Disagree'
      - 6.7% either 'Disagree' or 'Strongly Disagree'

**Comments on the consultation responses:** The Survey showed a good level of support and understanding of the Council's budget strategy, albeit on a limited number of responses.

## Appendix E – Technical reconciliations of budget requirement 2021/22

<b>Table E1 – Technical reconciliation of budget requirement</b>		
	Element	£'000
1	Revenue expenditure requirement for 2021/22	25,028
2	Collection fund deficit (business rates and Council Tax)	3,813
3	New Homes Bonus	(2,430)
4	Use of balances / reserves for pensions payment	935
5	Use of Business Rates Reserve	(3,813)
6	Use of Business Rates Pooling gain	(200)
7	Use of balances	(2,710)
<b>8</b>	<b>Budget Requirement</b>	<b>20,623</b>
9	Funded by:	
10	Government Grant (Covid19 support and Lower-Tier services)	(2,115)
11	Business Rates Baseline Funding	(4,300)
12	Business Rates Improvement	(1,620)
13	Council Taxpayers requirement (before Parish element) see below*	(12,588)
<b>14</b>	<b>Total Funding</b>	<b>(20,623)</b>

<b>Table E2 – Technical reconciliation of Band D Council Tax</b>		
1	Council Taxpayers requirement (before Parish element)	12,588
2	Council Tax Base – Band D Properties	62,776
<b>3</b>	<b>Council Tax at Band D</b>	<b>200.52</b>

<b>Table E3 – Technical reconciliation of 2021/22 Base Budget</b>		
1	Base Budget	24,514
2	One-off items	(2,915)
3	Cost Pressures	7,001
4	Growth Items	375
5	Savings	(2,528)
6	Change in use of New Homes Bonus for one off investment	(1,419)
<b>7</b>	<b>Forecast Base Budget</b>	<b>25,028</b>

<b>Table E4 – Technical reconciliation of 2021/22 savings</b>		
1	Commercialisation	(820)
2	Efficiency	(550)
3	Service Provision	(1,074)
4	Community	(84)
<b>5</b>	<b>Total Savings</b>	<b>(2,528)</b>



<b>Table E5 – Technical reconciliation of 2021/22 pressures</b>		
1	Sport & Leisure net income loss (Covid 19)	1,966
2	Parking Income loss (Covid 19)	1,005
3	Amphora Trading Dividend (Covid 19)	658
4	Interest Payable / MRP – 21/22 capital programme financing	644
5	Commercial & Investment Properties income loss (Covid 19)	500
6	Contractor Payments (net of credit claim income)	457
7	General Inflation	440
8	Transformation costs	250
9	Recovery costs	250
10	Waste overtime and staffing changes	170
11	Council Tax Sharing Agreement	150
12	New Strategic Priorities funding	132
13	Refuse Vehicle and Crew	125
14	Rowan House	120
15	Recycling Materials	110
16	Environment staffing structure review	105
17	Climate Change	100
18	GF / HRA contingency	51
19	Social Lottery	50
20	ECC Trade Tipping costs	27
21	Public Conveniences Business Rates	20
22	Residual land at Mill Road - Grounds Maintenance costs	16
23	Clinical Waste	15
24	Paper Income	15
<b>25</b>	<b>Total cost pressures and growth items</b>	<b>7,376</b>



## Appendix F - Summary Budget 2021/22

	Adjusted Base Budget	One-Off Items	Cost Pressures	Growth Items	Technical Items	Total Savings	Detailed 21/22 Budgets
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Corporate & Democratic Core	(262)	0	156	0		0	(106)
Executive Management Team	705	0	7	0		(25)	687
Corporate and Improvement	6,681	0	127	0		(464)	6,344
Community	1,874	(30)	28	0		(267)	1,605
Customer	3,096	0	43	0		(466)	2,673
Environmental (excluding North Essex Parking Partnership)	5,057	0	1,693	105		(391)	6,464
Place and Client	2,247	(80)	3,200	0		(422)	4,945
<b>Total General Fund Services</b>	<b>19,398</b>	<b>(110)</b>	<b>5,254</b>	<b>105</b>	<b>0</b>	<b>(2,035)</b>	<b>22,612</b>
<b>Technical Items</b>							
<i>Corporate Items / sums to be allocated to services</i>							
Procurement Savings	0		0			(113)	(113)
Social Lottery	0		0	50			50
Investment Allowance funded by New Homes Bonus	2,618	0	0		(1,419)	0	1,199
New Strategic Priorities	(126)		132			(100)	(94)
LCTS Care Leavers Scheme	15		0				15
Inflation (Pay)	200		70			(270)	0
Transformation and Recovery	0		500				500
Climate Change	0		0	100			100
Improved Establishment Control	0		0			(10)	(10)
Rowan House	0		0	120			120

	Adjusted Base Budget	One-Off Items	Cost Pressures	Growth Items	Technical Items	Total Savings	Detailed 21/22 Budgets
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<i>Non-Service Budgets</i>							
CLIA (net interest)	801		386			0	1,187
Repairs & Renewals reserve contribution	300		0				300
Min Revenue Provision	1,533		591			0	2,124
Pensions	3,171	(2,805)	0				366
Contribution to Bad Debts Provision	20		0				20
General Fund/ Housing Revenue Account /North Essex Parking Partnership Adjustment	(3,416)		68		0		(3,348)
Total Below the Line	5,116	(2,805)	1,747	270	(1,419)	(493)	2,416
<b>Total including Below the Line</b>	<b>24,514</b>	<b>(2,915)</b>	<b>7,001</b>	<b>375</b>	<b>(1,419)</b>	<b>(2,528)</b>	<b>25,028</b>
<b>Funded by:-</b>							
Use of balances	(125)	125	0		(125)		(125)
Contribution to balances	935	(935)	0		935		935
Contribution to Business Rates Reserve	141	(141)	0		0		0
Use of other Earmarked Reserves	(2,990)	2,990	0		(185)		(185)
Use of Reserves – Covid 19	0	0	0		(2,400)		(2,400)
Use of Business Rates reserve	(540)	540	0		(3,813)		(3,813)
Govt Grant – Covid 19 Support Grant	0		0		(622)		(622)
Govt Grant – Lower Tier Services Grant	0		0		(1,493)		(1,493)
Business Rates Baseline	(4,300)		0				(4,300)
Business Rates Growth above Baseline	(1,870)		0		250		(1,620)
Business Rates Pooling	(200)		0		0		(200)
Council Tax	(12,503)		0		(85)		(12,588)

	<b>Adjusted Base Budget</b>	<b>One-Off Items</b>	<b>Cost Pressures</b>	<b>Growth Items</b>	<b>Technical Items</b>	<b>Total Savings</b>	<b>Detailed 21/22 Budgets</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Collection fund Transfer	540	(540)	0		3,813		3,813
New Homes Bonus	(3,602)		0		1,172		(2,430)
<b>Total</b>	<b>(24,514)</b>	<b>2,039</b>	<b>0</b>	<b>0</b>	<b>(2,553)</b>	<b>0</b>	<b>(25,028)</b>



## Appendix G - 2021/22 General Fund Budgets

	Direct Budgets			Non-Direct Budgets	
Area	Spend	Income	Net	Net	Total
	£'000	£'000	£'000	£'000	£'000
<b>Corporate &amp; Democratic Core</b>	294	(400)	(106)	2,413	2,307
<b>Total</b>	<b>294</b>	<b>(400)</b>	<b>(106)</b>	<b>2,413</b>	<b>2,307</b>
<b>Executive Management Team</b>					
EMT	687	-	687	(687)	-
<b>Total</b>	<b>687</b>	<b>-</b>	<b>687</b>	<b>(687)</b>	<b>-</b>
<b>Community</b>					
Assistant Director	159	-	159	(159)	-
Licencing, Food & Safety	516	(562)	(46)	547	501
Community Safety	94	-	94	5	99
Environmental Health Services	479	(67)	412	151	563
Building Control	408	(455)	(47)	268	221
Community Initiatives	329	-	329	181	510
Private Sector Housing	496	(183)	313	138	451
Bereavement Services	908	(1,624)	(716)	314	(402)
Cultural Services	628	(107)	521	979	1,500
Colchester Museums	55	(531)	(476)	23	(453)
<b>Subtotal</b>	<b>4,072</b>	<b>(3,529)</b>	<b>543</b>	<b>2,447</b>	<b>2,990</b>
Colchester & Ipswich Museums	2,201	(1,139)	1,062	774	1,836
<b>Total</b>	<b>6,273</b>	<b>(4,668)</b>	<b>1,605</b>	<b>3,221</b>	<b>4,826</b>
<b>Customer</b>					
Assistant Director	159	-	159	(159)	-
Accounts & Debt	569	(138)	431	(432)	(1)
Local Taxation & NNDR	541	(713)	(172)	572	400
Benefits & Hub	1,026	(135)	891	(891)	-
Contact & Support Centre	988	(18)	970	(970)	-
Electoral Services	411	(3)	408	80	488
Customer Digital & Systems	914	(45)	869	(869)	-
Land Charges	126	(249)	(123)	123	-
<b>Subtotal</b>	<b>4,734</b>	<b>(1,301)</b>	<b>3,433</b>	<b>(2,546)</b>	<b>887</b>
Benefits - Payments & Subsidy	41,975	(42,735)	(760)	751	(9)
<b>Total</b>	<b>46,709</b>	<b>(44,036)</b>	<b>2,673</b>	<b>(1,795)</b>	<b>878</b>
<b>Environment</b>					
Assistant Director	153	-	153	(153)	-
Neighbourhood Services	12,101	(3,897)	8,204	2,801	11,005
Car Parking	971	(3,049)	(2,078)	1,006	(1,072)

	Direct Budgets			Non-Direct Budgets	
<b>Subtotal</b>	<b>13,225</b>	<b>(6,946)</b>	<b>6,279</b>	<b>3,654</b>	<b>9,933</b>
North Essex Parking Partnership	4,164	(4,049)	115	117	232
<b>Total</b>	<b>17,389</b>	<b>(10,995)</b>	<b>6,394</b>	<b>3,771</b>	<b>10,165</b>
<b>Place and Client</b>					
Assistant Director	130	-	130	(131)	(1)
Place Strategy	658	-	658	37	695
Housing	2,872	(1,288)	1,584	(322)	1,262
Planning	1,132	(1,227)	(95)	538	443
Sustainability & Climate Change	100	(15)	85	38	123
<b>Subtotal</b>	<b>4,892</b>	<b>(2,530)</b>	<b>2,362</b>	<b>160</b>	<b>2,522</b>
<i>Company Related:-</i>					
Client - Commercial Company	1,968	-	1,968	(1,968)	-
Corporate Asset Management	1,726	(265)	1,461	(1,391)	70
Commercial & Investment	282	(2,773)	(2,491)	2,556	65
Sport & Leisure	5,280	(3,635)	1,645	1,938	3,583
<b>Total</b>	<b>14,148</b>	<b>(9,203)</b>	<b>4,945</b>	<b>1,295</b>	<b>6,240</b>
<b>Corporate and Improvement</b>					
Assistant Director	130	(20)	110	(142)	(32)
Finance	1,033	(196)	837	(837)	-
ICT	2,042	(372)	1,670	(1,670)	-
People and Performance	805	(184)	621	(687)	(66)
Governance	2,970	(294)	2,676	(2,611)	65
Communications	599	(169)	430	(430)	-
<b>Total</b>	<b>7,579</b>	<b>(1,235)</b>	<b>6,344</b>	<b>(6,377)</b>	<b>(33)</b>
Adjustment for NEPP use of balances	-	<b>185</b>	185	-	185
<b>Total (excl. NEPP)</b>	<b>88,915</b>	<b>(66,303)</b>	<b>22,612</b>	<b>1,724</b>	<b>24,336</b>

\* Non-direct budgets reflect recharges between service areas and technical accounting charges. These are shown to present the full cost of services



## Appendix H - Reserves, Provisions and Balances

	2019/20	2020/21	2021/22
	Actual	Forecast	Forecast
	£'000	£'000	£'000
General Fund Balance	1,900	1,900	1,900
Future Years Budget Support Reserve - Carry-forwards etc	4,115	1,578	953
Future Years Budget Support Reserve - Risk Allocation	515	515	515
Redundancy, North Essex Parking Partnership, Colchester & Ipswich Museum Service etc	1,073	1,073	1,073
Pension Reserve	3,214	1,344	2,279
Renewals and Repairs Reserve	2,455	3,048	2,744
Insurance Reserve	566	566	566
Capital Expenditure Reserve	720	647	647
Gosbecks Reserve	152	152	152
Revenue Grants unapplied	2,911	1,797	847
Decriminalisation Parking Reserve	1,512	1,327	1,142
Business Rates Reserve	1,695	1,296	1,096
Revolving Investment Fund Reserve	1,436	1,646	1,646
Other reserves	176	176	176
<b>TOTAL General Fund</b>	<b>22,440</b>	<b>17,065</b>	<b>15,736</b>
Housing Revenue Account Balance	4,306	3,444	3,444
Housing Revenue Account Retained Right To Buy Receipts – Replacement	5,528	2,848	248
Housing Revenue Account Retained Right To Buy Receipts – Debt	6,407	667	1,337
<b>TOTAL Housing Revenue Account</b>	<b>16,241</b>	<b>6,959</b>	<b>5,029</b>
<b>Total</b>	<b>38,681</b>	<b>24,024</b>	<b>20,765</b>

## Appendix I – Allocation of New Homes Bonus

	Allocation of New Homes Bonus	2020/21	2021/22	2022/23	2023/24	2024/25
		£'000	£'000	£'000	£'000	£'000
1	New Homes Bonus	3,602	2,430	2,091	950	950
2	Allocated to:-					
3	Contribution to RIF	250	500	250	250	250
4	Affordable housing allocation	150	150	150	150	150
5	To support the Council's Revenue Budget	833	1,080	600	300	0
6	Savings Implementation Costs	441	200	200		
7	Support to Tendring Colchester Borders & Local Plan	500	500	250	250	250
8	Transfer to Reserves			641		300
9	Support for one-off schemes (see below)	1,428	0	0	0	0
<b>10</b>	<b>Total allocation</b>	<b>3,602</b>	<b>2,430</b>	<b>2,091</b>	<b>950</b>	<b>950</b>
	<b>Use of NHB allocation for one-off schemes</b>					
11	Support for one-off schemes	1,428	0	0	0	0
12	Allocated to:					
13	Cultural Events Fund 2020-21	20				
14	High-Street Grouting (net additional contribution to ECC works)	40				
15	Environmental & Sustainability Task & Finish Group resource	50				
16	West Mersea Town Council Toilets	30				
17	Town Hall office reconfiguration	40				
18	Better Colchester Communications	150				
19	Strategic Priorities Programme Delivery	122				
20	Arts & Heritage post	28				
21	Local Highways Panel	100				
22	St Marks Community Centre	150				
23	Memoirs Refurbishment costs	48				
24	Assumed use for Lion Walk Activity Centre Toilets	150				
25	Assumed use for Covid 19 support	500				
26	<b>Balance for future allocation</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>