

# **B. Budget 2020/21**

## **1. Executive Summary**

The following paper is the third document taken to Cabinet to assist the Administration in forming the budget for 2020/21 and understanding the opportunities and risk in regard to forming the budget.

It is not a decision paper but seeks a further Cabinet steer on both the general assumptions that drive the budget in Section 2 and the specific development proposals set-out in Section 3.

The paper has been put together following consideration of various options to raise council tax. of council tax. This paper is written around raising council tax by 1.5%, half the predicted rate of inflation. Much of this paper is as previously considered but the information has been retained for completeness.

## **2. General Assumptions for Existing Budgets**

A standard and formulaic approach has so far been taken in respect of reviewing existing budgets. This formulaic approach has been supported with a full costing of the proposed management and staff structure.

The basic approach taken is as follows:

That inflation pressures on pay and non-pay items are offset by proportionally similar increases in income, charges and rentals.

That cost pressures in individual budgets are funded by reallocating underspent budgets.

The result of this approach is to leave the use of District Development Funds, Efficiency Savings and Council Tax Increases free to fund developments and other investments.

### **2.1.1 Pay**

The basic assumption on pay inflation is that it will rise by up to 3% in-line with Office of National Statistics estimates of inflation next year.

It is intended that 2% of this increase is provided to individual budget lines and that (up to) 1% is assumed spent but is held as a contingency to address issues such as market forces increases (for some) above inflation.

### **2.1.2 Non-Pay**

The basic assumption on non-pay inflation is that it will rise by up to 3% in-line with Office of National Statistics estimates of inflation next year.

It is intended that 2% of this increase is provided to individual budget lines and that (up to) 1% is assumed spent but is held as a contingency to address issues such as market forces increases (for some) above inflation.

Specific calculations will be undertaken for the waste and leisure contracts and of course certain specific headings will attract no inflation at all, e.g. depreciation.

### **2.1.3 Income, Charges and Rents**

The basic assumption on income, charges and rent is that it will rise by up to 3% in-line with Office of National Statistics estimates of inflation next year.

It should be noted that there are two significant exceptions to this rule:

- There is no rise in car parking income until the review is completes.
- Housing rents have been increased by 2.7%per the national formula.

All the increase will be assumed as being received.

Specific calculations will be undertaken for certain rental streams and there are some charges that are set by central government.

### **2.1.4 Pensions**

The basic assumption on pensions is that it will rise by up to 3% in-line with Office of National Statistics estimates of inflation next year. In practice the employment overhead of employers NI and employers' pension has risen from 28%to 29%.

An actuarial review of pensions is currently taking place and further cost implications may result as a result of this review

## **3. Development by Theme**

The developments have been reviewed and expanded to show carry forward District Development Fund and Capital items from previous years. The aim is to show in one place all the priority developments that the Authority intends to deliver.

The list has therefore been renumbered and supporting documents for individual documents are available on request.

The development list also includes the contributions expected from Qualis in the form of recharges and loan interest profit to the Authority.

The development list is also grouped in themes to reflect the inter connectivity between proposals. Further details of the proposals are contained within the appendices at B.1.

A thematic consideration of the developments is shown below:

### **3.1.1 A**

|  |  |
|--|--|
| <b>Theme</b>                           | <b>Stronger Place</b>  |
| <b>Brief Description</b>               | <b>Qualis Group</b>  |
| <b>Development Proposal References</b> | <b>1, 2a-2e, 3</b>   |
| <b>Issue to consider</b>               | <b>Authority should profit from arrangement and use dividend to correctly and appropriately convert sale</b> |

|                                  |  |
|----------------------------------|--|
|                                  | <p>receipts and social housing build and maintenance activities to generally useable profit.</p> <p>Need to ensure that there is a prudent approach to the payback of loans and the payment across of dividends. Implications to Authority balance sheet and liquidity also need to be understood.</p> |
|                                  |  |
| <b>Revenue Impact in 2020/21</b> | <b>£3.9m income (abated by 50%)</b>  |
| <b>Capital Impact in 2020/21</b> | <b>£0.2m</b>   |
| <b>Loan granted 2020/21</b>      | <b>£145m (but likely to be phased over three years)</b>  |

### 3.1.2 B

|  |  |
|--|--|
| <b>Theme</b>                           | <b>Stronger Place</b>  |
| <b>Brief Description</b>               | <b>Strategic planning for sustainable growth over next ten years, Local Development Plan and North Weald Master Plan and early investment in North Weald</b>   |
| <b>Development Proposal References</b> | <b>4, 5, 6, 7</b>  |
| <b>Issue to consider</b>               | <b>Charged to DDF as strategic and non-recurring. Clear and implementable plans that Devco for instance, can refer to. Need to ensure plans are delivered and approved as early as possible in 2020/21</b> |
|  |  |
| <b>Revenue Impact in 2020/21</b>       | <b>£0.4m</b>   |
| <b>Capital Impact in 2020/21</b>       | <b>£0.2m</b>   |
| <b>Loan granted 2020/21</b>            | <b>NA</b>  |

### 3.1.3 C

|  |   |
|--|---|
| <b>Theme</b>                           | <b>Stronger Council</b>   |
| <b>Brief Description</b>               | <b>More effective and efficient services to residents and customers arising from flexible working, IT and appropriate buildings and partnerships</b>  |
| <b>Development Proposal References</b> | <b>8, 9, 10, 11, 12, 13, 14, 15 16</b>  |
| <b>Issue to consider</b>               | <b>Ensure proposals deliver operational and performance benefits and reduce cost. Set proposals against alternative options. Ensure opportunity cost of seconding staff to project are fully understood. Includes accommodation strategy.</b> |
|  |   |
| <b>Revenue Impact in 2020/21</b>       | <b>£0.4m</b>  |
| <b>Capital Impact in 2020/21</b>       | <b>£8.3m</b>  |
| <b>Loan granted 2020/21</b>            | <b>NA</b>   |

3.1.4 D

|  |  |
|--|--|
| <b>Theme</b>                           | <b>Stronger Council</b>  |
| <b>Brief Description</b>               | <b>Improvements to Housing effectiveness and efficiency through new IT and practices.</b>  |
| <b>Development Proposal References</b> | <b>17</b>  |
| <b>Issue to consider</b>               | <b>Ensure that current budgets off-set costs as much as possible and that increased effectiveness is delivered. Note that system upgrades in future will be funded on an annual basis as a charge rather than through a capital investment</b> |
|  |  |
| <b>Revenue Impact in 2020/21</b>       | <b>£0.1m</b>   |
| <b>Capital Impact in 2020/21</b>       | <b>NA</b>  |
| <b>Loan granted 2020/21</b>            | <b>NA</b>  |

3.1.5 E

|  |  |
|--|--|
| <b>Theme</b>                           | <b>Stronger Council</b>  |
| <b>Brief Description</b>               | <b>Improvement in revenue and benefits and other customer systems encouraging a shift to self-serve and automatic serve.</b>   |
| <b>Development Proposal References</b> | <b>18, 19, 20, 21</b>  |
| <b>Issue to consider</b>               | <b>Ensure that current budgets off-set costs as much as possible and that increased effectiveness is delivered. Note that system upgrades in future will be funded on an annual basis as a charge rather than through a capital investment</b> |
|  |  |
| <b>Revenue Impact in 2020/21</b>       | <b>£0.1m</b>   |
| <b>Capital Impact in 2020/21</b>       | <b>NA</b>  |
| <b>Loan granted 2020/21</b>            | <b>NA</b>  |

### 3.1.6 F

|  |   |
|--|---|
| <b>Theme</b>                           | <b>Stronger Communities</b>   |
| <b>Brief Description</b>               | <b>Long-term commitment to neighbourhood policing replacing DDF funding and allowing for an increase of one officer</b> |
| <b>Development Proposal References</b> | <b>22</b>   |
| <b>Issue to consider</b>               | <b>Return on investment, community cohesion and DDF funding runs out after 2021/22</b>                                  |
|  |   |
| <b>Revenue Impact in 2020/21</b>       | <b>£0.2m, originally funded by DDF</b>  |
| <b>Capital Impact in 2020/21</b>       | <b>NA</b>   |
| <b>Loan granted 2020/21</b>            | <b>NA</b>   |

### 3.1.7 G

|  |   |
|--|---|
| <b>Theme</b>                           | <b>Stronger Communities and Stronger Place</b>  |
| <b>Brief Description</b>               | <b>Various initiatives to improve services to tenants and ambience and safety of estates including council house building programme. To be funded from HRA.</b> |
| <b>Development Proposal References</b> | <b>23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50</b>   |
| <b>Issue to consider</b>               | <b>A value improvement that can be set off against circa 3% rental rise and generally improves place and value of council house assets</b>                      |
|  |   |
| <b>Revenue Impact in 2020/21</b>       | <b>£0.6m HRA</b>  |
| <b>Capital Impact in 2020/21</b>       | <b>£14.8m HRA Capital</b>   |
| <b>Loan granted 2020/21</b>            | <b>NA</b>   |

### 3.1.8 H

|  |  |
|--|--|
| <b>Theme</b>                           | <b>Stronger Place</b>  |
| <b>Brief Description</b>               | <b>Several schemes to improve planning performance and improve delivery, funded from planning performance agreement income</b>                               |
| <b>Development Proposal References</b> | <b>51, 52, 53, 54, 55, 56, 57, 58, 59.</b>   |
| <b>Issue to consider</b>               | <b>Need to ensure that planning performance income not only finds these initiatives but other planning initiatives as £94,000 credit is currently shown.</b> |
|  |  |
| <b>Revenue Impact in 2020/21</b>       | <b>£0.1m income as incentive payments exceed cost of proposals</b>   |
| <b>Capital Impact in 2020/21</b>       | <b>NA</b>  |
| <b>Loan granted 2020/21</b>            | <b>NA</b>  |

### 3.1.9 I

|  |  |
|--|--|
| <b>Theme</b>                           | <b>Stronger Communities and Stronger Place</b>   |
| <b>Brief Description</b>               | <b>A variety of initiatives to improve security and vouch resources to attract National Lottery funding for museum and cultural developments</b> |
| <b>Development Proposal References</b> | <b>60, 61, 62, 63, 64, 65, 66</b>  |
| <b>Issue to consider</b>               | <b>Match funding provided to museum initiative</b>   |
|  |  |
| <b>Revenue Impact in 2020/21</b>       | <b>£0.1m</b>   |
| <b>Capital Impact in 2020/21</b>       | <b>£0.9m</b>   |
| <b>Loan granted 2020/21</b>            | <b>NA</b>  |

### 3.1.10 J

|  |  |
|--|--|
| <b>Theme</b>                           | <b>Stronger Place</b>  |
| <b>Brief Description</b>               | <b>A variety of initiatives to improve local highways and street scenes including a review of car parks</b>  |
| <b>Development Proposal References</b> | <b>67, 68, 69, 70</b>  |
| <b>Issue to consider</b>               | <b>Initiatives also include transfer of resources from Essex CC and increased obligations to parishes. Governance around business and service arrangements needs to be finalised</b> |
|  |  |
| <b>Revenue Impact in 2020/21</b>       | <b>£0.1m</b>   |
| <b>Capital Impact in 2020/21</b>       | <b>£0.1m</b>   |
| <b>Loan granted 2020/21</b>            | <b>NA</b>  |

### 3.1.11 K

|  |   |
|--|---|
| <b>Theme</b>                           | <b>Stronger Place</b>   |
| <b>Brief Description</b>               | <b>A variety of initiatives to improve technical services such as water quality monitoring, trade waste and bridge review and possible replacement and car parking.</b> |
| <b>Development Proposal References</b> | <b>71, 72, 73, 74, 75, 76, 77, 78, 79, 80</b>   |
| <b>Issue to consider</b>               | <b>Ensuring value for money of services provided.</b>   |
|  |   |
| <b>Revenue Impact in 2020/21</b>       | <b>£0.2m</b>  |
| <b>Capital Impact in 2020/21</b>       | <b>£0.7m</b>  |
| <b>Loan granted 2020/21</b>            | <b>NA</b>   |

### 3.1.12 L

|  |  |
|--|--|
| <b>Theme</b>                           | <b>Stronger Place</b>  |
| <b>Brief Description</b>               | <b>Ongar Leisure Centre future (in the context of St Johns and imminent need for major investment)</b> |
| <b>Development Proposal References</b> | <b>81</b>  |
| <b>Issue to consider</b>               | <b>Impact of proposal on other leisure centre investments or proposed investments</b>                  |
|  |  |
| <b>Revenue Impact in 2020/21</b>       | <b>£50,000</b>   |
| <b>Capital Impact in 2020/21</b>       | <b>Up to £8m in future years</b>   |
| <b>Loan granted 2020/21</b>            | <b>NA</b>  |

### 3.1.13 M

|  |  |
|--|--|
| <b>Theme</b>                           | <b>Stronger Place</b>  |
| <b>Brief Description</b>               | <b>Replacement of fleet improving environmental impact and delivering financial efficiency</b>             |
| <b>Development Proposal References</b> | <b>82, 83, 84, 96</b>  |
| <b>Issue to consider</b>               | <b>Rental versus lease of fleet, vehicle acquisition and provision potentially being a Servco function</b> |
|  |  |
| <b>Revenue Impact in 2020/21</b>       | <b>£m negligible net impact</b>  |
| <b>Capital Impact in 2020/21</b>       | <b>£0.8m</b>   |
| <b>Loan granted 2020/21</b>            | <b>NA</b>  |

### 3.1.14 N (new)

|  |  |
|--|--|
| <b>Theme</b>                           | <b>Climate Emergency</b>   |
| <b>Brief Description</b>               | <b>New strategic initiatives with the addition of smaller schemes delivered by existing services</b> |
| <b>Development Proposal References</b> | <b>85, 86, 87, 88, 89, 90, 91, 92</b>  |
| <b>Issue to consider</b>               | <b>Need to measure impact on environment over time.</b>  |
|  |  |
| <b>Revenue Impact in 2020/21</b>       | <b>£0.3m</b>   |
| <b>Capital Impact in 2020/21</b>       | <b>£0.1m</b>   |
| <b>Loan granted 2020/21</b>            | <b>NA</b>  |

### 3.1.15 O (new)

|  |                         |
|--|-------------------------|
| <b>Theme</b>                           | <b>Stronger Council</b> |
| <b>Brief Description</b>               | <b>Update gazetteer</b> |
| <b>Development Proposal References</b> | <b>93</b>               |
| <b>Issue to consider</b>               | <b>NA</b>               |
|  |                         |
| <b>Revenue Impact in 2020/21</b>       | <b>£ negligible</b>     |
| <b>Capital Impact in 2020/21</b>       | <b>£ negligible</b>     |
| <b>Loan granted 2020/21</b>            | <b>NA</b>               |

### 3.1.16 P (new)

|  |                          |
|--|--------------------------|
| <b>Theme</b>                           | <b>Stronger Council</b>  |
| <b>Brief Description</b>               | <b>Basic IT upgrades</b> |
| <b>Development Proposal References</b> | <b>94, 95</b>            |
| <b>Issue to consider</b>               | <b>NA</b>                |
|  |                          |
| <b>Revenue Impact in 2020/21</b>       | <b>NA</b>                |
| <b>Capital Impact in 2020/21</b>       | <b>£ negligible</b>      |
| <b>Loan granted 2020/21</b>            | <b>NA</b>                |

## 4. Funding of Developments

### 4.1.1 District Development Fund

The District Development Fund has historically been used for non-recurring investments and to pump prime other major changes. It is only envisaged that the continuation and completion of the Local Development Plan will be a call against the DDF resources. As a result, the transfer of resources to top up the DDF is also limited.

### 4.1.2 Efficiency Savings

The vast majority of services together with the budget that support them, is only adjusted for inflation. In-line with good business practice, it is proposed that the effectiveness and efficiency of services should get better as a result of a programme of continuous improvement and attainment of an upper quartile position in terms of performance and cost-effective delivery.

It is relatively common to set this efficiency target at 3%, however due to the recent review of establishments and delivery of savings this year, it is suggested that a Directorate wide savings target of 0.25% is set.



#### **4.1.3 Council Tax Increases**

Locally raised taxes support approximately 25% of the total spend of the Authority. An annual increase in Council tax of 2.5% was included in last year's medium-term financial strategy.

In view of the scarcity and importance of the Council tax increase two options have been prepared that will fund all the high priority developments in total.

An increase in council tax of 1.5% has been assumed.

Council tax increases need not only to be considered in terms of the delivery of extra funding but also in terms of setting the council tax base for future years, the current comparative level of tax, the priority given to developments which any increase funds and issues of affordability and the value of services delivered to the local community.

In addition, the Authority holds a non-recurring amount of £500,000 less £50,000 as a non-recurrent ex-gratia payment from HMRC. To date this has not been assumed as being available in the budget and is nominally associated with environmental and other similar works at the North Weal Airfield site.

## **5. Summary Budget Options**

The detail of the development options is set out previously and in the individual submissions shown at Appendix B.1. Although it is appreciated that not all proposals may be accepted and that savings requirements and council tax increases may vary, the following two budget proposals have been illustrated:

It should be noted that the cost of borrowing and depreciation impacts have been modelled but require validation.

The granting of an extra £145m of loans, mainly secured against land and property assets will result in the balance sheet of this Authority continuing to be considered as strong.

The Authority will continue to be prudent and the following should be noted:

- That the benefits of Qualis have been abated by 50%
- That a contingency has been set aside to fund additional inflationary and/or demand pressures.
- Funding supporting developments and income from developments will be assumed spent but contained in a reserve. This reflects recruitment lead in times and encourages early implementation of developments and drawdown of funds.

### 5.1.1 Summary

|  |                     |
|--|---------------------|
| <b>Value of revenue developments (net)</b>   | <b>-1,093,991</b>   |
| <b>Funded by</b>   |                     |
| <b>New DDF (including confirmation of use from previous years that equated to £2m)</b> | <b>1,774,906</b>    |
| <b>Replenishment of DDF Reserve (no net new call or further need of replenishment)</b> | <b>0</b>            |
| <b>Loan Impact New Capital</b>   | <b>-677,188</b>     |
| <b>Savings Programme</b>   | <b>500,000</b>      |
| <b>Abatement of Qualis benefits by 50% (if not needed benefit will go to DDF)</b>      | <b>-1,796,169</b>   |
| <b>Council Tax Base Growth</b>   | <b>65,000</b>       |
| <b>New Homes Bonus Change</b>  | <b>0</b>            |
| <b>Business Rates Growth</b>   | <b>0</b>            |
| <b>Other Changes in Grants</b>   | <b>0</b>            |
| <b>Contingency (assumed spent)</b>   | <b>-1,095,540</b>   |
| <b>Council Tax Increase</b>  | <b>135,000</b>      |
| <b>Total</b>   | <b>-1,093,991</b>   |
| <b>Will also deliver capital schemes with a value of</b>                               | <b>£26,171,528</b>  |
| <b>Will also allow new loans to be issues with a value of up to</b>                    | <b>£145,000,000</b> |