

## Part A

**Report to:** Council

**Date of meeting:** Tuesday, 28 January 2020

**Report of:** Director of Finance

**Title:** Budget and Council Tax Resolution 2020/21

### 1.0 Summary

- 1.1 The purpose of this report is to enable the Council to set the 2020/21 budget and pass the statutory Council Tax Resolutions for 2020/21 for Watford Borough Council's own tax requirements.
- 1.2 At the time of writing this report, the precept demand from both Hertfordshire County Council and the Police and Crime Commissioner for Hertfordshire have not been set. A report will be submitted to the Functions Committee on 26 February 2020 to set the overall Council Tax, which will include these precepts.
- 1.3 Copies of the Budget Report to the Cabinet meeting on 20 January 2020 were circulated separately to all councillors as they contain information relevant to the recommendations.
- 1.4 Cabinet on 20 January 2020 delegated to the Director of Finance the ability to amend the budget figures in accordance with the decisions taken at Council on 20 January 2020. The tables within the budget report have been updated in accordance with this decision and are attached to this report.
- 1.5 The Director of Finance confirms the estimates have been correctly calculated under the assumptions used. The council would have sufficient balances to fund the 2020/21 budget, including the gap for the remaining period of the MTFS, recognising that work will continue during 2020/21 to close the gap in future years.

### 2.0 Risks

#### 2.1

Nature of risk	Consequence	Suggested Control Measures	Response (treat, tolerate, terminate or transfer)	Risk Rating (combination of severity and likelihood)
That Cabinet does not agree the council tax base before the statutory date	The Council tax charge is not set	Revert to prior year's tax base	Treat	1
That Cabinet does not recommend revenue and capital estimates for 2020/21 to Council	The Council does not legally set a budget	Revert to previous MTFS	Treat	1

### 3.0 Recommendations

#### 3.1 To agree proposals recommended by Cabinet on 20 January 2020 that Council:

- a) Resolves in accordance with the Local Authorities (Calculation of Tax Base) Regulations 1992, the amount calculated by Watford Borough Council as its Council Tax Base for the year 2020/21 is 33,480.7 as outlined in the report.
- b) Approves the continuation of the Local Council Tax Reduction Scheme for 2020/21.
- c) Approves the budget (Attachment 1) as laid out in the report, as amended for the decision taken at Council on 20 January, including:
  - the base budget for 2020/21
  - the growth and savings
  - the Capital Investment Programme 2019-23
- d) Approves the schedule of fees and charges & income charging policy
- e) Approves the Capital Strategy for 2020/21,
  - that the Council's operational boundary be £344M
  - that the Council's authorised limit be £350Mand delegates to the Director of Finance and Portfolio Holder Resources responsibility for agreeing and maintaining the Treasury Management policy.
- f) Agrees to increase the annual Council Tax for a Band D property in 2020/21 by 2.0%. This will apply to all other bands.
- g) Notes the key risks identified and approves their proposed mitigations.
- h) Notes the advice provided by the Director of Finance on the robustness of estimates and the adequacy of reserves.
- i) Notes the indicative budgets for 2021/22 and 2022/23 and the need for further work to close the budget gap.

#### Setting the amount of Council Tax for Watford Borough Council

- 3.2 That the Council's net General Fund expenditure for 2020/21 shall be **£15.753 million**.
- 3.3 That the 2020/21 band D precept is set at £273.59 and other bands and amounts are set in accordance with the table at paragraph 2.3 (E)
- 3.4 That Watford Borough Council's Council Tax Base for 2020/21 has been calculated at **33,480.7** in accordance with Regulation 3 of the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012 made under Section 31B (1) of the Local Government Finance Act 1992, as amended.

3.5 That the following amounts be now calculated by the Council for the year 2019/20 in accordance with Sections 31A to 36 of the Local Government Finance Act 1992:

(A) *Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A (2) of the Act.  
(Effectively the gross expenditure and transfers to reserves)* **£76,124,408**

(B) *Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A (3) of the Act.  
(Effectively the gross income and transfers from reserves)* **£66,964,423**

(C) *Being the amount by which the aggregate at 2.3 (A) above exceeds the aggregate at 2.3 (B) above calculated by the Council in accordance with Section 31A (4) of the Act as its Council Tax Requirement for the year* **£9,159,985**

(D) *Being the amount at paragraph 2.3 (C) divided by amount at 2.2 above, calculated by the Council, in accordance with Section 33 (1) of the Act as the basic amount of its Council Tax for the year (at Band D)* **£273.59**

(E)

<b>Council Tax Valuation Bands</b>	<b>Conversion Factor to Band D</b>	<b>Watford's Share (£)</b>
A	6 / 9	182.39
B	7 / 9	212.79
C	8 / 9	243.19
<b>D</b>	<b>1</b>	<b>273.59</b>
E	11 / 9	334.39
F	13 / 9	395.19
G	15 / 9	455.98
H	2	547.18

*Being the amounts given by multiplying the amount at paragraph 2.3 (D) above by the number which, in the proportion set out in Section 5 (1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in Valuation Band D, calculated by the Council, in accordance with Section 36 (1) of the Act, as the amounts to be taken into account for the year 2020/21 in respect of categories of dwellings listed in different valuation bands.*

3.6 That a report including precepts of both the Police Authority and Hertfordshire County Council be presented to the Functions Committee on 26 February 2020 to set the total Council Tax.

**Further information:**

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**Report approved by:** Alison Scott (Head of Finance) [Alison.scott@watford.gov.uk](mailto:Alison.scott@watford.gov.uk)

#### 4.0 **Budget process**

- 4.1 At its meeting on the 20 January 2020 the Cabinet approved the budget proposals for 2020/21. The decisions made by Cabinet are reflected in the formal resolutions set out above.
- 4.2 The Council is recommended to approve Cabinet's budget proposals and to make the necessary formal resolutions to set the level of Council Tax.
- 4.3 Members are required to have regard to the Director of Finance's assessment of risks and the adequacy of balances as set out in this report. This updates that set out in the 20 January 2019 Cabinet report and concludes that the level of balances should be adequate.
- 4.4 Finance Scrutiny Committee considered Cabinet's proposals at its meeting on 14 January 2020 and its minutes were circulated to Cabinet prior to any decisions being taken.
- 4.5 The precepts for Hertfordshire County Council and The Police and Crime Commissioner for Hertfordshire have not yet been notified to the Council. A report will be submitted to the Functions Committee on 26 February 2020 detailing the tax requirement for Watford Borough Council's own purposes with those of the preceptors, to formally set the overall level of Council Tax.
- 4.6 Watford's net revenue expenditure for 2020/21 is forecasted to be **£15.753 million**. Council tax is estimated to be the band D charge multiplied by the tax base (adjusted for the collection rate) which gives an estimated Council tax precept of £9.160 million. Other funding is £4.574 million and the balance will be met from the Council's reserves. The council tax base for 2020/21 is **33,480.7** (Band D equivalents).
- 4.7 This results in a council tax for Band D of **£273.59** and the Watford Borough Council's Council Tax has increased by **£5.36** from the precept set in 2019/20.

#### 5.0 **Implications**

- 5.1 The implications contained in the report to Cabinet on 20 January 2020 are equally applicable to this report and Members are invited to refer to them to avoid unnecessary duplication.


#### Background Papers

Report to Cabinet of 20 January 2020

**Table 1 – Budget Gap, as recommended by Cabinet 20 January 2020.**

Revenue Account - MTFS	2019/20	2020/21	2021/22	2022/23	Over next 3 years of MTFS
	£000	£000	£000	£000	£000
<b>Gap in MTFS at 1 April (approved in January 2019)</b>	<b>1,184</b>	<b>700</b>	<b>235</b>	<b>(127)</b>	<b>808</b>
In year changes through budget monitoring	242	741	0	(1,000)	(259)
<b><u>Salary changes</u></b>					
Corporate Strategy & Communications		0	0	0	0
Place Shaping & Performance		0	0	0	0
Service Transformation		0	0	0	0
Community & Environmental		0	0	0	0
Democracy & Governance		0	0	0	0
HR Shared Service		0	0	0	0
<b><u>Growth and Savings</u></b>					
Corporate Strategy & Communications		30	30	30	90
Strategic Finance		0	0	0	0
Place Shaping & Performance		305	447	227	979
Service Transformation		0	0	0	0
Community & Environmental		300	189	162	651
Democracy & Governance		0	0	0	0
HR Shared Service		0	0	0	0
<b><u>Impact of Fees and Charges</u></b>					
Corporate Strategy & Communications		0	0	0	0
Strategic Finance		0	0	0	0
Place Shaping & Performance		30	30	30	89
Service Transformation		0	0	0	0
Community & Environmental		(5)	(5)	(5)	(14)
Democracy & Governance		0	0	0	0
HR Shared Service		0	0	0	0
<b><u>Other Changes</u></b>					
Changes to Business Rates on Council Property		42	38	48	128
Changes to Staff Costs		479	727	1,085	2,291
Garden Waste Charging		(295)	(445)	(445)	(1,185)
Changes from Shared Services		(134)	(59)	15	(179)
Environmental Health Contract		(154)	(164)	(164)	(481)
Watford 2020	721	(168)	(234)	(339)	(741)
PIB Income target - reduction		400	0	(400)	0
Borrowing Costs		500	120	710	1,330
Leisure Contract Management fee		0	0	(60)	(60)
Revenue impact of Capital bids		0	2	2	4
<b>Net changes</b>	<b>963</b>	<b>2,072</b>	<b>676</b>	<b>(104)</b>	<b>2,645</b>
<b>Revised gap</b>	<b>2,147</b>	<b>2,772</b>	<b>911</b>	<b>(231)</b>	<b>3,453</b>
<b><u>Funding Changes</u></b>					
New Homes Bonus		(134)	0	0	(134)
Business rates		0	150	150	300
Council tax		(263)	(451)	(738)	(1,451)
Additional Government Funding		(400)	0	0	(400)
<b>Sub Total</b>	<b>0</b>	<b>(796)</b>	<b>(301)</b>	<b>(588)</b>	<b>(1,685)</b>
<b>Change in planned use of reserves</b>	<b>(445)</b>	<b>(1,317)</b>	<b>(134)</b>	<b>766</b>	<b>(685)</b>
					0
<b>Revised gap</b>	<b>1,702</b>	<b>659</b>	<b>477</b>	<b>(52)</b>	<b>1,083</b>

# **Medium Term Financial Strategy (MTFS) 2019 -2023, as recommended by Cabinet 20 January 2020**

 <b>WATFORD BOROUGH COUNCIL</b> <b>BE BOLD</b>	2019/20 Original	2019/20 Revised	2020/21 Draft	2021/22 Draft	2022/23 Draft
	£000s	£000s At Period 8	£000s	£000s	£000s
Corporate Strategy & Communications	1,029	1,087	1,042	1,057	1,057
Place Shaping & Performance	(5,825)	(6,228)	(6,397)	(6,522)	(6,522)
Strategic Finance	2,193	2,276	2,292	2,255	2,255
Service Transformation	2,538	4,776	2,773	2,820	2,820
Community & Environmental	8,925	9,411	8,970	9,060	9,060
Democracy & Governance	3,468	1,970	1,992	2,011	2,011
HR Shared Service	656	627	661	666	666
<b>Net cost of services</b>	<b>12,984</b>	<b>13,919</b>	<b>11,333</b>	<b>11,346</b>	<b>11,346</b>
<b>Corporate Budgets</b>					
Dividends & Interest earned	(3,254)	(2,254)	(1,304)	(2,251)	(3,251)
Vacancy provision	(95)	(95)	(95)	(95)	(95)
Apprentice Levy	30	30	30	30	30
Internal support to capital programme	(677)	(677)	(677)	(677)	(677)
Contingency	216	816	214	210	210
Interest payable & borrowing costs	1,042	292	1,730	2,230	2,230
Pension Fund deficit payments	2,449	2,449	2,449	2,449	2,449
<b>Sub-Total</b>	<b>(288)</b>	<b>562</b>	<b>2,348</b>	<b>1,897</b>	<b>897</b>
<b>Financial Planning</b>					
Salary Changes (Including Employers Lump Sum)	0	0	479	727	1,085
Changes from Shared Services	0	0	(134)	(59)	15
Growth	0	0	672	729	510
Income & Efficiencies	0	0	(37)	(63)	(92)
Changes to Business Rates on Council Property	0	0	42	38	48
W2020	0	721	(168)	(234)	(339)
Garden Waste charging	0	0	(295)	(445)	(445)
Environmental Health Contract	0	0	(154)	(164)	(164)
Demand Responsive Transport	0	(741)	741	0	0
Croxley Park	0	500	0	0	0
PIB income target reduction	0	0	400	0	(400)
Net effect of Fees & Charges	0	0	25	25	25
Impact of Capital Programme	0	0	0	2	2
Leisure Contract Management fee	0	0	0	0	(60)
Additional Borrowing costs	0	0	500	120	710
<b>Sub-Total</b>	<b>0</b>	<b>480</b>	<b>2,072</b>	<b>676</b>	<b>896</b>
<b>Total Net Expenditure</b>	<b>12,696</b>	<b>14,961</b>	<b>15,753</b>	<b>13,919</b>	<b>13,139</b>
<b>Planned Use of Reserves</b>					
Contributions to reserves	2,782	1,782	157	157	1,000
Contributions from reserves- Incl W2020 & Carry forward Reserve	(530)	(1,277)	(1,517)	(334)	(641)
<b>Sub-Total</b>	<b>2,252</b>	<b>505</b>	<b>(1,360)</b>	<b>(177)</b>	<b>359</b>
<b>Funding</b>					
Council Tax	(8,809)	(8,809)	(9,160)	(9,437)	(9,722)
Business Rates	(3,552)	(3,552)	(3,152)	(3,002)	(3,002)
New Homes Bonus	(753)	(753)	(772)	(577)	(577)
(Surplus)/Deficit on collection fund	(250)	(250)	(250)	(250)	(250)
Additional Government Funding	(400)	(400)	(400)	0	0
<b>Sub-Total</b>	<b>(13,764)</b>	<b>(13,764)</b>	<b>(13,734)</b>	<b>(13,265)</b>	<b>(13,550)</b>
Total Funding & Use of Reserves	(11,512)	(13,259)	(15,094)	(13,442)	(13,191)
<b>Gap</b>	<b>1,184</b>	<b>1,702</b>	<b>658</b>	<b>477</b>	<b>(53)</b>
<b>Reserves - opening balances</b>	<b>(12,683)</b>	<b>(18,501)</b>	<b>(19,006)</b>	<b>(17,646)</b>	<b>(17,469)</b>
Planned use of reserves	(2,252)	(505)	1,360	177	(359)
Gap funded from reserves	1,184	1,702	658	477	(53)
<b>Reserves - closing balances</b>	<b>(13,751)</b>	<b>(17,304)</b>	<b>(16,988)</b>	<b>(16,992)</b>	<b>(17,881)</b>
<b>Council Tax Rate Calculation</b>					
Council tax base	32,840.6	32,840.6	33,480.0	33,814.8	34,152.9
Council tax charge for band D	£ 268.23	£ 268.23	£ 273.59	£ 279.07	£ 284.65
£	8808.97	8808.97	9159.95	9436.58	9721.56