



CABINET: 12 January 2021

EXECUTIVE OVERVIEW AND
SCRUTINY: 28 January 2021

Report of: Head of Finance, Procurement and Commercial Property

Relevant Portfolio Holder: Councillor Adam Yates

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SUBJECT: DRAFT REVENUE BUDGET 2021-22

Wards affected - Borough Wide

1.0 PURPOSE OF THE REPORT

1.1 To provide a summary of the General Revenue Account budget position for the next financial year, 2021/22.

2.0 RECOMMENDATIONS TO CABINET

2.1 That the financial position for 2021-22 and later years be noted, and consideration given to how a balanced budget can be achieved.

2.2 That the Portfolio Holder for Resources and Transformation is given delegated authority to submit firm proposals to Council on 24th February 2021 to enable the budget to be set.

2.3 That call in is not appropriate for this item as it is to be submitted to the next meeting of the Executive Overview and Scrutiny Committee on 28th January 2021.

3.0 RECOMMENDATIONS TO EXECUTIVE OVERVIEW AND SCRUTINY COMMITTEE

3.1 That the budget position be considered and that any comments agreed by the Committee be submitted to the Portfolio Holder for Resources and Transformation in advance of the Council meeting to be held on 24 February 2021.

4.0 BACKGROUND

- 4.1 The Council must set a budget before the start of each financial year, and this budget will set out the financial basis for the Council's corporate and service plans. The budget that is set must enable the Council's priorities to be delivered but must also be affordable. In addition, it should comply with best practice requirements on budget setting, and must meet statutory and accounting regulations. The Council meeting on the 24th February will provide all Members with the opportunity to debate and agree this budget.
- 4.2 The Council agreed the Sustainable Organisation Review Project report in July 2019 and a range of proposals encompassing both staffing reductions, efficiencies and income generation were approved. Because of the Covid 19 pandemic, progress against some of these objectives and savings targets has been severely impacted upon, in particular, those items relating to income generation which has meant that financial performance has been worse than budget. The adverse forecasted financial effects on the Council's finances are significant. Some of key areas affected are shown below:

£ 000's

- | | |
|------------------------------|------|
| • Leisure operations | £400 |
| • Planning income | £300 |
| • Car parks | £444 |
| • Collection Fund | £960 |
| • Debtor legal cost recovery | £280 |
| • Commercial property | £150 |

- 4.3 Whilst government grants have been received that will offset a considerable proportion of this loss, it is expected that the projected out-turn for 20/21 will be a £0.563m overspend and this will clearly impact upon next year's budget setting.
- 4.4 The latest Medium Term Financial Forecast (MTFF), that was produced several months ago, was projecting a GRA budget gap of £1.035m by 2023-24. This budget gap figure reflects the difference between the spending that is required to maintain services at their agreed level and the resources that are expected to be available.
- 4.5 The scale of this projected budget gap was estimated based on the information that was available at that time and after making assumptions about the level of government funding that would be provided and other relevant factors. Work is currently being undertaken to revise the assessment of the budget gap following the outcome of the Local Government Finance Settlement in late December. The continuation of the coronavirus pandemic will also make it particularly difficult to accurately project budget figures for next year.

5.0 LOCAL GOVERNMENT FINANCE SETTLEMENT

- 5.1 The finance settlement received is generally in line with what was expected. The key features are:
- The New Homes Bonus is confirmed at £802k compared with £875k in 20/21. This reduction is less than anticipated by approximately £50k. It has also been

confirmed, however, that no new legacy payments will be made in 22/23 and therefore this may present an issue if not resolved in the Government Fair Funding Review. This amounts to approx. £600k and forms a significant portion of the Council's income.

- A new Lower Tier Services Grant has been provided of £141,165. It is not clear at this stage if this is a recurring grant, and will therefore only be factored into 21/22 at this stage.
- A freeze in Baseline Funding Levels (BFLs) at 2020-21 levels, to match the freeze in the business rates multiplier but an increase in section 31 grant for the under-indexation of the multiplier, to compensate for the freeze in the business rates multiplier so it has no overall impact.
- Council tax referendum principle of up to 2% or £5, whichever is higher, for shire district councils (This is already factored into the Medium Term Financial Strategy calculations).

6.0 BUDGET POSITION FOR 2021-22

- 6.1 Draft estimates are being prepared for next year that set out a provisional budget for the Council covering all areas of expenditure and income. These estimates are based on rolling forward existing budgets to enable agreed service levels to be maintained. These estimates also include a number of increases to cover standard budget factors including the impact of the national pay award, contractual increments, and contract inflation in line with contractual agreements. The draft estimates will be circulated to Members by email in the coming weeks when completed.
- 6.2 The Medium Term Financial Forecast was based on an assumed £5 increase in the Band D level of the Council tax next year (in line with the actual increase for 2020-21), which is equivalent to a 2.4% rise in the tax level, and this has been built into the draft estimates.
- 6.3 ***Details of any significant variances between the budget estimates and the medium term financial forecast are to be provided plus a revised calculation of the level of reserve funding required to close the budget gap.***
- 6.4 The draft estimates will be reviewed to ensure that they are robust for the purposes of the budget calculation in accordance with the requirements of the Local Government Act 2003, and the results of this review will be reported to the February Council meeting.
- 6.5 Through the budget process, Heads of Service have identified a range of new budget issues or pressures for next year that relate to cost increases or income reductions. Members will need to carefully consider these proposals and determine which items to include in the final budget to meet corporate and service objectives. In line with the approach adopted in the Medium Term Financial Forecast a provision of £125,000 has been allowed for this factor in 2021-22, but its final value will depend on Member decisions.
- 6.6 In finalising the budget for next year, consideration must be given to a number of different factors including:

- The challenging financial position facing local authorities particularly in the light of the Covid19 pandemic
- The acceptance of budget issues and pressures identified by Heads of Service;
- Changes to fees and charges and the level of the Council Tax;
- The Council's Reserves policy and the use of reserves; and
- How any remaining budget gap should be addressed

6.7 The Group leaders and their financial spokespersons are currently examining in detail various budget options, and the Council meeting in February will provide an opportunity for each Political Group to put forward proposals that combine both expenditure and the means of funding it and to set the Council Tax.

7.0 MEDIUM TERM FINANCIAL POSITION

7.1 In recent years, the use of reserves has supported the Council's overall budget position. However, in 2020 the Covid19 pandemic and the weak economic climate have significantly affected financial performance and the achievement of the SORP measures. Predominantly these SORP issues relate to income generation being lower than anticipated, for example, poor interest rate returns on investments. Consequently it is envisaged that in 2021/22, that a further use of reserves will be required to balance up the budget for that year. Based upon this, there will be a need to find additional savings in order to balance up the budget, over the medium term.

7.2. After the budget has been set, a revised Medium Term Financial Forecast will be produced for Council in July 2021 taking into account all of the latest information. This will identify any further savings and income measures that will be required going forward and their value.

8.0 SUSTAINABILITY IMPLICATIONS

8.1 There are no significant sustainability impacts associated with this report and, in particular, no significant impact on crime and disorder.

9.0 RISK ASSESSMENT

9.1 The formal consideration and reporting of the budget estimates is part of the budgetary management and control framework that is designed to minimise the financial risks facing the Council. This process is resource intensive for both Members and Officers but ensures that a robust and achievable budget is set.

9.2 There are a number of financial factors that will influence next year's budget that are unavailable at the time of producing this report including the deficit or surplus on this year's Council Tax collection, and business rate income projections. Estimates for these areas will be produced in January in line with statutory requirements, and will be included in the final budget setting report to Council in February.

Background Documents

There are no background documents (as defined in Section 100D(5) of the Local Government Act 1972) to this Report.

Equality Impact Assessment

The decision does not have any direct impact on members of the public, employees, elected members and / or stakeholders. Therefore, no Equality Impact Assessment is required. A formal Equality Impact Assessment will be produced when the Council agrees the budget at its meeting in February.

Appendices

Minute of Cabinet (Executive Overview and Scrutiny Committee only)