

**MEETING OF THE CABINET**

**TUESDAY, 8 DECEMBER 2020**

## **ADDITIONAL PAPERS**

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**CABINET, TUESDAY 8 DECEMBER 2020**

**ADDENDUM TO ITEM 5 - GENERAL FUND AND SPECIAL EXPENSES REVENUE  
BUDGET PROPOSALS FOR 2021/22**

Further to the publishing of the Cabinet papers officers have identified errors in the report in relation to the value of reserves and information surrounding the variances relevant to the current financial year.

As a result, the report has been updated. Corrected areas of the report are highlighted in red.

There have been no changes to the original appendices.

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<b>Title of Report</b>	<b>GENERAL FUND AND SPECIAL EXPENSES REVENUE BUDGET PROPOSALS FOR 2021/22</b>	
<b>Presented by</b>	Councillor Nicholas Rushton Corporate Portfolio Holder	
<b>Background Papers</b>	<a href="#"><u>Corporate Scrutiny Draft Minutes – 11 November 2020</u></a>	<b>Public Report:</b> Yes
		<b>Key Decision:</b> Yes
<b>Financial Implications</b>	The Net Revenue Expenditure for 2021/22 is estimated at £15.13 million and the Total Funding available is £15.18 million. The predicted surplus of £49,000 is assumed will be transferred to the Self-Sufficiency Reserve. <b>The reserve would increase from an estimated £5.48 million at 31/03/21 to £5.53 million at 31/03/22.</b>	
	<b>Signed off by the Section 151 Officer:</b> Yes	
<b>Legal Implications</b>	None	
	<b>Signed off by the Monitoring Officer:</b> Yes	
<b>Staffing and Corporate Implications</b>	None	
	<b>Signed off by the Head of Paid Service:</b> Yes	
<b>Purpose of Report</b>	For Cabinet to approve 2021/22 General Fund and Special Expenses revenue budget proposals for consultation.	
<b>Reason for Decision</b>	Required as part of the 2021/22 budget process.	
<b>Recommendations</b>	<p><b>CABINET IS RECOMMENDED TO:</b></p> <ol style="list-style-type: none"> <li><b>1. AGREE THE 2021/22 GENERAL FUND AND SPECIAL EXPENSES BUDGET PROPOSALS FOR STATUTORY CONSULTATION; AND</b></li> <li><b>2. THAT THE ASSURANCE STATEMENT BY THE S151 OFFICER BE NOTED.</b></li> </ol>	

## 1.0 BACKGROUND

- 1.1 This report seeks Cabinet approval to consult on the draft General Fund and Special Expenses budget proposals for 2021/22, with the outcome of this consultation exercise being fed back into the subsequent reports to Cabinet and Council to seek approval for the final budget in February 2021.
- 1.2 All proposals relate to the Council Delivery Plan and the five key priorities:
- Supporting Coalville to be a more vibrant, family friendly town;
  - Our communities are safe, healthy and connected;
  - Local people live in high quality, affordable homes;
  - Supporting businesses and helping people into local jobs; and
  - Developing a clean and green district.
- 1.3 Since 2018, greater transparency over budget changes from one year to the next has been achieved through the introduction of an 'incremental' approach to setting the annual budget. Alongside the refresh of the Council's Medium Term Financial Strategy in 2018 and introduction of a new bi-annual medium term financial plan review cycle, the Council has been able to attain an improved handle on its financial position, evidenced through the balances now built up in its General Fund and Housing Revenue Accounts.
- 1.4 The specific principles that have guided service areas in determining their service budget position for the forthcoming year has been as follows:
1. **Established starting point** – The organisation, through its five year revenue planning approach and medium term financial plans already has an established 2021/22 budget which will be the assumed budget and for which only necessary changes will be made.
  2. **Fundamental approach** – Changes to the already established 2021/22 budget position will focus only on the fundamentals:
    - a) Council Delivery Plan budgets;
    - b) Cost pressures that need to be picked up as a result of either increased expenditure or reduced income;
    - c) Savings that can be achieved through increased income or reduced expenditure. Specifically, the Finance team will be driving the identification of budgetary savings from across the organisation.
- 1.5 Revenue proposals have been prepared based on budget holders own projections in respect of expenditure budgets and locally generated income forecasts. Where possible, proposed variations to charges have been detailed in the report in line with the revised Corporate Charging Policy approved by Cabinet in September 2019. For example, the prices for Trade Waste Services have been increased to cover inflation increases to ensure full cost recovery and rental charges for Piper Lifeline customers are proposed to increase in line with CPI as at September 2020.
- 1.6 Information in respect of funding changes have been developed by the Finance team with reference to the Spending Review and forthcoming provisional Local Government Finance Settlement, Capital Strategy and Treasury Management Strategy as necessary.

- 1.7 Due to the time constraints associated with developing a budget, proposals are presented in line with best known information, but this is subject to change as further and more detailed work is undertaken to refine proposals and their resultant values in the coming weeks leading up to final budget.
- 1.8 The Councils General Fund financial position is broadly made up of two elements:
- a) Net revenue expenditure - this includes all expenditure incurred net of income generated through fees and charges and other income (including additional grants authorities apply for, which are not part of central government funding) and financing costs, broadly made up of investment income, interest charged in respect of loans and the minimum revenue provision charge made in respect of unsupported borrowing to fund capital expenditure; and
  - b) Funding - The main sources of funding available to finance revenue expenditure which include locally retained Business Rates, Council Tax, and New Homes Bonus.
- 1.9 Given the ongoing pandemic and the impact on staffing resources and ability to plan with certainty over the medium-term, services were not actively encouraged to develop “service developments” for the 2021/22 financial year unless there is a demonstrable payback and improvement of the Council’s financial position.
- 1.10 The approved 2021/22 budget will undergo regular monitoring and scrutiny during the financial year through quarterly performance monitoring and finance clinics, so that when they arise any variances can be identified at an early stage and remedial action taken to deal with them where necessary.

### **The impact of COVID-19**

- 1.11 The latest forecast impact of the COVID-19 pandemic reported to Cabinet in September as part of the Review of Medium Term Financial Plan report. The report set out the forecast impact on the Council’s finances to be a net impact of £1.94 million across all council services, with £1.56 million in the General Fund and £383,000 in the Housing Revenue Account (HRA).
- 1.12 The revised COVID impact forecast at Period 7 on the Council’s finances to be a net impact of £1.37 million across all council services, with £1.15 million in the General Fund and £219,000 in the HRA.
- 1.13 Since an update was last presented to members in September as part of Quarter 1, additional emergency funding of £164k has been announced. The Council can also expect further New Burdens funding to be granted from central government towards the end of the year. Confirmation has also been received from Ministry for Housing, Communities and Local Government (MHCLG) in respect of the sharing of council tax and business rates losses and the spreading of Collection Fund deficits over three (rather than one) financial years.
- 1.14 Currently, it is difficult to quantify with any real certainty the likely ongoing impact the COVID-19 pandemic will have on the Council’s revenue income and expenditure throughout the remainder of the 2020/21 and into the new 2021/22 financial year.

1.15 For the 2021/22 budget proposals, estimates have been created on the best available information at the time of producing the budgets in November with regards to the impact that the pandemic will have next year and will be reviewed again in January for any significant changes in assumptions for the final budget. Below is a table that summarises the budget position of three income generating services that have been negatively impacted.

	<b>2020/21 Original Budget</b>	<b>2020/21 Forecast (Post COVID-19)</b>	<b>2021/22 Indicative Budget</b>	<b>2021/22 Budget (Post COVID- 19)</b>	<b>Notes</b>
Recycling Income	473,930	359,750	483,410	310,680	It is assumed that the value of recycled materials will continue to be impacted due to COVID.
Planning Fee Income	1,140,000	900,000	1,123,100	800,000	it is estimated that 75% (£225,000) of the reduction is due to COVID
Car Parking Income	366,810	99,205	366,810	188,860	It is estimated that £48,000 is due to change of is due to reduce demand for car parking as habits have changed since the start of the pandemic.

1.16 Within the current year, the Council has already received forms of financial support from MHCLG in the form of emergency funding, and income compensation and a commitment to spread the collection fund deficit arising on council tax and business rates over the following three financial years, instead of the standard one following financial year.

1.17 As part of the Spending Review announcements on 25 November, the Chancellor confirmed that further emergency funding support would be provided into the 2021/22 financial year. In addition, the government committed to the funding of up to 75% of irrecoverable council tax and business rates losses in respect of the 2020/21 financial year (through the collection fund) and a continuation of the income compensation scheme for the first quarter of 2021/22.

1.18 The value of financial support the Council can expect to receive in 2021/22 in respect of COVID-19 is yet to be confirmed, however, based on the announcements assumed budgetary values have been included in this draft budget – more detail can be found in paragraph 6.7.

## **Fiscal Policy**

- 1.19 In a regular fiscal policy cycle, central government would ordinarily deliver the annual budget in autumn and publish its spending review shortly afterwards. The Provisional Local Government Finance Settlement (LGFS) would then be published sometime before mid-December for consultation, with the final published in the January/February. This Provisional LGFS confirms the council's funding position for its General Fund.
- 1.20 On 25 November, the Chancellor of the Exchequer set out what the government will spend in 2021/22 through the Spending Review. In it the Chancellor confirmed that the 'one-year roll forward Spending Review' will actually deliver an increase in core spending power of 4.5% - the majority of which will come from greater council tax flexibilities.
- 1.21 Of the headlines, the most significant for the Council is the news that an additional years' bonus payment would be made under the New Homes Bonus payment scheme – more detail can be found around the effect of this below.
- 1.22 Other headlines confirmed were:
- Revenue Support Grant will be increased with inflation. NWL has not received RSG since 2018/19 and actually due to go into negative RSG this year but it was eliminated – we will need to await the settlement for confirmation of whether this will be eliminated again next year.
  - There will be a continuation, in part, of COVID funding - Local government will receive around £3bn additional funding for COVID in 2021-22.
  - Further £254m funding to tackle homelessness and rough sleeping (of which £103m has already been announced).
  - A fundamental review of the Business Rates Retention System will report in Spring 2021. There will not be a reset of the business rates baseline in 2021-22.
- 1.23 As was the case for the previous year, we anticipate that funding for the General Fund will remain consistent with the current financial year, subject to the fluctuations I respect of COVID-19 and we now await the publication of Provisional LGFS towards the end of December 2020.
- 1.24 The Draft budget also presents a pay award assumption for it's own staff that aligns with the proposals set out by the Chancellor in respect of public sector workers – this includes a pay award for staff earning below £24,000 at a minimum of £250.00, with a pay freeze for those earning above £24,000.

## **Journey to Self-Sufficiency (J2SS) Programme**

- 1.25 As detailed within the budget report presented to Council in February 2020, J2SS work stream saving targets were built into the council's revenue budgets as follows:

<b>Stream</b>	<b>Work</b>	<b>2020/21</b>	<b>2021/22-2024/24</b>	<b>Total MTFP</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Commercial		170	680	850
Contract Management		100	800	900
Use of Assets		200	1,600	1,800
Transformational		25	550	575
Finance		50	650	700
Shared Services		25	250	275
<b>Total</b>		<b>570</b>	<b>4,530</b>	<b>5,100</b>

- 1.26 Of the savings budgeted, the forecast for the 2020/21 year has reduced to £56k against a £570k budget for the General Fund and to nil against a £225k budget for the HRA. This was due to the work on the programme being halted in reaction to the demands of the COVID-19 pandemic.
- 1.27 As part of this draft budget, it is planned for original 5 year savings plan to be 'rebased' with 2021/22 as year 1.
- 1.28 The Corporate Leadership Team have also reviewed the programme to reflect the current operating environment, resource constraints and deliverability of commercial savings built into the programme. Recently, we have received strengthened messages from Central Government around Council's acting commercially, the most recent of which have included confirmed changes to lending conditions from the Public Works and Loans Board in respect of 'debt for yield' purposes. Combined with the change in commercial landscape as a result of COVID-19, it has been concluded that the organisation will need to focus more closely on its use of resources to deliver services in order to deliver savings and an ongoing sustainable financial position. This will necessitate a redesign of the J2SS programme.
- 1.29 To support the redesign and launch of the programme in the new financial year, Cabinet has already agreed for £100k to be set aside from the self-sufficiency reserve for the purposes of engaging external expertise to assist in the delivery of savings from 2021 to 2023.
- 1.30 Work to engage support is already underway and it is planned for an agreed mobilisation plan will be available by the end of the financial year, with the new plan mobilised and inflight by April 2021.
- 1.31 We will have a phased approach to reaching the savings gain, with a view to budgetary cuts in cumulative subsequent cycles to meet the burning platform.

## **2.0 GENERAL FUND 2020/21 – PROJECTED OUTTURN**

- 2.1 **As at Period 7, the forecast position on the General Fund for 2020/21 is a deficit for the year of £690,000, compared to a budgeted surplus of £630,000. There has been adverse variances due to COVID of £1.15 million (net of emergency funding) and non-COVID variances of £171,000. Explanation of the significant variances (over £50,000) are detailed below:**

#### COVID Variances:

- a) Emergency grant funding of £1.36 million (plus £42,000 in 2019/20) has been received from Government for the COVID-19 Local Support Grant and £130,000 New Burdens Funding;
- b) Additional ICT costs in relation to equipment and licences of £122,000 to enable home working for all council employees;
- c) Reduction in income of £941,000 in relation to Grounds Maintenance, Recycling Income, Coalville Market, Pay and Display Income, Planning Fees, Summons and Investment Income. It is forecasted that £370,000 (£159,000 has been received) of these losses will be covered by the Government's Income Compensation Scheme, whereby compensation is received for 75% of losses for eligible income losses after deducting 5% of the budgeted amount;
- d) £517,000 of the budgeted £570,000 of Journey to Self Sufficiency savings will not be achieved as responding to the pandemic diverted resources away from this important corporate programme;
- e) Additional costs to deliver the refuse and recycling service in line with COVID restrictions of £441,000 in additional staffing and agency costs and £100,000 for hiring of additional costs to allow social distancing, offset against fuel savings due to the drop in the price of oil of £74,000;
- f) £466,000 of additional support to Everyone Active;
- g) £142,000 additional premises costs for alternations, security and additional cleaning;
- h) £85,000 support to Parish Councils;
- i) £95,000 on additional communications with residents;
- j) £218,000 in additional staffing costs for the community hub and administering the business support grants; and
- k) Savings of £212,000 of the repairs on maintenance budget for the council properties as the work has been able to be completed.

#### Other (non-COVID) Variances:

- a) **Increase in the Leisure management fee of £116,000; due to the 1 year delay in the construction of the new leisure centre.**
- b) £110,000 of savings identified through a targeted review of key budget lines;
- c) £75,000 of savings within the planning team as a result of the delay in HS2 and reduction in appeals.

2.2 It is anticipated that there will be an impact to the Council's share of business rates and council tax due in 2020/21, however the impact on local taxation is much more difficult to assess. Although we anticipate a reduction in the amounts we will receive for the year, this does not in itself amount to a shortfall of income as sums charged remain due and can be collected long after the year ends. Due to the nature of accounting arrangements, any amounts not collected will not hit the accounts in the current year and instead will be reflected as a charge against the 'Collection Fund', which is usually in the following year, however Government have enacted new regulations which allows the losses to be spread over three years.

### **3.0 CONSULTATION WITH CORPORATE SCRUTINY**

3.1 As introduced last year as part of the 2020/21 budget setting process, a report was taken to the Corporate Scrutiny on the 11 November 2020 to seek feedback on early budget proposals. This was designed to enhance member scrutiny of the proposed budget changes for the forthcoming year, and also provide members with an opportunity to feed suggestions into the process.

3.2 A link to the draft minutes is provided in the background papers on page one of the report. Amongst other comments made, a suggestion was made by a Member of the Committee to include an amount with the budget for installation of better cameras to assist in the detection of fly-tipping. It was agreed to take this suggestion to Cabinet and £15,000 has been incorporated into the draft budget. Further details are available in paragraph 4.6.3.

#### **4.0 2021/22 NET REVENUE EXPENDITURE PROPOSALS**

4.1 For 2021/22, there has been a reduction in net revenue expenditure of £85,000. The main reasons for this decrease are a combination of factors made up of a number of budgetary pressures (increased expenditure or reduced income) and savings (increased income or reduced expenditure).

4.2 Budget proposals presented in this report have been considered and approved by the Corporate Leadership Team and are categorised as either:

4.2.1 Savings Challenge –In total, the budget holders put forward proposals with a combined value of £1.9 million saving and more detail is included in paragraph 4.4 below.

4.2.2 De-minimums budget movements across the General Fund which totalled additional costs of £133,000.

4.2.3 Staffing increases - which include the cost of the pay award (for salaries below £24,000), pension increases and incremental salary progression for 2021/22. The additional cost of staffing is £255,000.

4.2.4 Cost Pressure - Proposed additional budget provision to cover unavoidable cost pressures. The total of these is £1.46 million and more detail is included in paragraph 4.5 below.

4.2.5 Service Development - Proposed additional budget provision to cover enhancement of the service. The total value of service development proposals is £300,000. Details of these proposals are covered in paragraph 4.6 below.

4.2.6 J2SS - Reduction in Net Revenue Expenditure – As reported in paragraph 1.23, the anticipated savings in 2020/21 have not been achieved due to the council responding to the pandemic, the J2SS programme was placed on hold. The programme was a five year plan of increased savings year on year and it has therefore proposed that the savings programme restarts from year 1 in 2021/22. The target for 2021/22 is therefore £570,000.

4.3 A full breakdown of proposals as outlined above can be found in Appendix A.

#### **Savings**

4.4 For information the following paragraphs explain savings that will be built into the 2021/22 budget.

4.4.1 We will reduce the following budgets as these were one-off budget requirements in 2020/21:-

- Development Corporation - £100,000
  - Climate Change Reserve - £885,000
  - Revenue Contribution to Capital (Off-Street Electric Charging Points) - £115,000
  - Pension – Additional Voluntary Contribution - £153,000
  - Leisure Services – Hermitage Recreation Ground Feasibility Study - £50,000
  - Business Focus – Grants - £29,000
  - Cultural Services – Timber Festival - £10,000
  - Finance System Implementation - £50,000
- 4.4.2 We will increase the income budget by £7,000 for the houses in multiple occupation as there are additional licences due for renewal next year. The budget fluctuates year on year.
- 4.4.3 We need to reduce the contractor/client budget by £90,000 in relation to the management fee payable to Everyone Active due to the one year delay in the building of the new Coalville and Whitwick Leisure Centre. As per the contract with Everyone Active, the management fee decreases each year and then we will start receiving a management fee.
- 4.4.4 We will remove the £30,000 budget for the Supporting Families Grant to Leicestershire County Council as they have stated that they no longer require a contribution from the council.
- 4.4.5 We plan to make the following savings within the Planning Service by reducing the following budgets by:
- £10,000 for the Strategic Growth Plan for 2021/22 to reflect the revised timetable for pulling together the plan.
  - £12,000 advertising budget to reflect the savings in the contract and demand.
  - £50,000 for the technical support budget due to it being underspent in previous years. The budget is very dependent on the number of appeals and the amount of technical support required.
  - £25,000 for the planning support budget in relation to HS2 due to national delays of the project which means the council's expenditure has been re-profiled.
- 4.4.6 We will reduce the agency budget for the Internal Audit service by £8,000 as it is only required every five years to undertake an external service review.
- 4.4.7 We have reduced the expenditure by £14,000 on homelessness grants to reflect the current forecast grants to be provided to other organisations to reduce homelessness in the district,
- 4.4.8 We will make a £15,000 saving in relation to staffing in Customer Services. A position has become vacant within the team and a decision has been made to offer up the salary costs as a saving, without impacting on the service to customers.
- 4.4.9 We will make net savings in Housing Benefits of £100,000. There will be savings of £20,000 for rent allowances and £123,000 for rent rebates offset against additional costs of £43,000 for Bed and Breakfast payments. We will

also increase the funding budget by £23,000 as we are expecting to receive additional HB Subsidy Grant next year.

- 4.4.10 We will reduce the Localisation of Council Tax Support by £41,000 to reflect the decision made as part of the 2020/21 budget setting, to phase out the support to Special Expenses over the next four years.
- 4.4.11 We will reduce the Market Towns Support Programme budget by £5,000. Reduced funding required for 2021/22 to assist start-up businesses and encourage young people to become market traders and put themselves forward for the Young Trader Awards We will be working towards self-sufficiency, and therefore will be reducing the budget by £5,000 for the next four years.
- 4.4.12 Additional recharges to the Housing Revenue Account and Special Expenses will generate a saving to the General Fund of £78,000.

### **Cost Pressures**

- 4.5 For information, the following paragraphs explain areas where we will need to increase budgetary provision in order to absorb cost pressures.
  - 4.5.1 We need to increase the fleet budget by £25,000 to cover forecast additional costs in relation to parts, overtime, servicing and labour as vehicles are being retained for longer whilst the council investigated lower carbon options for refuse fleet.
  - 4.5.2 There will be an increase of £9,000 in relation to CCTV surveillance monitoring and staffing as the council is due to go out to tender for a new contract. It is expected that the cost of the new contract will be higher than the current budget due in increases in staffing costs.
  - 4.5.3 We need to increase the budget for contractor payments for pest control by £9,000 due to increased demand for the service, which is a continuation of the upward trend in 2020/21.
  - 4.5.4 We will reduce our planning fee income by £300,000 as result of anticipated lower levels of planning applications due to the economic climate and the knock-on effect of the coronavirus pandemic.
  - 4.5.5 We will reduce the budget for legal fee income by £40,000 following a downward trend in income collected over the last couple of years. The legal income budget for 19/20 and 20/21 was £130,000 per year. This figure was not achieved due to staffing challenges in the legal team and high earning legal commissions coming to an end, most notably the provision of legal support to two local authorities (who managed to recruit to their vacant posts) and some Further Education colleges postponing project work in 2020. A more realistic budget of £90,000 is being proposed for 2021/22. The new Legal Team Manager will take up her post in December 2020, creating and maintaining external legal income will be a priority are of work.
  - 4.5.6 We need to increase the district elections budget by £15,000 to ensure that there is sufficient budget available for the next district election in 2023/24.

- 4.5.7 There will be an additional contribution of £18,000 to Hinckley and Bosworth Borough Council for the Revenues and Benefits Partnership due to additional staffing costs incurred in the normal cyclical course of business (pay award and increments) and inflation.
- 4.5.8 We will enhance our endpoint security by spending £10,000. We will use this to invest in improved anti-virus, anti-malware, anti-spyware and anti-ransomware licences to protect the organisation. £15,000 is also needed for the support and maintenance of Skype for Business.
- 4.5.9 We need to invest an additional one-off £20,000 in the general repairs budget at the Courtyard as the metal roof requires resealing and coating.
- 4.5.10 We need to create a provision of £75,000 for the forecast increase in the bad debt provision as we are expecting the level of bad debts to increase following the fallout of the pandemic.
- 4.5.11 Over the past five years, the number of properties has grown by nearly 4,000 across the district. A review of vehicle routes has recently been carried out to establish their best deployment and to include projected housing growth for the next two years. To meet the increased demand and run the services efficiently, two new rounds are required meaning additional staffing resource of £246,000 is now required in order to meet this need.
- 4.5.12 Reduction of recycling income of £163,000 due to the price of plastic materials plummeting. Due to oil prices being so cheap, virgin plastic is cheaper to manufacture rather than using recycled plastic. There has also been a delay in the Government's Waste & Recycling Strategy due to COVID, which will mean in future producers will have to include a percentage of recyclable materials in any new products and companies will have to pay towards disposal costs.
- 4.5.13 Reduction of car parking income of £64,000, of which £48,000 is due to reduced demand for car parking as habits have changed since the start of the pandemic and £16,000 for the parking income in Coalville due to the new owners of the three sold car parks offering two hours free.
- 4.5.14 Reduction in income for the Community Leisure Scheme of £9,000. This was a recharge to Newbridge High School for a Community Leisure Manager to support them with the management of their 3G pitch and sports hall. Due to financial pressures created by COVID, the school have decided to manage the facilities solely themselves.
- 4.5.15 Reduction in Castle Donington Community College income of £6,000. A number of income generating areas have been removed by the school for exam use now they are a through school. In addition, fitness room income continues to reduce due to poor facilities. The fitness room facilities are in the process of being upgraded which will should see a future increase in income.
- 4.5.16 We are still reviewing the investment income for 2021/22, included within the budget is a reduction of £185,000 to reflect the collapse in interest rates. Interest rates and how much cash we have to invest affect how much investment income we receive. We are still finalising the council's capital programmes, so the amount of cash we have to invest going forward is yet to

be confirmed. We are also continuously assessing the interest rate market, so the return we expect to receive for the cash invested may change.

- 4.5.17 The council will see an increase in its net financing costs for 2021/22 as a result of an increase in value of its capital programme funded through unsupported borrowing. Any capital items funded by 'unsupported borrowing' will incur a minimum revenue provision (MRP) charge where funds are to be set aside from revenue in line with statutory provisions. The increase in net financing costs for the 2021/22 year is £253,000. The majority of the reason for the increase is due to the assumed expenditure on the new leisure facility.

## Service Developments

4.6 Below are the proposed service developments to cover enhancements to services:

- 4.6.1 **We will continue with the food waste pilots in Measham and Coalville and to prepare for a full rollout across the district in 2022/23.** Due to the pandemic the initial food waste trial was put on hold and has therefore not been able to be completed as planned during 2020/21. The revenue impact is still in the process of being calculated but will cover the hire of vehicles, fuel and staffing costs. In order to prepare for a full rollout of the food waste recycling, there will also be a number of one-off costs in relation to purchase and delivery of the food storage caddies, route optimisation and system interrogation. Before costs are incurred on the full rollout, a decision will be made by Members to extend the food waste across the district. The budget requirement has been calculated as £173,000 for 2021/22.
- 4.6.2 **We will invest £5,000 in a Graduate trainee in the health and wellbeing team.** We plan to invest further in graduate trainees in the health and wellbeing team. We currently have one trainee that is currently part funded by external contributions. The proposal is to continue recruiting a trainee each year on a 19 month contract subject to the continuation of part funding by Leicestershire and Rutland Sport (LRS). The budget requirement varies each year between £5,000 -£20,000.
- 4.6.3 **We plan to invest £15,000 in additional improved camera equipment.** A suggestion was made by a member of the Corporate Scrutiny Committee to include an amount with the budget for installation of better cameras to assist in the detection of fly-tipping. It was agreed to take this suggestion to Cabinet and £15,000 has been incorporated into the draft budget. The equipment will be used to investigate fly tipping as well as other environmental crimes. The investment will provide improved equipment infrastructure and deliver additional targeted campaigns.
- 4.6.4 **We plan to spend an additional £19,000 on Air Quality Monitoring.** A review of the delivery of the air quality service has been undertaken. The review looked at all aspects of statutory, proactive and collaborative work with Public Health and identified some recommendations. In order to deliver the additional work contained within the air quality delivery plan, additional budget of £19,000 is required in 2021/22, reducing to £16,000 in 2022/23 and £3,000 2023/24 onwards. There is a separate 'Air Quality Update' report on the same agenda as this report detailing what the investment will deliver.
- 4.6.5 **We plan to invest £35,000 in regeneration and development.** This additional funding is to provide a resource to work with specialist consultants

to continue the delivery of regeneration and development projects that contribute to the Building Confidence in Coalville Project.

- 4.6.6 **We plan to invest £32,000 for a new temporary Projects and Transformational Manager.** The post will be responsible for management of the Customer Experience Team and providing project management support to the Journey to Self Sufficiency (J2SS) programme.

## **5.0 FEES AND CHARGES**

- 5.1 The council provides a wide range of services to local residents, businesses and visitors and generates local income as a result. Local income generation, when done in the right way, presents the council with an opportunity to maximise its financial position and an opportunity to reduce its reliance on government grant. In addition, charging for services can also present opportunities to achieve the council's corporate priorities.
- 5.2 Appendix B provides a comparison of 2020/21 and 2021/22 Fees and Charges for those fees that are proposed to change.

## **6.0 2021/22 FUNDING**

- 6.1 As detailed above, the funding for the council's General Fund is dependent upon the provisional LGFS. The assumptions used to determine funding for next year as part of this draft budget have been based on the Spending Review announcements made on 25 November 2020 and remain to be confirmed as part of the provisional LGFS.
- 6.2 For 2021/22, there is an estimated indicative decrease in total funding of £667,000.
- 6.3 The Local Authorities (Collection Fund Surplus and Deficit) (Coronavirus) (England) Regulations 2020 were laid before Parliament and came into force on 1 December 2020. The regulations allow the 'repayment of collection fund deficits arising in 2020/21, to be spread over the next three years rather than the usual period of a year, giving councils breathing space when setting the 2021/22 budget. The key elements of the phasing scheme applies separately to each of the council tax and non-domestic rates collection fund balances. The regulations affect the Council Tax and non-domestic rates estimated collection fund surpluses and deficits in financial years 2021/22, 2022/23 and 2023/24.
- 6.4 Forecast Business Rates income for 2021/22 has been estimated based on the Period 7 performance of Business Rates plus assumptions around the anticipated level of growth in the district based on an assessment of commercial developments underway. The Council will submit its final projections of Business Rates for 2021/22 to the Government at the end of January 2021 and this information will be used to determine the final budget position for 2021/22 which will be presented in the final budget in February 2021. Due to the way Business Rates is accounted for, there will be a significant surplus on the current 2020/21 year that will need to be carried forward into 2021/22 to offset the impact of the deficit that would otherwise occur – this is shown in Appendix C as "Business Rates Reserve". As such, the current anticipated level of budgeted business rates funding for the Council next year is £7.18 million and is made up of budgeted business rates income and the transference of a business rates reserve (reflecting the surplus in 2020/21).
- 6.5 The Council is not planning to increase the District's share of Council Tax in 2021/22. This will be the twelfth year without an increase. The net income foregone by not

increasing council tax for 2021/22 from its 2020/21 level is £109,000. The cumulative loss of income as a result of this policy from 2010/11 to 2021/22 will be £12.9 million and the cumulative average saving to residents of £414 over the twelve years. The draft budgeted level of Council Tax income has been assessed on the likely level of Council Tax Base, level of further anticipated housing growth in 2021/22 and a non-collection of 2%. This has resulted in an increase of £26,000, from £5.48 million to £5.51 million for the 2021/22 year. The Council Tax Base for 2021/22 is due to be approved by members at its Cabinet meeting in January. Therefore, as is the case with Business Rates, the Council Tax budget will be confirmed in the final budget presented to Council in February 2021.

- 6.6 The Council Tax Collection Fund is monitored throughout the year and the forecast deficit will be spread over three years as allowed by new regulations as detailed in 6.3 above. The budget for 2021/22 has reduced from a budgeted surplus position of £66,000 to a deficit of £64,000, which is 50% of the estimated deficit. There will also be deficits of £40,000 in 2022/23 and 2023/24. The step-change in anticipated Collection Fund surplus to a deficit position is a result of the increase in arrears due to the impact of the pandemic on collection funds and lower than expected housing growth.
- 6.7 The level of New Homes Bonus payment to be received in 2021/22 is based on committed historical legacy payments in respect of 2018/19 and 2019/20, plus a new bonus payment for 2021/22 only, in line with the latest position from government as part of the Spending Review. The total level of bonus funding assumed for next year is therefore £2.547m.
- 6.8 As part of the Spending Review the Chancellor announced that there would be additional financial support provided to Local Authorities in the form of COVID-19 emergency funding, sales, fees and charges income compensation for the first quarter of 2021/22 and 75% support for irrecoverable business rates and council tax losses. Whilst finance officers await the detail, amounts received with reference to the total level of sector support confirmed for 2021/22 have been used to estimate the likely funding the Council may expect to receive. As such an additional £283,000 in emergency funding has been assumed alongside a further £50,000 in income compensation. At this stage, the draft budget doesn't include an assumption around the sharing of council tax and business rate losses as more detail around how the loss sharing scheme will work is needed.

## **7.0 2021/22 DRAFT BUDGET POSITION**

- 7.1 Given the proposals in respect of net revenue expenditure and funding forecasts as detailed above, the predicted surplus of £49,000 is assumed will be transferred to the Self-Sufficiency Reserve. **The reserve would increase from an estimated £5.48 million at 31/03/21 to £5.53 million at 31/03/22.**
- 7.2 The draft Budget Summary for 2021/22 can be found at Appendix C.

## **8.0 SPECIAL EXPENSES**

- 8.1 The forecast outturn for 2020/21 Special Expenses forecast outturn is £608,000 net expenditure, compared to the budget of £667,000. The net cost of Special Expenses are funded through Council Tax and Localisation of Council Tax Support Grant. Any over-spend is funded from Special Expenses Reserves. The forecast position of a surplus of £23,000 will be a contribution to reserves be funded through reserves,

compared to the budgeted deficit of £35,000 (that was planned to be funded through reserves).

- 8.2 The council tax in relation to Special Expenses has been calculated to phase out the Localisation of Council Tax Support Grant over four years commencing in 2021/22 and to provide sufficient funding to cover current deficits and future planned maintenance. The increases in the council tax for Special Expense areas are detailed below:

	<b>20/21</b>	<b>Increase</b>	<b>21/22</b>
<b>Coalville</b>	£67.72	£5.79	£73.51
<b>Whitwick</b>	£8.03	£0.66	£8.69
<b>Hugglescote</b>	£18.45	£0.00	£18.45
<b>Coleorton</b>	£7.21	£1.95	£9.16
<b>Lockington &amp; Hemington</b>	£9.42	£2.48	£11.90
<b>Measham</b>	£1.40	£0.33	£1.73
<b>Oakthorpe &amp; Donisthorpe</b>	£4.38	£0.75	£5.13
<b>Osgathorpe</b>	£1.78	£0.00	£1.78
<b>Ravenstone with Snibston</b>	£0.66	£0.37	£1.03
<b>Stretton-en-le-Field</b>	£61.76	£4.65	£66.41
<b>Appleby Magna</b>	£4.74	£1.30	£6.04

- 8.3 To enable consultation, a draft budget requirement has been produced on an indicative Council Tax Base and is available at Appendix D. The budgeted net expenditure for 2021/22 is estimated £684,000 and the total funding available is £616,000. The predicted deficit of £69,000 will be a contribution from reserves.
- 8.4 The Coalville Special Expenses Working Party will be consulted on the 15 December 2020 in relation to the increase in Council Tax for Coalville. It should be noted that these will likely change once the council tax base has been set and a final position will be shared in February 2020.

## **9.0 CONSULTATION**

- 9.1 The Council will undertake a consultation on the proposed budget provision, its proposed Council Tax freeze for 2021/22 and proposed special expense precept increase for 2021/22. Consultation is required within the business community, through the North West Leicestershire Chamber of Commerce, in compliance with the Non-Domestic Ratepayers (Consultation) Regulations 1992. There will also be consultations with Staff, Unions and Town and Parish Councils.
- 9.2 Between the 21 December 2020 and 7 February 2021 consultation will take place, including draft budget reports being made publicly available via the Council's website for comment. The draft budget will also be presented to the Corporate Scrutiny Committee on 6 January 2021 for final comments before the final budget is presented to Cabinet and Council in February 2021 for approval.

## **10.0 ROBUSTNESS OF ESTIMATES AND ADEQUACY OF RESERVES**

- 10.1 The Local Government Act 2003 requires the Council's Chief Financial Officer (Section 151 Officer) to comment on the robustness of the estimates and also on the adequacy of the proposed reserves. Members must have regard to these comments when making a decision on the budgeted proposals for the forth coming year.

- 10.2 The Section 151 Officer considers that the estimates which form the draft General Fund budget are robust and prudent, and the proposals are deliverable for 2021/22.
- 10.3 The Section 151 Officer also considers that the overall level of General Fund reserves is adequate for 2021/22.
- 10.4 The Section 151 Officer also notes the business, housing and population growth in the district and the need for the future increased expenditure arising from future growth to be funded – this is particularly pertinent going into 2021/22 with the additional expenditure pressures in respect of waste services.
- 10.5 It is widely understood that in the future, all local authorities will have face a reduction in core funding from the Government once changes to the current funding regime (in particular New Homes Bonus and Business Rates) are introduced – particularly against the backdrop of recovering from the impact of COVID-19. The Section 151 Officer is closely monitoring the progress of the Fair Funding Review, the government's departmental multi-year Spending Review (which has been delayed a further year) and the redesign of the national Business Rates Retention System. The council's current projections within the Medium Term Financial Plan (MTFP) make prudent and robust assumptions around the likely level of funding in light of these government-led reviews.
- 10.6 The updated MTFP (presented to Cabinet on 29 September 2020), presents a total deficit between 2020/21 and 2024/25 of £5.3 million, largely as a result of £4.6m targets set in relation to the Journey to Self Sufficiency Programme being absorbed in plans. Therefore there remains a risk that these savings are not delivered and the deficit increases. The MTFP will be updated along with the final budget in February 2021 and reported to Cabinet and Council.
- 10.7 **By March 2022, the Council's Self-Sufficiency reserve is forecast to stand at £5.53 million, subject to funding future commercial initiatives presented to Cabinet for approval.**

<b>Policies and other considerations, as appropriate</b>	
Council Priorities:	The budget assists the Council to achieve all its priorities.
Policy Considerations:	None
Safeguarding:	None
Equalities/Diversity:	The requirement for equalities impact screening and assessments is being reviewed during the consultations and details if required will be provided as part of the management responses.
Customer Impact:	Fees and Charges as outlined in Appendix B
Economic and Social Impact:	None
Environment and Climate Change:	None
Consultation/Community Engagement:	Between the 21 December 2020 and 7 February 2021 consultation will take place, including draft budget reports being made publicly available for comment on the council's website.
Risks:	The budget will be monitored throughout the year to ensure savings are achieved and services delivered as planned.
Officer Contact	Tracy Bingham Head of Finance and Section 151 Officer <a href="mailto:tracy.bingham@nwleicestershire.gov.uk">tracy.bingham@nwleicestershire.gov.uk</a>

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