

<b>Title of Report</b>	<b>GENERAL FUND AND SPECIAL EXPENSES REVENUE BUDGETS PROPOSALS FOR 2021/22</b>	
<b>Presented by</b>	Councillor Nicholas Rushton Corporate Portfolio Holder	
<b>Background Papers</b>	<a href="#"><u>General Fund and Special Expenses Revenue Budget Proposals for 2021/22</u></a> – Cabinet 8 December 2020	<b>Public Report:</b> Yes
	<a href="#"><u>Coalville Special Expenses Finance Update</u></a> – Coalville Special Expenses Working Party – 15 December 2020  <a href="#"><u>Draft Minutes</u></a> – Corporate Scrutiny Committee - 6 January 2021	<b>Key Decision:</b> Yes
<b>Financial Implications</b>	The Net Revenue Expenditure for 2021/22 is estimated at £14.9 million and the total funding available is £16.0 million.  The predicted surplus of £1.1 million is assumed will be added to the Self-Sufficiency Reserve. The reserve would increase from an estimated £6.30 million at 31/03/21 to £7.41 million at 31/03/22.	
	<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 agree the 2021/22 General Fund and Special Expenses revenue budget proposals for recommendation to Council 23 February 2021.	
<b>Reason for Decision</b>	To enable the Council to set a balanced budget for 2021/22 as required by statute.	
<b>Recommendations</b>	<b>1. THAT CABINET NOTE THE ASSURANCE STATEMENT BY THE S151 OFFICER;</b>	

	<p><b>THAT CABINET RECOMMENDS TO FULL COUNCIL THAT IT:</b></p> <ol style="list-style-type: none"> <li><b>2. APPROVES THE AMENDED GENERAL FUND FEES AND CHARGES AS DETAILED IN APPENDIX B;</b></li> <li><b>3. APPROVES THE GENERAL FUND REVENUE BUDGET FOR 2021/22 AS SUMMARISED IN APPENDIX C;</b></li> <li><b>4. APPROVES THE SPECIAL EXPENSES REVENUE BUDGET FOR 2021/22 AS SUMMARISED IN APPENDIX D;</b></li> <li><b>5. FREEZES THE DISTRICT'S COUNCIL TAX IN 2021/22; AND</b></li> <li><b>6. REQUIRES THE BUDGETED SURPLUS INCOME OVER EXPENDITURE IN 2021/22 TO BE TRANSFERRED TO THE SELF SUFFICIENCY RESERVE.</b></li> </ol>
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## **1.0 INTRODUCTION**

- 1.1 The draft General Fund budget proposals for 2021/22 were considered and approved for consultation by Cabinet on 8 December 2020. The report was subsequently shared with a number of groups, including the Corporate Scrutiny Committee on 6 January 2021. A link to the draft minutes have been included as a background paper.
- 1.2 This report summarises any changes made since the last Cabinet report and presents the responses to the budget consultation so that any final recommendations can be made to Council on 23 February 2021.
- 1.3 The government published its Provisional Local Government Finance Settlement on 17 December 2020. The settlement confirmed a much more favourable position than anticipated as part of the draft budget which has contributed to a significant movement in the anticipated position for 2021/22. Favourable movements confirmed were:
  - An unanticipated £550,000 under a new grant called the “Lower Tier Services Grant”;
  - Additional COVID-19 Emergency funding of £195,000, taking the total of this funding to £478,000 next year;
  - Additional “Local income tax guarantee” covering 75% of losses on business rates and council tax, now estimated at £68,000;
  - Local Council Tax Support funding of £103,000, not included in the draft budget;
  - An extension of the 75% Sales, Fees and Charges Income Compensation scheme into Quarter 1 of 2021/22. £50,000 was already included in the draft budget and the final confirmed estimate is now £64,000; and
  - A new round of bonus payment in addition to legacy payments under the New Homes Bonus scheme – although the actual confirmed level of funding was £96,000 less than what we had anticipated in the draft budget.

- 1.4 Alongside the funding changes, there are five key additional proposals detailed within the report and a further change in assumed funding (in addition to funding changes outlined above) now that the position in respect of the council tax and business rates bases have been reviewed. These movements contribute to moving the balance on the General Fund for 2021/22 to a £1.1 million surplus position (compared to the forecast surplus of £49,000 as presented as part of the draft budget).
- 1.5 The Council's 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, New Homes Bonus and Revenue Support Grant.
- 1.6 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.

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

- 2.1 The third quarter Performance Report is due to be considered by Cabinet at its meeting in March and presents outturn projections for the current year. The forecast position on General Fund for 2020/21 is now a surplus for the year of £224,000, compared to a budgeted surplus of £630,000. There have been adverse variances due to COVID of £730,000 (net of emergency funding) and non-COVID favourable variance of £324,000.
- 2.2 The revised position is a significant and welcome favourable movement compared to the position last reported to members in the September 2020 version of the medium term financial plan. A detailed explanation of the forecast position will be provided in the separate Quarter 3 Performance Report.

## **3.0 2021/22 NET REVENUE EXPENDITURE PROPOSALS**

- 3.1 For 2021/22, there is a decrease in net revenue expenditure of £285,000. The main reasons for this increase are a combination of factors made up of a number of service developments, budgetary cost pressures (increased expenditure or reduced income) and savings (increased income or reduced expenditure).
- 3.2 Budget proposals presented in this report have been considered and approved by the Corporate Leadership Team and are categorised as either:
- a) Savings – Proposed reductions in budget provision generated from savings in expenditure or additional income. The total for these is £1.92 million and details of the changes since the draft budget are detailed in paragraph 3.5 below and a full breakdown is included within Appendix A.

- b) Cost Pressure - Proposed additional budget provision to cover unavoidable cost pressures. The total of these is £1.49 million and details of the changes since draft budget are detailed in paragraph 3.6 below and a full breakdown is included within Appendix A.
- c) Service Development - Proposed additional budget provision to cover enhancement of the service. The total value of service development proposals is £283,000 and details of the changes since draft budget are detailed in paragraph 3.7 below and a full breakdown is included within Appendix A.
- d) Staffing increases - which include the cost of the pay award, pension increases and incremental salary progression for 2021/22. The additional cost is £232,000, a decrease of £22,000 since the draft budget due to the finalisation of staffing costs.
- e) De-minimums budget movements across the General Fund which totalled additional costs of £130,000.
- f) Journey to Self-Sufficiency Programme– The anticipated reduction in net revenue expenditure for 2021/22 as a result of the Journey to Self Sufficiency programme. The target for 2021/22 is £570,000. Further work is being undertaken to achieve the targeted saving.

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

3.4 The following paragraphs detail the changes that have been made to the budget since the presentation of the draft budget to Cabinet in December.

### **Savings**

3.5 For information, the following paragraphs explain the additional savings that have been identified and built into the 2021/22 budget:

- a) We will realise a saving of £13,000 in relation to the contribution paid to Blaby District Council for delivery of the Lightbulb service due to revenue savings identified for administering the grants.

### **Cost Pressures**

3.6 For information, the following paragraphs explain the changes to the cost pressures that have been identified and built into the 2021/22 budget:

- a) We need to create a budget of £5,000 to enable an examination and survey to be undertaken on the railway bridge at Coalville Forest Adventure park.
- b) The Minimum Revenue Provision has reduced by £4,000 from £253,000 at draft budget to £249,000 due to the changes made to the capital programme.
- c) Included within the draft budget there was a reduction in car parking income of £64,000, this was due to the impact of COVID and the new car park owners in Coalville offering two hours free parking. Since the draft budget was presented to members, the car parking review has been finalised and one of the recommendations is to increase the tariffs. There is a separate report on the same agenda. This has reduced the income loss by £43,000 to £21,000.

- d) We have created a budget of £52,000 for Standby/Call-Out Allowance payments. It was brought to management's attention by trade unions that there were some inequalities within the standby/call out allowance policy whereby some services were paid for being on standby and when called out and other services were not compensated. Therefore, from December 2020, a new scheme was introduced to ensure equal pay across services.

## **Service Developments**

- 3.7 Below are the additional service development identified and built into the 2021/22 budget:

- a) **We propose to create a budget of £6,500 for litter picking.** A suggestion was made by a Member of the Corporate Scrutiny Committee to consider providing some paid support for volunteer litter groups in the rural areas of the district as it would have a positive impact on the communities. The Corporate Portfolio Holder concurred with the Chairman and felt that some part-time support would really make a difference in the rural communities. He was happy to take the suggestion to Cabinet when it considered the budget proposals.

## **4.0 FEES AND CHARGES**

- 4.1 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.
- 4.2 Appendix B provides a comparison of 2020/21 and 2021/22 Fees and Charges for those fees that have changed, which has been updated since draft budget to include the change to car parking tariffs and Street Naming and Numbering.

## **5.0 2021/22 FUNDING**

- 5.1 The budgeted position for next years and assumptions around funding future years is currently based on the content of the Provisional Local Government Finance Settlement (LGFS) which was issued on 17 December 2020.
- 5.2 For 2021/22, there is an estimated indicative increase in total funding of £196,000, subject to receipt of the Final Local Government Finance Settlement expected around mid-February (although no further changes are anticipated).
- 5.3 As part of the settlement, additional financial support for the sector was outlined to support the response to COVID-19. This included:
- Confirmation of £478,000 of COVID-19 emergency funding. £283,000 was included in the draft budget. This funding is netted off service expenditure and so is not visible as a separate funding line in the budget summary.
  - A further £64,000 (£50,000 included in draft budget) in income compensation as the scheme is extended to Quarter 1 of 2021/22. This funding is netted off service expenditure and so is not visible as a separate funding line in the budget summary.

- Funding of £235,000 which equates to 75% support from government for irrecoverable business rates and council tax losses. See Below.
- Local Council Tax Support Grant - £103,000. This funding was not budgeted for as part of the draft budget. The Council is currently working with other Leicestershire council tax precepting bodies to design a county-wide hardship scheme to cover the likely increased costs of local council tax support. It is proposed the residual funding is utilised locally for hardship relief.

5.4 Forecast Business Rates income for 2021/22 has been estimated based on the Period 9 performance of Business Rates plus assumptions around the anticipated level of growth in the district based on an assessment of commercial developments underway. A 3% decline in rates in 2021/22 is also assumed on the basis that businesses could fold as a result of the pandemic and once rates bills become payable again as relief's lapse. 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 as a result of the accounting arrangements for the COVID-19 reliefs granted by government to businesses during the pandemic – this is shown in Appendix C as “Business Rates Reserve”. Smaller amounts are also carried forward into 2022/23 and 2023/24 to cover the deficit spread in these years. As such, the total level of budgeted business rates funding for the Council next year is £7.6 million and is made up of budgeted business rates income and the transference of a business rates reserve.

5.5 The District Council's share of Council Tax is proposed to be frozen 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 £174,000. The cumulative loss of income as a result of this policy from 2010/11 to 2021/22 will be £12.5 million and the cumulative average saving to residents of £400 over the twelve years. The budgeted position now reflects the revised council tax base approved by Cabinet in January 2021. The marginal increase in the base results in an increase of £41,000, from £5.48 million to £5.53 million for the 2021/22 year.

5.6 In addition to the above, the Local Authorities (Collection Fund Surplus and Deficit) (Coronavirus) (England) Regulations 2020 were laid before Parliament and came into force on 1 December 2020, allowing 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. The effect of this is:

- For Business Rates, the deficit is netted off the forecast retained rates position in 2021/22, 2022/23 and 2023/24 and a reserve has been set up from 2020/21 to help smooth the effect of these, as set out in 5.4 above.
- For Council Tax the budget for 2021/22 has reduced from a £66,000 to a deficit of £99,000. In 2022/23 and 2023/24 the deficits spread are £75,000 per annum.

5.6 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. The total level of bonus funding assumed for next year is therefore £2.45 million. The final budgeted position is £96,000 less than originally

anticipated in the draft budget and this is because of some macro-funding changes made by government. Overall, the Council is better off due to the new Lower Tier Services Grant (see below).

- 5.5 Finally, a new funding stream was confirmed in the settlement which the Council had not budgeted for in the draft budget. The Lower Tier Services Grant for 2021/22 will be £550,000.

## **6.0 2021/22 BUDGET POSITION**

- 6.1 Given the proposals in respect of net revenue expenditure and funding forecasts as detailed above, the predicted surplus and contribution to General Fund reserves for 2021/22 is £1.1 million. Assuming the forecast surplus is added to the Self-Sufficiency Reserve, the reserve would increase from an estimated £6.30 million at 31 March 2021 to £7.41 million at 31 March 2022.

- 6.2 The Budget Summary for 2021/22 can be found in Appendix C.

## **7.0 SPECIAL EXPENSES**

- 7.1 The Special Expenses forecast outturn for 2020/21 is £606,000 net expenditure, compared to the budget of £667,000. The net cost of Special Expenses is 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 £24,000 will be a contribution to reserves, compared to the budgeted deficit of £35,000 (that was planned to be funded through reserves).

- 7.2 Since the draft budget was presented to Cabinet, the Special Expenses council tax rates have been updated to reflect the setting of the Council Tax Base and also the finalisation of the future planned maintenance programme. The increases in the council tax rates are detailed below:

**Table 1 – Special Expenses Council Tax Band D Rates**

	<b>20/21</b>	<b>Increase</b>	<b>21/22</b>
<b>Coalville</b>	£67.72	£5.92	£73.64
<b>Whitwick</b>	£8.03	£0.84	£8.87
<b>Hugglescote</b>	£18.45	£0.00	£18.45
<b>Coleorton</b>	£7.21	£2.01	£9.22
<b>Lockington &amp; Hemington</b>	£9.42	£2.50	£11.92
<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	£5.73	£67.49
<b>Appleby Magna</b>	£4.74	£1.31	£6.05

- 7.3 The Special Expenses Budget Summary for 2021/22 – 2024/25 can be found in Appendix D.

## **8.0 MEDIUM TERM FINANCIAL PLAN**

- 8.1 The Council's Medium Term Financial Plan 2020/21-2024/25 was last reviewed in September 2020. At that time, the projected deficit on the General Fund arising over the five year period was £5.3 million.
- 8.2 Given the expenditure proposals and assumptions around funding presented as part of this report, the forecast deficit between 2021/22-2025/26 remains stable and is £5.2 million. As detailed in paragraph 6.1 above, the Self-Sufficiency reserve is forecast to stand at £7.41 million as at 31 March 2022.
- 8.3 Full details of the full assumptions used to determine this forecast can be found in the Medium Term Financial Plan report on the same agenda as this report.

## **9.0 CONSULTATION**

- 9.1 The consultation on the annual budget setting for 2021/22 consisted of scrutiny by members of the Corporate Scrutiny Committee, statutory consultation and public consultation.

### **Corporate Scrutiny Committee**

- 9.2 A report was taken to Corporate Scrutiny Committee on 11 November 2020 to seek feedback on the early budget proposals. Suggestions from members of the committee were built into the draft budget proposals presented to Cabinet on 8 December 2020.
- 9.3 The Corporate Scrutiny Committee met on 6 January 2021 to review all the draft proposed budgets for 2021/22. A link to the draft minutes have been included as a background paper. As detailed in paragraph 3.7, the suggestion in relation to providing some support to volunteer litter collecting groups in rural areas of the district has been incorporated into the final budget.

### **Statutory Consultation**

- 9.4 The statutory consultation on the 2021/22 budget proposals commenced on the 21 December 2020 and will close on the 7 February 2021. The statutory consultation included the Parish Council's within North West Leicestershire, Trade Unions and the Federation of Small Businesses. They were all provided with copies of the budget reports and given the opportunity to provide feedback. At the time of writing the report, one response has been received and is included in Appendix E. Any responses received will be provided to Cabinet in a supplementary paper, verbal update at the meeting or via email after the Cabinet meeting.

### **Coalville Special Expenses Working Party**

- 9.5 The Coalville Special Expenses Working Party met on 15 December 2020 to review the council tax increase for Coalville Special Expenses. A link to the draft minutes have been included as background paper. At the meeting, clarification was sought from Members as to the exact percentage increases in the precept for individual households and bands. This was confirmed to members after the meeting.

### **Public Consultation**

- 9.6 An online consultation commenced on the 21 December and will close on the 7 February 2021. The surveys asks respondents 'what feedback would you like to give



us on the council's proposed budget for 2021/22'. At the time of writing this report, we have received nil responses in relation for the general fund revenue budget.

- 9.7 The consultation will remain open until the 7 February 2021, any responses received will be provided to Cabinet in a supplementary paper, verbal update at the meeting or via email after the Cabinet meeting.

## **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 budget proposals for the forthcoming year.
- 10.2 The Section 151 Officer considers that the estimate which form the General Fund budget are robust and prudent, and the proposals are deliverable for 2021/22. The overall level of General Fund reserves are also considered by the Section 151 Officer to be adequate for 2021/22.
- 10.3 The Section 151 Officer notes that business, housing and population growth in the district continues to rise at pace, despite the ongoing COVID-19 pandemic and as a result there is a need for future increased expenditure to be funded.
- 10.5 It is widely understood that in the future, all local authorities will 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 Council has begun to scope its response to these matters through its Journey to Self Sufficiency Programme.
- 10.6 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, presents a total deficit between 2021/22 and 2025/26 of £5.2 million, and is contingent on the delivery of £5.1m of savings in relation to the Journey to Self Sufficiency Programme. Therefore, there remains a risk that these savings are not delivered and the deficit increases.
- 10.7 By March 2022, the Council's Self-Sufficiency reserve is forecast to stand at £7.41 million, subject to funding 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:	We have considered the impact of budget proposals to the General Fund on the protected characteristics defined within the Equalities Act. No material impacts have been identified.
Customer Impact:	Fees and Charges as outlined in Appendix B.
Economic and Social Impact:	None
Environment and Climate Change:	None
Consultation/Community Engagement:	Corporate Scrutiny Committee – 6 January 2021  Statutory Consultation (Parish Councils, Trade Unions and the Federation of Small Businesses) and Public Consultation was undertaken between 21 December 2020 and 7 February 2021.
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>