

MINUTES OF BUDGET WORKING GROUP MEETING

HELD 1 FEBRUARY 2021

Present: S Atkinson (Chair), A Brown, S Fletcher, S Hirst, S Hore, A Knox, D Peat, J Rogerson, Chief Executive, Director of Resources, Director of Community Services, Director of Economic Development and Planning, Head of Financial Services.

1 **Apologies**

1.1 None

2 **Minutes of meeting held on 28 September 2020**

2.1 Members approved the minutes of the last meeting of the Budget Working Group.

3 **Provisional Local Government Finance Settlement 2021/22**

3.1 A report was presented by the Director of Resources on the Spending Review and the Provisional Local Government Finance Settlement 2021/22. It was explained that the information presented was in respect of the provisional settlement. The Spending Review announced on 25 November 2020 was for one year only.

3.2 The report gave key information around:

- Spending Review – In respect of Covid-19 pressures next year the government stated it would provide over £3 billion in additional support.
- Fair Funding Review – The Chancellor had confirmed that as announced earlier in the year, the implementation of the fair funding review had been delayed. The Spending Review didn't specify when this would be revisited.
- Business Rates – The Chancellor announced that the Government is undertaking a fundamental review of the business rate system and is currently considering responses to the call for evidence.
- New Homes Bonus - The Chancellor announced that the Government will maintain the existing New Homes Bonus scheme for a further year with no new legacy payments. The government will consult on reforms to the New Homes Bonus shortly, with a view to implementing reform in 2022/23.
- Local Government Finance Settlement - The consultation for the Provisional Local Government Finance Settlement ended on 16 January 2021. It is expected that the final settlement will be laid before the House of Commons in February.

3.3 The implications of the announcement for this Council would be:

- Rural Services Delivery Grant – The continuation of this grant means that this council will receive funding of £113,250 next year.
- Lower Tier Services Grant – The Government announced this new grant, of which Ribble Valley would receive £57,680.
- New Homes Bonus – This Council's provisional allocation was £1.516m (£1.771m received in 2020/21).
- Business Rates – the Lancashire Business Rates Pool would continue to operate on the same basis as in 2020/21. LCC will receive 10% of the total retained levies. In addition, as Lead Authority we will receive £20,000 and act as a channel for all payments to and from MHCLG.
- Council Tax Referendum Principles – for this council the applicable council tax referendum principle was 2% or £5 whichever is the higher.

4 Revenue Budget 2020/21 and 2021/22 Latest Position

- 4.1 The next agenda item covered the Revenue Budget, being the main purpose of this Budget Working Group meeting, with the intention of making recommendations to the forthcoming Special Policy and Finance Committee meeting. This included discussing the guiding principles for financing the budget, including the use of general fund balances, earmarked reserves and the proposed level of council tax for 2021/22.
- 4.2 An update on the revised budget for 2020/21 and the budget position for 2021/22 was provided to members by the Director of Resources. Overall, revised committee budgets were forecast to be £437,530 below the original estimate.
- 4.3 The net position on the revised estimate showed that it was now anticipated that £186k would be taken from general fund balance rather than £143k.
- 4.4 The impact of Covid-19 on business rates had made the assessment of the revised estimate for business rates extremely complex. It was highlighted that it was very difficult to predict beyond next year what the council's likely share of business rates would be given the Fair Funding Review and also Business Rates Retention are due to take place.
- 4.5 Looking forward to the 2021/22 original estimate, committee expenditure was set to decrease slightly by £13,800 compared to the original estimate for 2020/21.
- 4.6 A summary of the major sources of funding for the council was given within the report, covering:
- Income
 - Government Funding 2021/22
 - Business Rates
 - New Homes Bonus
 - Council Tax
 - General Fund Balances
- 4.7 The report then went on to look at the funding for the 2021/22 budget,
- 4.8 Members were then taken through a budget modelling spreadsheet where several different options were explored and discussed.
- 4.9 Following detailed discussion there were a number of key items that were agreed would be proposed to the Special Policy and Finance Committee meeting.
- **Fees and Charges Losses due to Covid** - Income had been budgeted for within service committees on the basis of no impacts from the Covid pandemic. However, it was expected that the pandemic would continue to impact on the council's income into the next financial year. The Government had announced a 3-month extension to the income compensation scheme.

A contingency was therefore needed for the balance of lost income which had not been factored into committee estimates. For the current year the potential total income loss for 12 months was estimated at £860k. It was hoped that the council would be compensated by the Government's compensation scheme for £573k which left the remaining loss of £287k to be borne by the council. It was assumed that the council could face losses for the first six months of next year which would leave a gap of around £150k. It was suggested adding this as a contingency to next year's budget.

The BWG recommend that a contingency be added to next year's budget of £150,000 for potential further income losses due to the Covid pandemic
 - **New Home Bonus** - How much of the New Homes Bonus allocation should be used to fund the revenue budget? As per the budget forecast this was £1,105,000 each year. The council also use New Homes Bonus to fund capital expenditure.

Though the Budget Working Group recognised the impending changes to the scheme they recommended using £1,105,000 to fund the 2021/22 revenue budget.

Business Rates Growth – Should the amount of business rate growth used to support the revenue budget be at the same level as the budget forecast at £675,514 next year?

The Budget Working Group recommended using £675,514 of business rate growth to support the 2021/22 revenue budget.

Council Tax – Does Budget Working Group agree to a £5 increase in our Band D council tax? This would take our Band D charge to £160.69?

The Budget Working Group considered the level of council tax at £155.69 for a Band D property and given the budget pressures recommended a £5 increase in the Band D tax for 2021/22 to assist in bridging the budget gap. This would generate an extra £120,035.

Use of Balances - Do Budget Working Group confirm the use of balances to support the revenue budget? (general fund balances at 1 April 2020 were £2.376m)

The Budget Working Group recommended using £250,000 from general fund balances as per the budget forecast. They also further recommended funding the new £150,000 contingency for losses in income from general fund balances. This took the total amount to be used to £400,000.

Use of Business Rate Volatility Reserve - This reserve stood at £1.681m and was set aside to fund volatilities in our business rate income.

The Budget Working Group recommend financing the remaining budget gap of £97,031 from the Business Rate Volatility Reserve.

- 4.10 Future budget years were discussed, with considerable uncertainty around New Homes Bonus, Business Rates Growth and Government Funding.

5 Revised Capital Programme 2020/21

- 5.1 Members were taken through the proposed revised capital programme for 2020/21, including the financing of the schemes and performance on progressing the capital programme to date.
- 5.2 The proposed revised capital programme for 2020/21 was £1,925,000 for twenty-seven schemes, which was a reduction of £1,602,940 from the previously approved capital programme and a reduction of three schemes.
- 5.3 As a result, there was a reduction of £1,602,940 in the level of financing resources needed to fund the 2020/21 proposed revised capital programme. It was proposed to move £1,684,020 of financing resources into 2021/22 to fund the capital schemes that were proposed to be moved into that year.
- 5.4 Earmarked reserves were used to fund £777,730 of the 2020/21 proposed revised capital programme, with the balance of funding coming from usable capital receipts of £10,100, grants and contributions of £1,128,910 and borrowing of £8,260.

5.5 At the end of December 2020 £1,201,218 had been spent or committed on capital programme schemes. This was 62.4% of the full year proposed revised capital programme budget.

5.6 Members supported the proposals as outlined in the report.

6 Four Year Capital Programme 2021/22 – 2024/25

6.1 Members were taken through then proposed Four-Year Capital Programme 2021/22 – 2024/25.

6.2 Given the additional burdens caused by, and priority focus on, Covid-19 issues throughout 2020, the capital programme budget update process for this year had been streamlined. This had involved moving to a four-year capital programme, covering 2021/22 to 2024/25, and there being no new capital bids for 2025/26 (year five).

6.3 The focus of this budget update process had been on a:

- Review of the 2021/22 capital schemes already in the capital programme to confirm that costings were correct and that they would be able to be completed in that year.
- Review of the current year's (2020/21) capital schemes to identify whether any may need to be moved to the 2021/22 financial year.

6.4 There had been just one scheme in the existing 2021/22 capital programme that had needed to be amended. This amendment had only been the movement of the scheme from the 2021/22 financial year to the 2022/23 financial year, together with associated scheme financing. This movement had a net nil impact.

6.5 As part of the review of the current year's capital programme (2020/21) there had been 10 schemes/part schemes moved from the 2020/21 financial year in to the 2021/22 financial year, totalling £1,684,020. Whilst this was an increase to the 2021/22 capital programme, there was an associated decrease in the 2020/21 financial year – with associated financing also being moved to fully fund these schemes.

6.6 Members agreed with the proposals outlined in the report. Members sought assurance that schemes could be brought forward, or new urgent schemes submitted for consideration, should there be a need in the coming year prior to the next annual review and bidding round. It was confirmed that this would be the case.

7 Any Other Business

7.1 The requirement for the statutory meeting with Representatives of Business Rate Payers was discussed, particularly considering the Covid-19 pandemic. It was agreed that local bodies representing business ratepayers would be emailed instead.

8 Date and Time of Next Meeting

It was agreed that further meetings would be called as and when needed, based on the position now reached regarding proposals to be made to the Special Policy and Finance Committee meeting.