

# RIBBLE VALLEY BOROUGH COUNCIL

## REPORT TO COMMUNITY SERVICES COMMITTEE

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meeting date: 5 JANUARY 2021

title: ORIGINAL REVENUE BUDGET 2021/22

submitted by: DIRECTOR OF RESOURCES

principal author: HELEN SEEDALL

- 1.1 To agree the draft revenue budget for 2021/22, for consideration at Special Policy and Finance Committee.

## 2 BACKGROUND - COUNCIL'S OVERALL FINANCIAL POSITION

### 3 Year Budget Forecast

- 2.1 The Council's three-year budget forecast was last presented to Policy and Finance Committee in March. Whilst every year it is extremely challenging to predict funding, nearly all of our major income streams are currently very difficult to forecast in the present climate. Our forecast in March predicted the following budget gaps; £281k in 2021/22, £206k in 2022/23, £337k in 2023/24, after allowing for the use of general fund balances.
- 2.2 At the time of producing the March forecast, the outcome of the Fair Funding Review, the potential changes to the New Homes Bonus Scheme and the implications of Business Rate Retention Reforms were unknown and it was highlighted that these issues would be crucial in terms of our future budget forecast and therefore to some extent the forecast beyond 2020/21 was impossible to predict.
- 2.3 As you will appreciate, the above forecast was also produced prior to the extent of the impact of Covid-19 in the current financial year being known. Indeed, there is still substantial uncertainty with regard to the financial impact for this council in the short to medium term in respect of additional spend, lost income and the level of grant support that the council will receive.

### The Spending Review 2020

- 2.4 In light of Covid-19, the government has scrapped its plans for a multi-year spending review and have instead conducted a one-year review to set departments' budgets for 2021-22.
- 2.5 The key messages that came out of the 2020 Spending Review are listed below:
  - Local authority core spending power is projected by the Government to rise by 4.5 per cent in cash terms. This increase is largely due to the ability of social care authorities to increase their council tax bills by up to 5 per cent.
  - To support local authorities in England with Covid-19 pressures next year, the Government expects to provide over £3 billion in additional support. The additional support includes £1.55 billion to meet additional expenditure pressures as a result of Covid-19, £670 million to support households that are least able to afford council tax payments, £762 million to compensate for 75 per cent of irrecoverable loss of council tax and business rates revenues in 2020/21, and extending the existing Covid-19 sales, fees and charges reimbursement scheme for a further 3 months until the end of June 2021.
  - As announced earlier this year, the implementation of the fair funding review has been delayed. The Spending Review didn't specify when the review will be revisited.

- The Government is undertaking a fundamental review of the business rates system and is currently considering responses to the call for evidence. A final report setting out the full conclusions of the review will be published in spring 2021. The Government has decided to freeze the business rates multiplier in 2021/22. Local authorities will be fully compensated for this decision. The Government is also considering options for further Covid-19 related support through business rates reliefs.
- Earlier this year, the Government announced that it would delay the move to 75 per cent Business Rates Retention and the implementation of the fair funding review. This decision allowed local authorities to focus on meeting the public health challenge posed by the pandemic. In order to provide further stability to the sector, the Government has decided not to proceed with a reset of business rates baselines in 2021/22.
- The referendum threshold for increases in council tax will remain at two per cent in 2021/22.
- 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.

### **Covid-19 and Budget Preparation**

- 2.6 The immense economic uncertainty associated with the COVID-19 pandemic makes this an extraordinarily difficult time for all councils in formulating their budget (both revenue and capital) plans. A budget working group meeting was held on 28 September which amongst other things considered the setting of next year's budget.
- 2.7 At the meeting of Policy and Finance Committee on 17 November 2020, it was agreed that the approach as previously discussed at the Budget Working Group should be taken, namely:

<b>Budget Element</b>	<b>Recommended Approach</b>
<b>Expenditure (non Covid related)</b>	Inflationary increase to base budget
<b>Covid 19 Expenditure</b>	Unknown but budget on basis costs will be reimbursed by the Government
<b>Income (non Covid related)</b>	Inflationary increase to base budget
<b>Income – Impact of Covid</b>	Budget on basis any losses will be reimbursed by the Government. However, could be substantial even if pandemic ends and may not be reimbursed. Some income could be substantially impacted.
<b>Council Tax/Business Rates</b>	Difficult to assess the impact of pandemic particularly on businesses in the next financial year.  Collection fund deficits can be spread over 3 years.

- 2.8 Members agreed with the conclusion of Budget Working Group, in that the council should prepare its budget on the base budget plus inflation and on the expectation that any variance due to Covid would be made good by the Government.
- 2.9 As mentioned, the budget process has been particularly impacted by the Covid-19 pandemic. The pandemic has also brought about wider pressures on service resources to

the extent that there has been a lighter touch review of the budgets this year, and the reporting this year is at a higher level than that usually provided.

### 3 2021/22 PROVISIONAL LOCAL GOVERNMENT SETTLEMENT

3.1 At the time of producing this report the Government had yet to announce the provisional finance settlement.

3.2 It is anticipated that there will be an announcement in respect of the Local Government Settlement before Parliament's Christmas recess. Members will be provided with an update at their meeting.

### 4 BUDGET PROCESS

4.1 Presented to committee for decision elsewhere on the agenda are the proposed fees and charges for 2021/22. The consequential impact of these approved fees and charges has been incorporated in to the service budgets shown within this report, on the assumption that they are approved as presented or without material change.

4.2 When all committees have approved their detailed estimates, the overall position will be considered by Budget Working Group.

4.3 The Budget Working Group will then make recommendations in order to produce a balanced budget for consideration at the Special meeting of Policy and Finance Committee. The final budget report will then be presented to Full Council, at which point the Council Tax for 2021/22 will also be approved.

### 5 2021/22 DRAFT REVENUE BUDGET

5.1 As far as your budget is concerned, the estimates have been prepared on the current levels of service, and they allow for pay increases at 2% and price increases at 2%.

5.2 Within this report the budget is shown in the same manner in which they are reviewed. Each costs centre within the report is shown individually. Behind each cost centre is a great deal more subjective level detailed budgets, but for the purposes of this report they are summarised in to the standard local government CIPFA Service Reporting Code of Practice basis.

- **Employee Related:** this group includes the cost of employees, both direct and indirect to the council.
- **Premises Related:** this group includes expenses directly related to the running of premises and land.
- **Transport Related:** this group includes all costs associated with the provision, hire or use of transport, including travelling allowances.
- **Supplies and Services:** this group includes all direct supplies and service expenses to the council.
- **Third Party Payments:** a third-party payment is a payment to an external provider which is operating independently, in return for the provision of a service.
- **Transfer Payments:** this includes the cost of payments to individuals for which no goods or services are received in return by the local authority. A key item here would be the payment of housing benefits.
- **Support Services:** charges for services that support the provision of services to the public. At this council the main support service cost is the support from staff based at the council offices building and the building's associated cost.
- **Depreciation and Impairment:** this is the revenue impact of capital items shown in the service revenue accounts of the council.

- **Income:** this includes income from fees and charges, grants, donations and contributions. Also shown here is the associated 'income' to a support service from the redistribution of its costs to those providing services to the public.

5.3 As you will see, the draft proposed budget for 2021/22 for each service area is also built up looking at a number of stages. The starting point is the base budget, being the Original Estimate for the current financial year. A summary of the various elements is given below.

- **Original Estimate 2020/21:** This represents the base budget for the council and assumes no change in service level from that set for the previous year's original estimate.
- **Inflation at 2% Pay and 2% Other:** The budget forecast allows for inflation on pay at 2% and prices at 2% (with some exceptions such as grants). This is where that general allowance for inflation is brought in to the individual budget areas.
- **Movements in Expenditure:** This is where any movements in the expenditure budgets for this committee are shown. This excludes movements in support services and Capital, which are shown in separate columns.
- **Movements in Income:** This is where any movements in the income budgets for this committee are shown.
- **Movements in Support Services:** Any changes that relate to the recharging of support service costs are included in this column.
- **Movements in Capital:** Any changes relating to depreciation and impairment are included in this column.
- **DRAFT Original Estimate 2021/22:** The final column is the total all preceding columns and is constructed from the base budget and any necessary changes to the base that are needed. If approved this will then form the base budget in next year's budget process.

6 SUMMARIES

6.1 The draft budget is summarised in two ways. One over the cost of the service provided by the committee (objective). The other is over the type of expenditure and income (subjective)

Cost Centre and Description	Original Estimate 2020/21	Inflation at 2% Pay and 2% Other	Movements in Expenditure	Movements in Income	Movement in Support Services	Movement in Capital	DRAFT Original Estimate 2021/22
ARTDV: Art Development	35,220	450	-110		130		35,690
BUSSH: Bus Shelters	17,790	220			220		18,230
CARVN: Caravan Site	-8,640	-170					-8,810
CCTEL: Closed Circuit Television	140,480	2,630	4,630		-220	50	147,570
CLRFF: Clitheroe Food Festival	21,390	500					21,890
COMMD: Community Services Department	0	18,390	20		-18410		0
CPADM: Car Parks	-133,280	-5,850	2,160		4,500	-2,800	-135,270
CPVEH: Car Park Vehicles	0	130			-2,290	2,160	0
CRIME: Crime and Disorder	59,900	410			210		60,520
CULTG: Culture Grants	5,110				20		5,130
CULVT: Culverts & Water Courses	18,550	180			340		19,070
DRAIN: Private Drains	1,960	-20			90		2,030

<b>Cost Centre and Description</b>	<b>Original Estimate 2020/21</b>	<b>Inflation at 2% Pay and 2% Other</b>	<b>Movements in Expenditure</b>	<b>Movements in Income</b>	<b>Movement in Support Services</b>	<b>Movement in Capital</b>	<b>DRAFT Original Estimate 2021/22</b>
EALLW: Edisford All Weather Pitch	42,750	-980	9,470		60	-4,870	46,430
EDPIC: Edisford Picnic Area	-6,990	-180			-1,450	1,420	-7,200
EVEHA: Works Administration Vehicles	0	630			-12,560	11,930	0
EXREF: Exercise Referral Scheme	82,830		-2,240	3,540	2,430		86,560
GMVEH: Grounds Maintenance Vehicles	0	1,640			14,630	-16,270	0
GRSRC: Grants & Subscriptions - Community	1,060	10			20		1,090
HWREP: Highway Repairs	15,060	10			580		15,650
LDEPO: Longridge Depot	0	200			1,390	-1,590	0
LITTR: Litter Bins	18,910	160			340		19,410
MCAFE: Museum Cafe	25,550	-50			1,370	-11,690	15,180
MUSEM: Castle Museum	283,920	3,850	-400		-600	-33,980	252,790
PAPER: Waste Paper and Card Collection	191,780	3,260	22,970		750		218,760
PCADM: Public Conveniences	210,550	2,750	9,210	8,180	740	-28,090	203,340
PKADM: Grounds Maintenance	0	9,920	-27,230	15,330	1,980		0

Cost Centre and Description	Original Estimate 2020/21	Inflation at 2% Pay and 2% Other	Movements in Expenditure	Movements in Income	Movement in Support Services	Movement in Capital	DRAFT Original Estimate 2021/22
PLANT: Plant	0	360			-6,240	5,880	0
PLATG: Platform Gallery and Visitor Information	137,140	1,640	880		1,230	100	140,990
RCOLL: Refuse Collection	1,479,870	28,430	10,320		-6,230	1,300	1,513,690
RCVEH: Refuse and Paper Collection Vehicles	0	9,010	57,340		-29,660	-36,690	0
RECUL: Recreation Grants	34,580	0			120		34,700
RIVBK: Riverbank Protection	4,180	30					4,210
ROEBN: Roefield Barn	-420	-10					-430
RPOOL: Ribblesdale Pool	323,570	2,880	-8,670	18,220	1,840	-70,720	267,120
RVPRK: Ribble Valley Parks	605,470	9,530	-7,650		-35,390	-24,470	547,490
SDEPO: Salthill Depot	0	2,080	3,960		-9,310	3,270	0
SEATS: Roadside Seats	8,140	50			170		8,360
SIGNS: Street Nameplates & Signs	37,400	50			310	6,670	44,430
SPODV: Sports Development	83,090	210			4,150		87,450
SPOGR: Sports Grants	5,990				90		6,080

Cost Centre and Description	Original Estimate 2020/21	Inflation at 2% Pay and 2% Other	Movements in Expenditure	Movements in Income	Movement in Support Services	Movement in Capital	DRAFT Original Estimate 2021/22
STCLE: Street Cleansing	375,470	7,010	3,810	1,540	1,170		389,000
TAFUT: Together an Active Future	0		62,000	-62,000			0
TFRST: Waste Transfer Station	104,440	1,560	-290		850		106,560
TRREF: Trade Refuse	-21,370	-2,130	14,760		4,500		-4,240
TWOWR: Two Way Radio	0						0
VEHCL: Vehicle Workshop	0	1,610	5,330	-8,120	1,180		0
WKSAD: Works Administration	0	4,120	24,140	-29,150	890		0
XMASL: Christmas Lights and RV in Bloom	3,660				40		3,700
<b>Grand Total</b>	<b>4,205,110</b>	<b>104,520</b>	<b>184,410</b>	<b>-52,460</b>	<b>-76,020</b>	<b>-198,390</b>	<b>4,167,170</b>
Associated Movement in Earmarked Reserves	-33,630	690	510				-32,430
<b>Net after Earmarked Reserves</b>	<b>4,171,480</b>	<b>105,210</b>	<b>184,920</b>	<b>-52,460</b>	<b>-76,020</b>	<b>-198,390</b>	<b>4,134,740</b>



**b) Type of Expenditure/Income (Subjective)**

<b>Cost Centre and Description</b>	<b>Original Estimate 2020/21</b>	<b>Inflation at 2% Pay and 2% Other</b>	<b>Movements in Expenditure</b>	<b>Movements in Income</b>	<b>Movement in Support Services</b>	<b>Movement in Capital</b>	<b>DRAFT Original Estimate 2021/22</b>
<b>Employee Related Expenditure</b>	2,886,710	57,720	46,750				2,991,180
<b>Premises Related Expenditure</b>	1,422,750	28,330	35,110		-30,820		1,455,370
<b>Transport Related Expenditure</b>	1,706,200	34,100	71,440			7,150	1,818,890
<b>Supplies &amp; Services</b>	594,720	11,830	29,380				635,930
<b>Third Party Payments</b>	261,630	5,230	1,730				268,590
<b>Transfer Payments</b>	72,240						72,240
<b>Support Services</b>	1,701,620				71,260		1,772,880
<b>Depreciation and Impairment</b>	848,720					-205,540	643,180
<b>Total Expenditure</b>	<b>9,494,590</b>	<b>137,210</b>	<b>184,410</b>		<b>40,440</b>	<b>-198,390</b>	<b>9,658,260</b>
<b>Other Grants and Contributions</b>	-50,120			-60,460			-110,580
<b>Customer &amp; Client Receipts</b>	-1,631,530	-32,630		21,760			-1,642,400
<b>Departmental Recharges</b>	-1,119,640				-32,060		-1,151,700
<b>Oncosts Recovered</b>	-971,360			-13,760			-985,120
<b>Miscellaneous Recharges</b>	-1,516,830	-60			-84,400		-1,601,290
<b>Total Income</b>	<b>-5,289,480</b>	<b>-32,690</b>		<b>-52,460</b>	<b>-116,460</b>		<b>-5,491,090</b>
<b>Net Expenditure</b>	<b>4,205,110</b>	<b>104,520</b>	<b>184,410</b>	<b>-52,460</b>	<b>-76,020</b>	<b>-198,390</b>	<b>4,167,170</b>
<b>Associated Movement in Earmarked Reserves</b>	-33,630	690	510				-32,430
<b>Net After Earmarked Reserves</b>	<b>4,171,480</b>	<b>105,210</b>	<b>184,920</b>	<b>-52,460</b>	<b>-76,020</b>	<b>-198,390</b>	<b>4,134,740</b>

7 EARMARKED RESERVES

7.1 In the Original Estimate for 2020/21 this committee planned to take £33,630 from earmarked reserves to support its expenditure. Looking forward to 2021/22, the proposal included in the estimates is that this committee take £32,430 from earmarked reserves.

7.2 The table below provides a summary of the DRAFT Original Estimate for 2021/22 together with the budgeted impact on the relevant earmarked reserves. Also detailed is a summary of the reasons for the movements on the earmarked reserves.

	<b>DRAFT Original Estimate 2021/22</b>	<b>Reason for Movement on Earmarked Reserve</b>
<b>Committee Net Cost of Services</b>	<b>4,167,170</b>	
COBAL/H283: Clitheroe Food Festival Reserve	-8,600	To contribute towards funding planned expenditure on the 2021 Clitheroe Food Festival. Monies have been set aside from previous food festivals to cover such eventualities.
COBAL/H239: Crime & Disorder Reserve	-14,620	Monies set aside from previous years underspends, to be used to fund future years expenditure.
COBAL/H333: Refuse Collection Reserve	-9,210	Use of income generated from the bin hire scheme and sale of householder bins to fund future purchase of bins issued through the scheme and replacement householder bins.
<b>Committee Net Cost of Services after Movements on Earmarked Reserves</b>	<b>4,134,740</b>	

## 8 KEY VARIATIONS

- 8.1 The net expenditure for this committee has decreased from £4,171,480 by £36,740 to £4,134,740 after allowing for associated movements on earmarked reserves. The main reasons for this net decrease are summarised in the table below.

Description	Variance Original Estimate 2020/21 to DRAFT Original Estimate 2021/22
<p><b>VARIOUS: Capital</b> Decreases to depreciation as result of a reduction in the accounting valuation of various assets following the closedown of the 2019/20 accounts – in particular Ribblesdale Pool -£70,720, Castle Museum - £33,980, Museum Café -£11,690, Mardale Pavilion and Edisford Changing Rooms -£24,470.</p>	-198,390
<p><b>VARIOUS: Support Services</b> There is a net decrease in inter-departmental costs and miscellaneous recharges on this committee following changes to various departmental cost allocations and reduced costs.</p>	-76,020
<p><b>VARIOUS: Refuse Collection Vehicles</b> Increase to the repairs and maintenance budget for refuse collection vehicles due to a continued increase in repairs experienced in recent years. This is the movement of the amount previously held corporately as a contingency in 2020/21 now being released and provided against the service.</p>	50,000
<p><b>RPOOL: Ribblesdale Pool</b> Increase to the gas budget has been necessary as a result of a new energy meter being installed at the pool which has registered readings of an increase in usage.</p>	15,720
<p><b>VARIOUS: Inflationary Increase</b> When the 2% inflationary increase is applied, it accounts collectively to a substantial increase for this committee.</p>	104,520

## 9 RISK ASSESSMENT

- 9.1 The approval of this report may have the following implications

- Resources: approval of the original budget for 2021/22 would see a decrease in net expenditure of £37,940 compared with the original budget for 2020/21 or a decrease of £36,740 after allowing for movements on earmarked reserves.
- Technical, Environmental and Legal: none identified
- Political: none identified

- Reputation: sound financial planning safeguards the reputation of the Council
- Equality and Diversity – Equality and diversity issues are considered in the provision of all Council services.

10 RECOMMENDED THAT COMMITTEE

- 10.1 Approve the revenue original estimate for 2021/22 and submit this to the Special Policy and Finance Committee.

SENIOR ACCOUNTANT

DIRECTOR OF RESOURCES

CM3-21/HS/AC