

RIBBLE VALLEY BOROUGH COUNCIL REPORT TO HEALTH AND HOUSING COMMITTEE

meeting date: 14 JANUARY 2021

title: ORIGINAL REVENUE BUDGET 2021/22

submitted by: DIRECTOR OF RESOURCES

principal author: ANDREW COOK

1 PURPOSE

- 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:

Budget Element	Recommended Approach
Expenditure (non Covid related)	Inflationary increase to base budget
Covid 19 Expenditure	Unknown but budget on basis costs will be reimbursed by the Government
Income (non Covid related)	Inflationary increase to base budget
Income – Impact of Covid	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.
Council Tax/Business Rates	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 services provided by the Committee (objective). The other is over the type of expenditure and income (subjective).

a) Cost of Services Provided (Objective)

Cost Centre and Description	Original Estimate 2020/21	Inflation at 2% Pay and 2% Other	Movements in Expenditure	Movements in Income	Movements in Support Services	Movements in Capital Charges	DRAFT Original Estimate 2021/22
AFHOU: Affordable Rent Properties	0	0	1,950	-12,660		7,710	-3,000
APLAC: Alma Place Unit	2,280	-20			30	60	2,350
AWARM: Affordable Warmth	410	10	-350				70
CLAIR: Clean Air	1,830	10			30		1,870
CLAND: Contaminated Land	9,030	0			330		9,360
CLCEM: Clitheroe Cemetery	34,050	-180	-5,890		11,220		39,200
CLDCY: Closed Churchyards	9,220	180			-4,080		5,320
CLMKT: Clitheroe Market	-37,670	-1,900	2,000	-1,970	1,090	-210	-38,660
CMGHH: Community Groups - Health & Housing	20,270	0			120		20,390
COMNL: Common Land	2,350	10			40		2,400
CTBEN: Localised Council Tax Support Admin	169,420	420	270	-4,320	2,130		167,920
DOGWD: Dog Warden & Pest Control	121,810	630			4,310		126,750
ENVHT: Environmental Health Services	336,140	-360			870		336,650
HGBEN: Housing Benefits	143,370	410	-14,250	13,540	3,520		146,590

Cost Centre and Description	Original Estimate 2020/21	Inflation at 2% Pay and 2% Other	Movements in Expenditure	Movements in Income	Movements in Support Services	Movements in Capital Charges	DRAFT Original Estimate 2021/22
HOMEE: Home Energy Conservation	5,910	10			210		6,130
HOMES: Homelessness Strategy	94,090	420		-67,910	2,400		29,000
HSASS: Housing Associations	6,350	0			160		6,510
HSTRA: Housing Strategy	45,300	10	-360	6,320	1,290	-4,680	47,880
IMPGR: Improvement Grants	71,260	-570			3,510		74,200
JARMS: Joiners Arms	40,090	150	1,940	-1,480	710	1,430	42,840
SHARE: Shared Ownership Rents	-450	-30			20		-460
SUPPE: Supporting People	19,020	230	-11,930		100		7,420
UCRED: Universal Credit	15,790	0		6,070	540		22,400
Net Expenditure	1,109,870	-570	-26,620	-62,410	28,550	4,310	1,053,130
Associated Movements in Earmarked Reserves	-36,320		10,850	67,790			42,320
Net Expenditure after Movements in Earmarked Reserves	1,073,550	-570	-15,770	5,380	28,550	4,310	1,095,450

b) Type of Expenditure/Income (Subjective)

	Original Estimate 2020/21	Inflation at 2% Pay and 2% Other	Movements in Expenditure	Movements in Income	Movements in Support Services	Movements in Capital Charges	DRAFT Original Estimate 2021/22
EXPENDITURE							
Employee Related Expenditure	15,690	330	-40				15,980
Premises Related Expenditure	166,850	3,290	-4,290		5,890		171,740
Transport Related Expenditure	6,280	130					6,410
Supplies & Services	103,750	2,090	4,240				110,080
Third Party Payments	23,890	470	-11,930				12,430
Transfer Payments	5,240,010	0	-14,600				5,225,410
Support Services	1,237,600	0			22,780		1,260,380
Depreciation and Impairment	40,580	0				4,310	44,890
EXPENDITURE Total	6,834,650	6,310	-26,620	0	28,670	4,310	6,847,320
INCOME							
Government Grants	-5,316,660	0		-82,100			-5,398,760
Other Grants and Contributions	-56,870	0		29,480			-27,390
Customer & Client Receipts	-344,250	-6,880		-9,790			-360,920
Departmental Recharges	0	0					0
Miscellaneous Recharges	-7,000	0			-120		-7,120
INCOME Total	-5,724,780	-6,880	0	-62,410	-120	0	-5,794,190
Net Expenditure	1,109,870	-570	-26,620	-62,410	28,550	4,310	1,053,130
Associated Movements in Earmarked Reserves	-36,320		10,850	67,790			42,320
Net Expenditure after Movements in Earmarked Reserves	1,073,550	-570	-15,770	5,380	28,550	4,310	1,095,450

7 EARMARKED RESERVES

7.1 In the Original Estimate for 2020/21 this Committee planned to transfer £36,320 from earmarked reserves to support its expenditure in future years. Looking forward to 2021/22, the proposal included in the estimates is that this Committee add £42,320 to 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 in the earmarked reserves.

	DRAFT Original Estimate 2021/22	Reason for Movement in Earmarked Reserve
Committee Net Expenditure	1,053,130	
HGBAL/H337: Equipment Reserve	-500	Planned transfer from funds previously set aside in the Joiners Arms Furniture and Equipment Reserve to fund increased furniture and equipment costs at the Council's homelessness unit.
HGBAL/H339: Housing Related Grants Reserve	42,820	<p>In 2021/22, housing related grant funding set aside from previous years will be released in-year to fund estimated additional expenditure or reduced income on specific services:</p> <ul style="list-style-type: none"> • £4,800 to cover rent rebate subsidy not received from the DWP for rent paid on behalf of claimants in temporary accommodation which is above the Local Housing Allowance level. • £6,270 to cover estimated Joiners Arms reduced rent income and increased Council Tax void payments. • £7,490 for additional temporary accommodation homelessness costs. • £6,460 for additional expenditure on the Homelessness Reduction Act database. • £70 for affordable warmth purchases and fuel top up grants. <p>Set against the above, the Council has been allocated new Homelessness Prevention Grant funding of £67,912 for 2021/22. This new grant replaces the previously separate Flexible Homelessness Support Grant and Homelessness Reduction Act funding allocations from previous years.</p> <p>At original estimate stage, this budgeted grant allocation of £67,910 is planned to be transferred to the Homelessness Prevention Grant Reserve, as the currently budgeted additional homelessness costs for 2021/22 are being financed by transfers from amounts previously set aside in the Flexible Homelessness Support Grant and Homelessness Reduction Act earmarked reserves (see above).</p>
Committee Net Expenditure after Movements in Earmarked Reserves	1,095,450	

8 KEY VARIATIONS

8.1 The net expenditure for this committee has increased from £1,073,550 by £21,900 to £1,095,450 after allowing for associated movements on earmarked reserves. The main reasons for this net increase are summarised in the table below.

Description	Variance - Original Estimate 2020/21 to DRAFT Original Estimate 2021/22 £
VARIOUS – Support Services A net increase in support service recharges across all cost centres following a re-assessment of budgeted costs in all support services areas. The increased charges will also reflect the impact of 2% inflation for those support services.	28,550

8.2 Other points to note re the 2021/22 original estimate budget are:

- **AFHOU - Affordable Rent Properties:** The Council has purchased and is refurbishing three properties to then lease to a registered housing provider, who will let the properties at affordable rent levels. A new cost centre, Affordable Rent Properties, has been set up to account for the income and expenditure in this area. This includes some budgets being transferred from the Housing Strategy cost centre and some new budgets given that 2021/22 is the first year that the full lease income and associated costs will be included in the budget.
- **SUPPE - Supporting People:** Up to June 2020 in 2020/21 the Council paid an external provider to run the Domestic Abuse Outreach Support Service in Ribble Valley. The Council's costs were funded by grant previously received from Lancashire County Council, which was transferred from the Domestic Abuse Outreach Support Service Reserve in-year. Since July 2020, the service has been directly paid for by Lancashire County Council. As a result, for 2021/22 there is a reduction in budgeted expenditure on the Supporting People cost centre and no associated transfer from earmarked reserves is required.

9 RISK ASSESSMENT

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

- **Resources:** Approval of the original estimate budget for 2021/22 would see a decrease in net expenditure of £56,740 compared with the original estimate budget for 2020/21 or an increase of £21,900 after allowing for movements in 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 for this Committee and submit this to the Special Policy and Finance Committee.

SENIOR ACCOUNTANT

DIRECTOR OF RESOURCES

HH3-21/AC/AC
22 December 2020