

meeting date: 19 JANUARY 2021

title: ORIGINAL REVENUE BUDGET 2021/22

submitted by: DIRECTOR OF RESOURCES

principal author: VALERIE TAYLOR

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 February 2020. 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)

**a) Cost of service provided by the committee (Objective)**

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
CEXEC: Chief Executive's Department	16,500	22,990	10,960	0	-50,450	0	0
CIVCF: Civic Functions	60,520	850	0	0	730	0	62,100
CIVST: Civic Suite	0	630	-1,570	0	21,400	-20,460	0
CLOFF: Council Offices	0	4,020	710	0	-39,120	34,390	0
CLTAX: Council Tax	368,430	-290	9,420	-6,710	11,050	0	381,900
COMPR: Computer Services	0	1,740	30,330	0	-29,900	-2,170	0
CORPM: Corporate Management	344,540	0	0	0	8,650	0	353,190
COSDM: Cost of Democracy	504,140	5,350	1,060	0	-3,810	0	506,740
CSERV: Corporate Services	167,810	600	0	0	2,990	0	171,400

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
ELADM: Elections Administration	31,200	0	0	0	3,710	0	34,910
ELECT: Register of Electors	107,110	1,330	0	0	1,070	0	109,510
EMERG: Community Safety	63,710	170	0	0	1,420	0	65,300
ERNET: Emergency Radio Network	0	0	0	0	0	0	0
ESTAT: Estates	66,570	-730	0	0	1,260	-20,370	46,730
FGSUB: Grants and Subscriptions Policy and Finance	168,030	2,430	4,920	0	260	0	175,640
FMISC: Policy and Finance Miscellaneous	78,340	720	66,870	0	1,400	-21,700	125,630
FREED: Freedom of the Borough	7,500	150	0	0	0	0	7,650
LANDC: Land Charges	11,830	-1,200	0	0	2,470	0	13,100
LICSE: Licensing	33,210	-1,920	0	1,400	8,060	0	40,750
LUNCH: Luncheon Clubs	15,930	0	270	0	50	0	16,250

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
NNDRC: National Non Domestic Rates	48,840	130	0	80	4,270	0	53,320
RESOR: Resources Department	0	41,400	-3,050	0	-27,630	-10,720	0
SUPDF: Superannuation Deficiency Payments	101,000	2,020	-9,960	0	0	0	93,060
<b>GRAND TOTAL</b>	<b>2,195,210</b>	<b>80,390</b>	<b>109,960</b>	<b>-5,230</b>	<b>-82,120</b>	<b>-41,030</b>	<b>2,257,180</b>
Associated Movement in Earmarked Reserves	70,890	770	-53,070	5,510	0	0	24,100
<b>Net after Earmarked Reserves</b>	<b>2,266,100</b>	<b>81,160</b>	<b>56,890</b>	<b>280</b>	<b>-82,120</b>	<b>-41,030</b>	<b>2,281,280</b>

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

	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
<b>Employee Related Expenditure</b>	3,050,280	61,000	44,220	0	0	0	3,155,500
<b>Premises Related Expenditure</b>	198,610	3,960	0	0	0	0	202,570
<b>Transport Related Expenditure</b>	58,140	1,150	0	0	0	0	59,290
<b>Supplies &amp; Services</b>	879,520	17,570	72,730	0	0	0	969,820
<b>Third Party Payments</b>	98,200	1,960	-12,180	0	0	0	87,980
<b>Transfer Payments</b>	162,350	2,190	5,190	0	0	0	169,730
<b>Support Services</b>	2,364,780	0	0	0	86,010	0	2,450,790
<b>Depreciation and Impairment</b>	201,710	0	0	0	0	-41,030	160,680
<b>Total Expenditure</b>	<b>7,013,590</b>	<b>87,830</b>	<b>109,960</b>	<b>0</b>	<b>86,010</b>	<b>-41,030</b>	<b>7,256,360</b>
<b>Government Grants</b>	-90,000	0	0	-8,350	0	0	-98,350
<b>Other Grants and Contributions</b>	-37,380	-60	0	0	0	0	-37,440
<b>Customer &amp; Client Receipts</b>	-368,480	-7,380	0	3,120	0	0	-372,740
<b>Departmental Recharges</b>	-4,322,450	0	0	0	-168,130	0	-4,490,580
<b>Miscellaneous Recharges</b>	-70	0	0	0	0	0	-70
<b>Total Income</b>	<b>-4,818,380</b>	<b>-7,440</b>	<b>0</b>	<b>-5,230</b>	<b>-168,130</b>	<b>0</b>	<b>-4,999,180</b>
<b>Net Expenditure</b>	<b>2,195,210</b>	<b>80,390</b>	<b>109,960</b>	<b>-5,230</b>	<b>-82,120</b>	<b>-41,030</b>	<b>2,257,180</b>
<b>Associated Movement in Earmarked Reserves</b>	70,890	770	-53,070	5,510	0	0	24,100
<b>Net After Earmarked Reserves</b>	<b>2,266,100</b>	<b>81,160</b>	<b>56,890</b>	<b>280</b>	<b>-82,120</b>	<b>-41,030</b>	<b>2,281,280</b>



## 7 EARMARKED RESERVES

7.1 In the Original Estimate for 2020/21 this committee planned to add £70,890 to 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 £24,100 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 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>2,257,180</b>	
FNBAL/H230 Election Fund	30,000	Reserve established from monies set aside on an annual basis to smooth out the cost of local elections.  Shown here is a contribution to the reserve of £30,000 in preparation for the next election.
FNBAL/H269 Revaluation Reserve	2,190	Reserve established from monies set aside on an annual basis to smooth out the costs of the full revaluation of the council's assets that is carried out every five years.  This movement represents the annual contribution to the reserve for the financial year 2021/22
FNBAL/H294 Cyber Resilience Grant Reserve	-13,600	The council successfully bid for cyber resilience funding from the Local Government Association in the 2018/19 and 2020/21 financial years. The funds are held in this reserve and are budgeted to be expended in 2021/22 on cyber resilience and recovery external consultancy support and training.
FNBAL/H335 Invest to Save Fund	5,510	The Invest to Save fund is a reserve that was established to fund capital schemes that will generate recurring future savings as a result of the expenditure incurred. Additional income/ savings generated are paid back to the fund from completed capital projects up to the value of the original capital expenditure.  This repayment to the reserve is an estimate of additional rental income to be generated in 2021/22 as a result of the completed Queensway Garages capital scheme, the cost of which was originally funded from this reserve.
<b>Committee Net Cost of Services after Movements on</b>	<b>2,281,280</b>	

## 8 KEY VARIATIONS

- 8.1 The net expenditure for this committee has increased by £15,180 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 £
<p><b><u>Inflation</u></b> The budget forecast allows for inflation on pay and prices at 2%. The net inflationary increase for this committee brought into the estimates is £81k.</p>	81,160
<p><b><u>COMPR: Computer Services</u></b> Expenditure payable for access to the Public Services Network (that enables secure data sharing between public sector bodies) has reduced following renewal of the annual contract.</p> <p>Estimated annual software maintenance costs have increased, mainly as a result of the implementation of Microsoft 365 which has brought about an additional annual cost of £22k for backup and security software (approved at P&amp;F Committee in November 2020). Expenditure has also increased by an estimated £4k per year for purchases that enable employees to securely access the council's systems when remote working following an increase to homeworking brought about as a result of the coronavirus pandemic.</p>	-4,930  25,860
<p><b><u>ESTAT: Estates</u></b> An estimate has been brought into the budget for a transfer of funds to the Invest to Save Earmarked Reserve. The contribution is the estimated additional rental income to be generated in the 2021/22 financial year as a result of the Queensway Garages capital scheme (originally funded from this reserve).</p>	5,510
<p><b><u>FGSUB: Grants and Subscriptions</u></b> In June 2019 this Committee resolved to provide a one-off grant payment of £10k to Lancashire County Council to support the continuation of the 280 bus service between Clitheroe and Preston and Clitheroe to Skipton for a period of 12 months. The cost of the payment was to be funded from the Council's voluntary organisation grant's budget from the 2019/20 and 2020/21 financial years. The temporary reduction to the base budget at OE20/21 has now been reversed.</p>	4,270
<p><b><u>FMISC: Finance Miscellaneous</u></b> Increase to the annual budget provision for the cost of external audit work following an increase to the 2020/21 fees in respect of the Housing Benefit Assurance Process (HBAP) (Accounts and Audit Committee November 2020).</p>	16,020
<p><b><u>SUPDF: Superannuation deficiency payments</u></b> The annual estimated cost of superannuation scheme deficiency payments has been revised down following a full review.</p>	-9,960

Description	Variance Original Estimate 2020/21 to DRAFT Original Estimate 2021/22 £
<p><b><u>Movement in capital (depreciation charges)</u></b> There is a net reduction in the estimated capital charge for the 2021/22 financial year of £41k.</p>	-41,030
<p><b><u>Enterprise Agreements</u></b> The council's three-year agreement for Microsoft products ended this year and a tendering exercise was carried out for the renewal. Options were submitted to Emergency Committee in June 2020 and a new 3-year contract option was approved which have increased estimated costs within P&amp;F Committee by £19k for the 2021/22 financial year.</p>	19,420
<p><b><u>Support Service Costs</u></b> There is a net decrease in support service costs charged to the committee following changes to various departmental cost allocations.</p>	-82,120

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 an increase in net expenditure of £61,970 compared with the original budget for 2020/21 or an increase of £15,180 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

PF5-21/VT/AC  
7 January 2020