

REPORT TO: Scrutiny & Overview Committee

LEAD CABINET MEMBER: Councillor John Williams,
Lead Cabinet Member for Finance

LEAD OFFICER: Peter Maddock, Head of Finance

19 January 2021

Summary General Fund Revenue Budget 2021/2022

Executive Summary

1. To consider the summary General Fund Revenue Budget for 2021/2022 and to recommend the Revenue Budget to Council.
2. This is a key decision because it results in the authority incurring expenditure which is, or the making of savings which are, significant having regard to the Council's overall budgets.

Recommendations

3. **The Scrutiny & Overview Committee is requested to consider and comment on the report that invites Cabinet, at its meeting on 3 February 2021, to:**
 - (a) **Take into account the detailed budgets presented at Appendix B, and summarised at Appendix A, with an estimated General Fund Gross Operating Expenditure for 2021/2022 of £70.727 million, estimated Gross Operating Income of £49.109 million and estimated General Fund Net Operating Expenditure of £21.618 million;**
 - (b) **Acknowledge the key factors which have led to the proposed General Fund Revenue Budget, with service pressures summarised at Appendix C and offsetting efficiency savings/policy options summarised at Appendix D;**
 - (c) **Acknowledge that the 2021/2022 General Fund Revenue Budget gross expenditure is covered by forecast income sources (assuming no change in Government grant) and, therefore, any addition(s) to expenditure that are made by the Cabinet or Council will need to be met from the General Fund Balance;**
 - (d) **Approve the 2021/2022 General Fund Revenue Budget taking into account the statement by the Chief Finance Officer on the risks and robustness of the estimates as required under Section 25 of the Local Government Act 2003 (reproduced at Appendix F);**
 - (e) **Set the Council Tax Requirement for 2021/2022 at £9,994,789;**
 - (f) **Approve an increase in the District element of the Council Tax of £5 per annum, giving an average Band D Council Tax of £155.31, plus the relevant amounts required by the precepts of the Parish Councils, Cambridgeshire County Council, Cambridgeshire Police & Crime Commissioner and the Cambridgeshire Fire Authority;**

- (g) Authorise the Head of Finance, on the basis of the proposals set out in the report, to prepare the formal Council Tax Resolution for presentation to Council at its scheduled meeting on 23 February 2021;
- (h) Approve the estimates of the amounts required to be made under the Non-domestic Rating (Rates Retention) Regulations 2013 as set out in paragraphs 34 to 37;
- (i) Approve the acceptance of any grants made during 2021/2022 by the Government under Section 31 of the Local Government Act 2003 in respect of Business Rates;
- (j) Approve the use of the additional income from the Business Rate Pool, estimated at £1,100,000 in 2021/2022, for transfer to the established Renewables Reserve for priority projects;
- (k) Subject to any changes to the recommendations above, recommend to Full Council:
 - (i) The 2021/2022 General Fund Revenue Budget based on known commitments at this time and planned levels of Service/functions resulting in a Budget Requirement of £21.879 million;
 - (ii) The District Council Precept on the Collection Fund (Council Tax Requirement) of £9.995 million in 2021/2022 (based on the Provisional Government Settlement) and a Band D Council Tax of £155.31.

Reason for Recommendations

4. To enable the Cabinet to recommend to Full Council the 2021/2022 General Fund Revenue Budget.

Details

(A) Prospects for Local Government

5. This report sets out the draft revenue budget proposals for 2021/2022 that have been prepared in the context of a significantly changing financial landscape for local government, particularly the significant scrutiny and changes to how local government is funded and the detailed provisions of the Local Government Finance Settlement. In addition, consideration has been given to the impact and severity of COVID-19, the consequent speed of UK economic recovery and the impact of the Government support packages introduced to help Councils respond to the Coronavirus pandemic.
6. It had been expected that, following the one-year spending review for 2020/2021, the Comprehensive Spending Review would be held in 2020 and would apply from April 2021. This was to include major changes in local government funding itself with the planned increase in local business rate share to 75% (from 50%), a business rate baseline reset, a Fair Funding Review, and other changes to key funding streams, such as social care and New Homes Bonus. The Government, however, confirmed on 21 October 2020 that there would be a one-year spending review for 2021/2022 in order to prioritise the response to COVID-19 and to outline measures to drive economic recovery. The Comprehensive Spending Review – which was due to be delivered in the autumn – will now be held in 2021 and will apply from 1 April 2022.

7. A detailed refresh of the Medium Term Financial Strategy (MTFS) was considered by Cabinet, at its meeting on 7 December 2020, and this provided (i) an assessment of the resources available to the Council over the medium term and (ii) an assessment of spending pressures based on existing levels of service delivery and known policy/legislative changes. The determination of the 2021/2022 revenue budget has, therefore, been informed by the MTFS financial forecasts, together with established and effective budget monitoring arrangements that have created a sound foundation for the management of the Council's financial resources.
8. The financial landscape requires a reliance on an effective budget strategy and sound medium-term financial planning to ensure that the Council's limited resources are targeted to priority services and outcomes.

(B) Economic Outlook

9. The economic landscape has changed immensely in the last 12 months, initially as a result of the uncertainty over the withdrawal process from the European Union, and recently the financial challenges as a result of the Coronavirus pandemic (COVID-19) which has had an impact on the Council's planned income and expenditure. The Government introduced a number of measures that sought to help businesses survive the crisis caused by the Coronavirus pandemic, including loan guarantees for bank lending, payment of business grants and the expansion of retail relief reducing the business rates liability for many businesses. A support package was also introduced to help Councils respond to the Coronavirus pandemic and to ensure financial sustainability in the future.
10. Inflation used to drive expenditure and income assumptions in revenue budget planning have been based on the Bank of England and Office for Budget Responsibility (OBR) forecasts; the percentage applied in the MTFS and in the proposed budget is 2.5% for employee related costs and 2% for other costs reflecting the Government target for the Community Price Index (CPI). In terms of current economic performance, inflation (measured in terms of CPI), was recorded at 1.1% in June 2020 and 0.7% in September 2020, below the Bank of England's target of 2%.
11. The Council lends its cash balances externally on a short-term basis, with a view to generating a return that can be spent on delivering council services whilst managing both security and liquidity of the cash. In response to the emerging crisis interest rates were cut globally with banks seeking to provide liquidity through the purchase of financial assets. In the UK itself, the Bank of England cut the Base Rate initially on 11 March 2020 to 0.25% (from 0.75%) and subsequently it was reduced further on 19 March 2020 to a record low level of 0.1%. It is expected that rates will remain at low levels throughout the remainder of 2020/2021 and during the financial year 2021/2022. The anticipated path of any base rate change reflects the fragility of the recovery and this will continue, therefore, to have a direct impact on the investment return achieved by the Council.
12. Short term loans were used during 2020/2021 to fund lending to Ermine Street Housing and to fund other items in the Capital Programme and it is anticipated that external borrowing will be required during 2021/2022. The unexpected increase in Public Works Loan Board (PWLB) interest rates, by one percentage point from 8 October 2019, was reversed on 26 November 2020 to coincide with the introduction of new borrowing restrictions that prevent access to PWLB loans for investment in commercial assets primarily for yield. The impact of these changes has been considered as part of the annual review of the Capital, Investment and Treasury Management Strategies. For budgeting purposes, available interest rates have been factored into the borrowing cost projections associated with the capital programme.

(C) Budget Formulation

13. In looking specifically at the 2021/2022 Revenue Budget, the Council needs to be mindful of the financial backdrop and will need to ensure that any proposals, in particular around efficiencies and policy options, need to be realistic and above all sustainable. The financial landscape will, therefore, require reliance on an effective budget strategy and sound medium-term financial planning to ensure that the Council's limited resources are targeted to priority services and outcomes.
14. The Revenue Budget has been prepared in accordance with the Council's MTFS approved by Cabinet on 7 December 2020. The clear message is that budget setting and medium term financial planning will be tough over the duration of the MTFS (to 2026) and, as such, the financial objectives identified at paragraph 57 below have helped guide the budget process. In determining the 2021/2022 revenue budget, due and proper regard has been given to its ongoing sustainability and the observance of a number of overarching principles. This has involved:
 - (a) An overall commitment to endeavour to increase annual income sources and reduce annual expenditure without materially reducing front line services provided by the Council;
 - (b) A comprehensive review of the base budget to provide greater assurance for the future. The review has been based upon regular established monitoring processes, and has incorporated a review of the alignment between the original budget and service activity;
 - (c) The commitment, in response to the financial challenges, to an ambitious 4-year plan to transform service quality, realign financial resources to business plan priorities and improve customer service.
 - (d) A positive commitment to achieve better value for money for the service areas whilst maintaining quality, accessible front line services and the adoption of a Value for Money Strategy by the Cabinet on 4 September 2019.
 - (e) The continued review and tight control of the capital programme given the impact of borrowing on the revenue budget.
15. The resulting draft 2021/2022 revenue budget sets out the Council's finances and the efficiencies required to produce a balanced budget in the light of the ongoing reduction in Government grant funding and other pressures.
16. In preparing the budget for 2021/2022 a detailed revised estimate for 2020/2021 has also been prepared taking into account the changes to expenditure and funding as a result of COVID-19. The two key effects to the General Fund are the increased expenditure that has been caused by the pandemic and lost service related income due to the various lockdowns and resulting downturn in activity.
17. Additional expenditure is expected to exceed £2 million and, therefore, an increase in service costs of this magnitude is expected but also the government support in the form of additional grant has increased similarly so the overall effect on Council finances is expected to be broadly neutral. So effectively whilst the amount to be met from Government Grants and Taxpayers has increased so has the available amount for financing from Taxation and Grants.

18. With regard to lost service-related income the government have introduced an income compensation scheme and this is effectively replacing income that would have been received from customers. The compensation scheme is based on a formula such that the Council will need to bear some of these losses with around 70% being recoverable from the scheme.
19. The other difference within both revised 2020/2021 and original 2021/2022 compared to the 2020/2021 original budget is the inclusion of the pension adjustments. Accounting requirements are such that the pension costs recognised in the net cost of services should be the value of the pension fund related to those employees delivering the services rather than the actual contributions to the fund in relation to those employees. The effect of this is to increase the net cost of services but reverse the effect out within net operation expenditure.

(D) Provisional Settlement – Funding Sources

20. The 2020 Spending Review, announced on 25 November 2020, confirmed that Core Spending Power for local government was expected to increase by 4.5% in cash terms. In addition, it was confirmed that there would not be a reset of the business rates baseline in 2021/2022. The provisional finance settlement announcement, on 17 December 2020, made no significant changes to the funding allocations compared to 2020/2021. Whilst this benefits the Council in 2021/2022 compared to existing MTFS forecasts, in overall terms there are very significant risks to the funding level from 2022/2023 for District Council's with the expectation that the Council will lose a significant share of its funding as a result of the funding changes – the expected, but deferred, business rate baseline reset could be particularly damaging. There is, however, likely to be some form of damping support from 2022/2023, although it would be phased out over time.
21. The key headlines in relation to the Provisional Local Government Finance Settlement are as follows:
 - (i) Council Tax referendum principle of the higher of 1.99% or £5 per dwelling for 2020/2021.
 - (ii) Continuation of the existing Business Rate Retention Scheme for a further year, with 100% business rates pilots continued for a further year. The Spending Review also confirmed that a fundamental review of the Business Rates Retention System would report in Spring 2021. The Cambridgeshire Business Rates Pool was also confirmed for a further year.
 - (iii) An additional one-off grant for 2021/2022 of £113,000 called the Lower Tier Services Grant this is un-ringfenced.
 - (iv) Continuation of the Rural Service Grant of £131,000 for a further year in recognition of the additional cost of providing services in sparse rural areas, pending implementation of the Fair Funding Review;
 - (v) Continuation of New Homes Bonus (NHB) for a further year, a provisional allocation of £1,184,000 has been made for 2021/2022, with no new legacy payments. There remains a clear indication that NHB will be replaced with details subject to usual consultation processes during 2021.

22. The spending power of the Council, based upon the provisional settlement, can be summarised as follows:

| | 2020/2021 £'000 | 2021/2022 Provisional £'000 | Change % | 2022/2023 £'000 |
|---|--------------------|-----------------------------------|-------------|--------------------|
| Settlement Funding Assessment (SFA): | | | | |
| - Business Rates Baseline | 2,647 | 2,647 | 2% | 2,699 |
| - Revenue Support Grant (RSG) | - | - | - | - |
| Total SFA – Per 2020/2021 Settlement | 2,647 | 2,647 | 2% | 2,699 |
| - Rural Services Grant | 131 | 131 | 2% | - |
| - Lower Tier Services Grant | - | 113 | 100% | - |
| New Homes Bonus (NHB) Grant | 2,768 | 2,172 | 11.9% | 478 |
| Council Tax Income | 9,562 | 9,995 | 4.5% | 10,424 |
| Core Spending Power | 15,108 | 15,058 | 0.3% | 13,601 |

23. While the level of Settlement Funding Assessment (SFA) for 2021/2022 remains stable as a result of the one-year settlement that has been announced, there remains considerable uncertainty relating to the SFA for 2022/2023 and beyond. The outcome of the Fair Funding Review, a probable baseline reset (and potential review of the Business Rate Retention system), and a review of NHB create further uncertainty.
24. The key elements of local government funding, some of the assumptions made for the period from 2022/2023 and local prospects were outlined in the refresh of the MTFs reported to Cabinet on 7 December 2020. These are outlined in more detail in the “Funding the Budget Requirement” Section below.

(E) Spending Baseline, Spending Pressures and Savings

25. The table below sets out headline movements from the 2020/2021 approved budget. Detailed analysis by service area is outlined in **Appendices A and B**.

| | Increased Resource £m | Reduced Resource £m |
|---------------------------------------|-----------------------------|---------------------------|
| Resources | £m | £m |
| Council Tax | 482,000 | - |
| Business Rates | - | 2,491,000 |
| Rural Services Grant/Lower Tier Grant | 113,000 | - |
| New Homes Bonus | - | 575,000 |
| Net increase in Resources | 595,000 | 3,066,000 |

| | Reduced Spending/ Funding changes | Increased Spending |
|---|--|-------------------------------|
| Spending | £m | £m |
| Chief Executive | | 8,000 |
| Finance Service | | 1,433,000 |
| Shared Waste and Environmental Services | | 1,386,000 |
| Housing Services | | 1,004,000 |
| Planning Services | | 700,000 |
| Transformation Services | 90,000 | |
| HR & Corporate Services | 29,000 | |
| Interest Payable | 653,000 | |
| Investment Income | 1,354,000 | |
| Other Levies & Contributions | 576,000 | |
| Capital Financing & MRP | 4,492,000 | |
| Contribution to Earmarked Reserves | | 1,421,000 |
| Contribution to General Fund | 1,229,000 | |
| Spending differences between 2020/21 and 2021/22 | 8,423,000 | 5,952,000 |

26. The most significant of these are set out below:

- (a) The “Net Increase in Resources” is set out in more detail at Section “G” below (paragraphs 33 to 45). The increase in Council Tax is based upon a £5 increase on 2021/2022 levels.
- (b) Spending pressures and growth bids were originally considered by Cabinet, at its meeting on 7 December 2020, and have subject to further refinement. These are summarised at **Appendix C** and include the following:
 - Housing services – this relates to the cost of ongoing resource needs to respond to the obligations of the Homeless Reduction Act, particularly in relation to preventing homelessness, addressing the many complex cases and minimising expenditure on expensive forms of temporary accommodation (such as bed and breakfast).
 - Commercial Property Management – the creation of core professional capacity in the organisation to manage the increased property portfolio and to undertake essential feasibility studies and due diligence checks in relation to commercial investment projects.
 - services – this predominately relates to the provision of additional corporate fraud resource and training to support the commitment to protect public funds, the provision of essential ICT capacity, and additional capacity to strengthen the Finance Service.
- (c) Pay and prices incorporate a pay increase of 2.5% and an assessment of contracted service inflation.
- (d) Funding changes (e.g. incorporating the additional S31 grants related to business rates and additional income from the Council’s investments).
- (e) Capital financing charges to support the forward capital programme (see separate report on the agenda).

(f) Savings proposals are set out in more detail at Section F below (paragraphs 24 to 28) and **Appendix D**.

27. It has been established practice, since 2020/2021, to maintain a prudent level of revenue contingency to enable unforeseen and "one off" needs (i.e. having no long term ongoing revenue commitment) to be considered for funding during the financial year. The draft 2021/2022 revenue budget maintains the sum of £250,000 for this purpose, which represents approximately 1% of the net operating expenditure.

(F) Proposed Savings

28. The Council has embarked on an ambitious 4-year plan to transform service quality, realign financial resources to business plan priorities and improve customer service.

29. A range of savings proposals, including income generation opportunities, were originally considered by Cabinet at its meeting on 7 December 2020 and covered the period from 2021/2022 to 2024/2025. These have been subject to further refinement and consultation with stakeholders and the schedule of proposals, at **Appendix D**, have been included in the 2021/2022 Revenue Budget.

30. The profile of savings is influenced by deliverability and lead in times and an analysis by years is shown by workstream below (excluding HRA related savings):

| Workstream | 2021/2022 | | 2022/2023 | | 2023/2024 | | 2024/2025 | | Total |
|-----------------------------|--------------|-----------|--------------|-----------|--------------|-----------|--------------|----------|--------------|
| | £000s | % | £000s | % | £000s | % | £000s | % | £000s |
| Workforce Operating Model | 0.560 | | 0.080 | | 0.080 | | 0 | | 0.720 |
| Alternative Ways of Working | 0.205 | | 0.010 | | 0 | | 0 | | 0.215 |
| Business & Growth | 1.350 | | 2.750 | | 0.628 | | 0.562 | | 5.290 |
| Managing Demand Better | 0.277 | | 0.019 | | 0.019 | | 0 | | 0.315 |
| TOTAL | 2.392 | 37 | 2.859 | 44 | 0.727 | 11 | 0.562 | 8 | 6.540 |

31. There continues to be, in addition, a great deal of work undertaken, in consultation with Heads of Service on budget challenge, in order to identify other savings on budgets sufficient to reduce the level of costs to the level of resources available, or to ensure that budgets are appropriately aligned. This has resulted in budget adjustments being made in the context of maintaining the relationship between resource allocation and the Council's Business Plan priorities.

32. In relation to partnership arrangements, a "recharge model" was introduced in 2020/2021 for existing shared services in order to ensure that recharges are fair and consistently applied and that taxpayers in one area are not subsidising services provided in another. This resulted in an adjustment in the level of recharges and this has been factored into the revenue budget.

(G) Funding the Budget Requirement

33. Funding the Budget Requirement incorporates:

- (i) Revenue Support Grant/Business Rates
- (ii) Other Specific Grants
- (iii) Council Tax

(i) Revenue Support Grant/Business Rates Retention

34. The Business Rate Retention Scheme (BRRS) was introduced in April 2013 to provide Councils with stronger financial incentives to support property development and boost the economy in their local area. It means that Councils bear a proportion of the real-terms change in business rates revenues in their area: gaining when revenues grow in real terms, losing when they fall. The proportion was initially set at 50% across England. In two-tier areas, like Cambridge, 40% is retained by the District and 9% is retained by Cambridgeshire County Council and 1% by the Cambridgeshire Fire Authority. Subject to the broad review of business rates, which will be consulted upon during 2021, it is now expected that the introduction of the new funding model for Local Government, predicated on changes to BRSS to enable a 75% retention of Business Rates, will be introduced effective from 2022/2023 and this will influence the forward financial forecasts. It is expected that most, if not all of the 25% increase, will go to authorities with adult social care responsibilities.
35. The Provisional Local Government Finance Settlement was announced on the 17 December 2020 and sets out the Council's SFA for 2021/2022. This is identified in the table below, together with the other factors relevant to determining the Business Rates Yield for 2021/2022:

| | 2020/2021 £'000 | 2021/2022 Provisional £'000 | Change % | 2022/2023 £'000 |
|---|--------------------|-----------------------------------|-------------|--------------------|
| Settlement Funding Assessment (SFA): | | | | |
| - Baseline Funding Level | 2,647 | 2,647 | 0% | 2,699 |
| - Tariff | 26,482 | 26,482 | 0% | 27,012 |
| - Business Rates Baseline | 29,129 | 29,129 | 0% | 29,711 |
| - Section 31 Grants | 3,006 | 2,659 | -11.5% | - |
| Total SFA – Per 2021/2022 Settlement | 2,647 | 2,647 | 0% | 2,699 |
| Safety Net Threshold | 2,449 | 2,449 | 0% | - |
| Levy Rate (p in £) | £0.50 | £0.50 | | £0.50 |

36. Specifically, in relation to the preparation of the 2021/2022 Revenue Budget:
- (a) The net Business Rates Yield has been estimated at £93.142 million for 2021/2022 as set out in **Appendix E**. The Council's share of this together with the deficit set out in Appendix E equates to £31.675 million compared to a Business Rates Baseline of £29.129 million as set out in the table above. The forecast is based on the number and rateable values of non-domestic properties currently shown in the valuation list. The Business Rates forecast is predicated on the following assumptions:
- Where growth or decline in the tax base, i.e. new developments, can be predicted with reasonable certainty this is reflected in the forecast yield.
 - There will be no significant changes to the overall value of reliefs, e.g. empty property rate relief or charitable rate relief over the course of the financial year.

- (b) The Council is entitled to a number of Section 31 Grants in relation to Business Rates to compensate for yield that is foregone due to national government policy, for example, the extension to eligibility for Small Business Rate Relief. These Section 31 Grants are included within the Council's net expenditure (at Appendix F).
 - (c) One of the key issues in relation to forecasting the Business Rates Yield is the volatility arising from settlement of valuation appeals. This needs to be considered in terms of previous "2010 List" and the current "2017 List". Nationally the estimated eventual loss arising due to appeals is 4.7%, based on analysis of appeals since 2017 under the new Check Challenge Appeal process a reduction in this level was seen. However, there is expected to be an increase in appeals going forward in part due to the pandemic it is therefore felt that the national rate of 4.7% should be applied in respect of the appeals provision.
 - (d) There is also significant concern around the long-term effects of the pandemic and how business rates income will be affected in terms of the ongoing need for businesses to retain property to operate and how much debt will eventually turn bad due to business failures.
37. Under the business rates retention scheme local authorities are able to come together, on a voluntary basis, to pool their business rates, giving them scope to generate additional growth through collaborative effort and to smooth the impact of volatility in rates income across a wider economic area. The Council successfully applied to be the lead authority of a consortium which also includes Cambridgeshire County Council, Peterborough City Council, Fenland District Council, East Cambridgeshire District Council and Cambridgeshire Fire Authority. The formal designation of the pool was confirmed on 18 December 2019 and was introduced on 1 April 2020. The Pool has also been re-designated to continue in 2021/22. It is estimated that the Council will benefit from an additional income in excess of £1.1 million during 2021/2022 and, in line with established policy, it is proposed that the sum continues to be transferred annually to top up the Renewables Reserve to fund priority projects determined by the Council.
- (ii) Rural Services Grant
38. The Council currently receives a Rural Services Grant in the sum of £131,000 in recognition of the additional cost of providing services in sparse rural areas. This has been confirmed to continue into 2021/2022 before being phased out.
- (iii) Lower Tier Services Grant
39. This is a new one-off grant of £113,000 provided to lower tier authorities to support service provision and is un-ringfenced.
- (iv) New Homes Bonus
40. The New Homes Bonus (NHB) is a grant paid by central government to local councils to reflect and incentivise housing growth in their areas; it is based on the amount of extra Council Tax revenue raised from new-build homes, conversions and long-term empty homes brought back into use. NHB funding is currently based on the following:
- (a) NHB is payable on housing growth over a threshold of 0.4% of the Tax Base;
 - (b) Payments are based on a rolling 4-year period.

41. Housing growth has been significant for this Council area and, as such, the Council has benefited from high levels of NHB. The Government has, however, stated its commitment to review NHB; this is bad news for the Council, as the Council has been a major beneficiary of the grant, receiving a peak of £5.2 million in 2016/2017. Initial reforms have, however, already reduced payments year on year with £2.768 million received in 2020/2021. The 2020 Spending Review, announced on 25 November 2020, confirmed that NHB would continue for a “further year with no new legacy payments”. The sum of £2.192 million has been included in the 2021/2022 revenue budget and it is now anticipated that the last NHB payment will be made in 2022/2023.
42. In previous years, 30% of NHB has been set aside as a contribution to the Greater Cambridge Partnership (GCP) Investment and Delivery Fund but, given the NHB reforms and the forward financial forecasts, the level of contribution has been re-assessed in negotiation with partners and, for 2021/2022, only 10% of NHB receipts has been set aside as a contribution to the GCP Investment and Delivery Fund.

(v) Council Tax

43. Council Tax has been the most predictable and stable element of Local Government funding, although COVID-19 has created a whole new level of uncertainty. This source of income is predicted to yield £9.995 million in 2021/2022 based upon an assumed £5 increase in Council Tax (the maximum level permitted by Government) and an increase in tax base based upon the latest estimates of housing growth.
44. The Local Government Finance Act 1992 requires the Council to set its Council Tax Base for the ensuing financial year by 31 January preceding the start of the new financial year and to notify precepting bodies of the Tax Base that will apply to their area. The Council Tax base for the financial year 2021/2022 has been set at 64,353.80 Band D equivalent properties (an increase of 1.15.% (736.20) compared to the 2020/2021 Tax Base of 63,617.60).
45. The proposed increase in Council Tax for 2021/2022 is 3.4%. This proposal equates to an increase of £5.00 on the average Band D property giving a Council Tax of £155.31 based upon the 2021/2022 Council Tax base of 64,353.8 Band D dwellings. The proposed 3.4% increase in Council Tax, results in a total yield from Council Tax of £10.143 million (including £0.113 million Collection Fund surplus and £0.035 million from the council tax sharing agreement).

(H) Review of Reserves

46. A detailed review of Reserves has been made as part of the budget setting process and a separate report is included on the agenda for the meeting.

(I) Capital Programme

47. A review of the capital programme has been undertaken in conjunction with lead officers to ensure that proposed investment is prudent, sustainable and affordable and a separate detailed report to the Cabinet proposes a revised profiled capital programme. The Capital Financing implications of the proposed capital programme are reflected in the proposed General Fund Revenue Budget. In the event that all changes are approved, and the latest forecast capital receipts are forthcoming, a forecast borrowing requirement of £266.888 million will be needed to support the total capital programme to 2025/2026.

48. The revenue implications of the Capital Programme have also been taken into account in the draft 2021/2022 revenue budget and are detailed at **Appendix A**.

49. In determining the 2021/2022 revenue budget, annual contributions to the following Reserves established in 2020/2021 have been made:

(a) Repair and Renewal (Equipment & Plant) Fund: An annual revenue contribution of £250,000 to this Reserve for the purpose of defraying expenditure to be incurred from time to time in repairing, maintaining, replacing and renewing IT equipment and operational building plant and equipment belonging to the Council.

(b) Software Fund: An annual contribution of £250,000 to this Reserve for the purpose of defraying expenditure to be incurred from time to time on IT replacement software solutions.

(c) Property Investment Reserve: An annual contribution of £200,000 to this Reserve for the investment and refurbishment costs above and beyond tenant repairing lease obligations (e.g. investment to encourage improved re-letting terms). This could include upgrades to improve environmental standards.

(J) Fees and Charges

50. An annual review of fees and charges has been made as part of the revenue budget process in order to determine the non-regulatory fees and charges to be set by the Council for the provision of services from April 2021. A separate report was considered by Cabinet agenda at its meeting on 7 December 2020 and the additional income from the revised fees and charges (albeit marginal) has been included in the draft 2021/2022 revenue budget.

(K) General Fund Revenue Budget Summary

51. The 2021/2022 General Fund Revenue Budget Summary is detailed at **Appendix A (blue page)** and the following is relevant:

(i) Revenue Support Grant (RSG) and Business Rates

These figures reflect the provisional Settlement for 2021/2022. Any adjustment (dependent on its effect) will be reported to Council on 23 February 2021.

(ii) Council Tax Collection Fund Balance in aid of Council Tax

The Council's share of estimated Council Tax surplus as at 31 March 2021 has been determined by the Head of Finance and totals £0.113 million.

(iii) Net District Requirement from Council Tax

After allowing for the increase in the Council's Taxbase, the average Band D Council Tax will be **£155.31**.

(iv) District Precept on Collection Fund

In accordance with legislative requirements the District Precept on the Collection Fund will include Parish Precepts when known.

52. **In pursuance of Section 25 of the Local Government Act 2003 the Chief Finance Officer is required to make a statement on the robustness of estimates and the adequacy of Reserves in relation to the Council's budget calculations. Provided Members fully take into account the risks that are outlined in the report at Appendix F, I can confirm that Directors/Heads of Service are satisfied with the level of budgets put forward for 2021/2022 relating to their respective service areas although it must be recognised that the budget allocations in 2021/2022, and the future prospects for service delivery, will be challenging and that pressures and constraints during the next financial year will be inevitable.**

Options

53. There are options to remove or add items to the budget but, based on previous Cabinet decisions and the detailed discussions held with spending officers, the General Fund Revenue Budget as presented includes all items required to deliver council services and member priorities. The gross expenditure is covered by forecast income sources (assuming no change in Government grant) and, therefore, any addition(s) to expenditure that are required will need to identify matching savings and/or additional income if the proposed level of Council Tax is not to change.

Implications

54. In the writing of this report, taking into account the financial, legal, staffing, risk management, equality and diversity, climate change, community safety and any other key issues, the following implications have been considered:

Policy

55. The MTFS, approved by Cabinet on 7 December 2020, identifies that the Council will ensure that annual ongoing General Fund revenue expenditure can be covered by annual income sources across the MTFS period in order to ensure a continuously stable financial base for the provision of Council services and functions. In doing so, the Council recognises that any significant use of reserves to fund ongoing expenditure commitments is unsustainable in the medium term.
56. The MTFS identifies that a prudent level of revenue contingency will be maintained to enable unforeseen and "one off" needs (i.e. having no long term ongoing revenue commitment) to be considered for funding and, in this regard, the proposed General Fund Revenue Budget includes a revenue contingency of £250,000.
57. In accordance with the MTFS, the following financial objectives have guided the formulation of the 2021/2022 revenue budget:
- A sustainable medium term financial plan that allows the achievement of the Council's key objectives;
 - Realistic levels of year on year spending which are supportable via annual income streams and do not require the use of general reserves to support recurring expenditure;
 - General reserves should be maintained at all times at or above the agreed minimum level;
 - Constraining annual Council Tax increases to an acceptable level;

- The pursuance of “invest to save” opportunities with a financial return on the investment in transforming activities over an acceptable payback period;
- A commitment to explore income generation opportunities and to maximise income from fees and charges;
- A commitment to maximise efficiency savings;
- The continued review and control of the Capital Programme given the impact on borrowing (see separate report on the agenda).

Legal

58. The Council is required by law to set a balanced revenue budget each year. There are two specific dates in relation to budget and Council Tax setting that are required by statute to be achieved. Firstly, it is a requirement that each local authority approves its Revenue Budget by 28 February each year for the forthcoming financial year. Secondly, a billing authority (i.e. this Council) is required to set the Council Tax for its area by 11 March each year for the forthcoming financial year.
59. It is a legal requirement (under Section 25 of the Local Government Act 2003) that before approving the ensuing year’s Capital and Revenue Budget, the Council are required to receive and take into account a report of the Chief Finance Officer (Head of Finance) on the robustness of the estimates leading to the Council’s Council Tax requirement and the adequacy of financial reserves. This needs to cover issues of affordability (having regard to Council Tax implications), prudence (having regard to Council policies/strategies) and sustainability (having regard to forecast annual expenditure and income). This report is attached at **Appendix F**.

Financial

Budget Overview

60. The proposed 2021/2022 revenue budget is set out in the table at **Appendix A**.

Government Funding Settlement

61. This report is based on the Provisional Government settlement relating to the revenue support grant and business rates redistribution. The consultation on the proposed settlement ended on 16 January 2021 but the final settlement has not yet been formally confirmed. It is, therefore, recommended that:
- if the Government grant were increased it is recommended that the balance would be transferred to the General Fund Reserve;
 - if it is reduced that this be the first call on the general contingency.

Parish Council Precepts

62. Parish Councils had until 31 January to notify the Council of their precepts for the forthcoming year and, as such, the total of the precepts will be reported directly to Full Council on 23 February 2021 as part of Council Tax Resolution.

Risk

General

63. The Revenue Budget for 2021/2022 has been prepared on a prudent basis but there are risks which may affect the budget. These risks include the following:
- The extent of service pressure being higher or lower than anticipated.
 - The delivery of planned efficiency savings.
 - Unforeseen costs during the year which may exceed the provision in the general contingency of £250,000.
 - The economic situation is either better or worse than anticipated with fluctuations in income sources (NB: This affects capital financing costs and fees and charges).
 - Increases in inflation above those known or expected at this time.
 - Member aspirations regarding service levels.
 - The impact of changes in legislation.

It is also critical that the budget setting timescale is followed to ensure that statutory deadlines are complied with.

Specific

64. When the Council considers each revenue service and function budget endeavours are made to identify potential risks. Inevitably, during the year, some of these risks will occur and impact on the budget by either requiring further expenditure or by reducing the Council's budgeted income. The budget process has identified a number of service specific risks relating to the range of District Council Services and related budgets. An overall assessment of risk and an assessment of the robustness of estimates are set out in **Appendix F**.

Environmental

65. There are no environmental implications arising from this report.

Background Papers

Where the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 require documents to be open to inspection by members of the public, they must be available for inspection:

- (a) at all reasonable hours at the offices of South Cambridgeshire District Council;
- (b) on the Council's website; and
- (c) in the case of documents to be available for inspection pursuant to regulation 15, on payment of a reasonable fee required by the Council by the person seeking to inspect the documents at the offices of South Cambridgeshire District Council.

The following documents are relevant to this report:

- Budget Report – Report to Cabinet: 3 February 2021/Council: 23 February 2021
- Capital Programme Update and New Bids – Report to Cabinet: 7 December 2020
- 2020/2021 Revenue & Capital Budget Monitoring – Report to Cabinet: 7 December 2020
- Medium Term Financial Strategy – Report to Cabinet: 7 December 2020

Appendices

- A Revenue Budget 2021/2022: Summary
- B Revenue Budget 2021/2022: Detailed Budgets (To Follow)
- C Service Pressures Taken into Account
- D Service Efficiencies/Income Generation Opportunities
- E Business Rate Yield Estimate 2021/2022
- F Revenue Budget: Risks and Robustness

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