

Report to: Cabinet

Date of Meeting 3 February 2021

Document classification: Part A Public Document

Exemption applied: None

Review date for release N/A



Revenue and Capital Budgets 2021/22

Report summary:

Cabinet adopted draft Revenue and Capital Budgets for 2021/22 at its meeting on 6th January 2021. A joint meeting of the Overview and Scrutiny Committees reviewed those budgets on 14th January 2021 and the Housing Review Board considered the Housing Revenue Account budgets on 21st January 2021.

Recommendations from those meetings are detailed in this report and the minutes are contained on the agenda. It is now for Cabinet to consider comments and recommendations and to make their recommendations to Council.

As part of the Prudential Code for Capital Finance in Local Authorities the Council is required to set prudential indicators as part of its budget setting process, these indicators are detailed in the Treasury Management Strategy 2021/22 – Minimum Revenue Provision Policy Statement and Annual Investment Strategy and are included on the Cabinet agenda. They reflect the proposals and details in this report.

Alongside the Treasury Management Strategy sits the Capital Strategy which is also contained on this agenda for adoption.

Recommendation:

It is recommended:

1. To propose the Net Revenue General Fund Budget of £15.763m for 2021/22.
2. That expenditure at this stage is approved against the budget allocated of £1.316m from additional one off Government Funding (Covid-19 grant £616k and Lower Tier Service Grant £700k);
 - a) Contingency Hardship Fund £100k
 - b) Mental Health Officer/Resources £50k

With other allocations against this budget to be made with Council approval.

3. A Council Tax increase is approved of £5 a year giving a Band D council tax of £151.78 a year for 2021/22.
4. That the surplus identified on the Council Tax Collection Fund of £366,940 is allocated as outlined in 3.3 of the report;
 - a) £189,189 is set aside in a reserve to meet the known collection fund deficit in future years,
 - b) £177,751 is used to increase the General Fund Balance, bringing it more comfortably within the adopted range.
5. That the Housing Revenue Account Estimates with a net surplus of £0.985m is approved.
6. That the Net Capital Budget totalling £7.965m for 2021/22 is approved.

Reason for recommendation:

There is a requirement for the Council to set a balanced budget for both the General Fund and Housing Revenue Account and to levy a Council Tax for 2021/22.

Officer: Simon Davey – Strategic Lead Finance (s151/CFO) sdavey@eastdevon.gov.uk

Portfolio(s) (check which apply):

- Climate Action
- Coast, Country and Environment
- Corporate Services and COVID-19 Response and Recovery
- Democracy and Transparency
- Economy and Assets
- Finance
- Policy Co-ordination and Regional Engagement
- Strategic Planning
- Sustainable Homes and Communities

Financial implications:

As detailed in the report

Legal implications:

The requirements for budget setting and council tax are set out in statute and regulations which the finance team take account of in the preparation of the report. The duties of the Council's Section 151 Officer include the requirement to make recommendations to ensure that the Council maintains an adequate level of reserves, when considered alongside the risks the Council faces and the general economic outlook

Equalities impact Low Impact

Equality impact was considered by budget managers with finance officers during the budget preparation stage with consideration given to any budget variation which could result in any service changes being assessed as high, medium, or low in terms of equality impact. Due to the fact that no high or medium impacts were identified it is deemed that a full impact assessment is not necessary for implications in the budget proposals.

Climate change High Impact

The budget approval gives the Council the resources necessary to undertake its business which will significantly contribute to the carbon footprint of the Council. There are budgets proposed to address this issue and fund actions for 2021/22 which reduce the Council's Carbon emissions.

Risk: Low Risk

Risks have been considered in preparing the budgets and the financial implications have been assessed at the point of preparation. Various budget assumptions have been made including the treatment of inflation and interest rates; estimates on the level and timing of capital receipts; the treatment of demand led pressures; the treatment of planned efficiency savings/productivity gains; levels of income; financial risks inherent in any new arrangements; capital developments; the availability of funds to deal with major contingencies and the need for any provisions. In each of these areas the Council's financial standing, management and track record have been considered in order to prepare robust budget proposals.

Other specific areas of risk were highlighted in the budget report to Cabinet on 6th January 2021.

Links to background information

[6 January 2021 Cabinet Report item 291](#)

Council Plan:

Priorities (check which apply)

- Outstanding Place and Environment
- Outstanding Homes and Communities
- Outstanding Economic Growth, Productivity, and Prosperity
- Outstanding Council and Council Services

1. Introduction.

1.1 The Cabinet adopted draft revenue and capital budgets on the 6th January 2021.

1.2 The budgets, associated service implications and Service Plans were then considered by:

- A joint meeting of the Overview and Scrutiny Committees on 14th January.
- The Housing Review Board considered the Housing Revenue Account (HRA) budgets at its meeting on 21st January.
- Comment were also invited from the business community to the Council's draft budget proposals.

- 1.3 This report follows on from the draft Revenue and Capital Budgets 2021/22 report presented to Cabinet on the 6th January; this gave significant narrative on the budget proposals including the details presented in the budget book. For reference:
- The budget report can be found here, [Budget Report and background papers to Cabinet 6 January 2021](#) (item 291).
 - the draft budget book here, [Draft Revenue & Capital Budgets 2021/22](#) and
 - the Service Plans here, [Draft Service Plans 2021/22](#)
- 2. Update and Summary of recommendations to Cabinet.**
- 2.1 The minutes of the joint meeting of the Overview and Scrutiny Committees on 14th January and the Housing Review Board meeting of 21st January are contained on this agenda. The draft budget for the General Fund, Housing Revenue Account and Capital Programme were recommended by these Committees as those adopted by Cabinet on 6th January with no amendments.
- 2.2 Members will recall the Cabinet report on 6th January identified where additional costs were likely to come forward either before the date of the Council setting the budget but after Cabinet adopting the draft budget. Also the likelihood of additional costs being approved by Council subsequent to the budget being set. It was agreed in the draft budget that additional **one off Government funding** announced in the Provisional Finance settlement would be held in a budget to offset such proposals. The funding came from a Covid 19 Grant (£616k) to cover cost implication that may continue into 2021/22 and a Lower Tier Service Grant Allocation (£700k). These are both unringfenced grants and to be held as a budget sum totalling £1.316m for Council to approve expenditure against with a running balance to be presented for members to consider priority of spend.
- 2.3 Specific requests have come forward for Cabinet to recommend to Council to be allocated against this budget sum with associated minutes contained on this agenda:
- The Poverty Panel have requested a contingency budget of £100k to allow funds in 2021/22 to support our residents with essential emergency aid, as discussed at the Panel meeting. This is a contingency as Government funding may become available to either directly fund the necessary support for us or provide direct or for us to sign post residents to appropriate support. External funding will be utilised first before this funding is called upon.
 - Cabinet at its last meeting recommend the inclusion of £50k in the 2021/22 General Fund Budget for resources/direct staff appointment on a one year basis (then to be reviewed) to support members and officers with mental health. This is included in this report to formalise the request in next year's budget.
- 2.4 As highlighted in the draft budget report there will be other request coming forward to be allocated against this budget with immediate areas likely to be the support for LED in 2021/22 and implication of Queen's Drive delivery above the current budget allocation.

2.5 Members will also recall the draft budget contains £300k additional income derived from car park tariff increases for prime car parks. As stated if this is not approved by Council (same meeting as the budget is considered) then a further report will be required back to Cabinet to determine how this lost income can be replaced in the budgets for 2021/22 as the underlying budget will be unbalanced and will cause further difficulty in balancing the future budgets where a deficit is already estimated.

3. Council Tax Collection Fund – new regulations

- 3.1 To help local authorities with the impact of Covid19 on their Council Tax Collection Fund new regulations have been introduced. This requires phasing over 3 years of any ‘exceptional balance’ when billing authorities estimate their collection fund surplus and deficits for 2021/22. In setting the 2020/21 council tax base assumptions were made on the level of the Council Tax income that could be raised, this has been negatively affected for most authorities by the pandemic (less growth and additional council tax support being granted), thereby creating a deficit in the collection fund. Under normal circumstances this loss on the collection fund would have to be made good in the following year. In recognition of the pandemic this exceptional deficit is required to be spread over 3 years, with only a third of the loss being accounted for in 2021/22. The remaining deficit then being recovered in the following two years.
- 3.2 As billing authority this calculation is our responsibility and effects the major preceptors (Devon County, Police and Fire). We have held a health balance on the collection fund to mitigate the position of declaring a deficit in any particular year; a deficit reduces the income derived from Council Tax requiring a reduction in the General Fund budget to meet the deficit for the year. By holding a surplus on the collection fund this meets this fluctuation rather than the General Fund. However the new regulations and associated calculation requiring the spreading of the deficit also expect any surplus held on the fund to be distributed to all preceptors in the defined proportion.
- 3.3 For our element the surplus to be distributed in 2021/22 will be £366,940, however the deficit that will need to be made good from Council Tax Income in the following years is £189,189. It is therefore recommended that of the additional income £189,189 is set aside to offset the savings required in later years. The balance of £177,751 to be added to the General Fund Balance bring it more comfortably within the adopted range rather than currently at the bottom of the range (adopted range being £3m to £3.8m).

4. Council's Balances and Reserves

- 4.1 Details are contained in the draft Revenue and Capital Budgets 2021/22 report presented to Cabinet on the 6th January.

5. The Prudential Code for Capital Finance in Local Authorities

- 5.1 The Prudential Code for Capital Finance in Local Authorities gives the requirement to report on a series of prudential indicators, which are designed to support and record local decision making. These indicators are required to be part of the Council’s budget setting process and show the overall effect on various financing and borrowing strategies that the Council plans to adopt over the next three financial years. These indicators will be monitored and reported and when necessary updated to reflect any changes in policy.

- 5.2 This Council's prudential indicators are contained in the Treasury Management Strategy 2021/22 – Minimum Revenue Provision Policy Statement and Annual Investment Strategy included on the agenda and reflect the proposals and details in this report.

- 5.3 Alongside the Treasury Management Strategy sits a requirement under the Prudential Code for the Council to adopt a Capital Strategy, this is also contained on this agenda for Members consideration.