

Report to: Cabinet



Date of Meeting 6 January 2021

Document classification: Part A Public Document

Exemption applied: None

Review date for release N/A

Draft Revenue and Capital Budgets 2021/22

Report summary:

This report presents the draft revenue and capital budgets for 2021/22 for adoption by the Cabinet before consideration by a joint meeting of the Overview and Scrutiny Committees and the Housing Review Board.

Recommendations from these meetings will be presented back to Cabinet on 3rd February 2021 when members will finalise budget proposals to recommend to Council.

Recommendation:

That the draft revenue and capital estimates are adopted before forwarding to a joint meeting of the Overview and Scrutiny Committees and Housing Review Board for consideration.

Reason for recommendation:

There is a requirement to set a balanced budget and to levy a Council Tax for 2021/22

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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:

Financial details are contained within the report

Legal implications:

No legal implications arise which require comment.

Equalities impact Low Impact

An analysis of budget changes has not highlighted areas that give rise to any equality issues that need highlighting.

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. The Council is committed to reducing its carbon net emissions to zero by 2040 and resources have been factored into the budget to meet this priority.

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 have been highlighted where appropriate within the report and within the budget book at service level.

Links to background information

[2021/22 Draft Revenue and Capital Budget Book](#)

[Notes on Spending Review 2020](#)

[Financial Plan 2021 -2031 \(item 217\)](#)

Additional spending items not presented previously (included in draft budget) – further information:

[Seaton Wetlands Ranger](#)

[Recycling & Waste Team Leader Post](#)

[Streetscene Business Support](#)

[RNLI Extended funding](#)

Link to [Council Plan](#):

- ☒ Outstanding Economic Growth, Productivity, and Prosperity
- ☒ Outstanding Council and Council Services

1. Process

- 1.1 The Constitution requires Cabinet to approve the draft revenue and capital budget prior to consideration by the Overview and Scrutiny Committees. The Housing Review Board will undertake the same function in relation to the Housing Revenue Account budgets.
- 1.2 Recommendations from these two meetings will be reported back to Cabinet at its meeting on 3rd February, along with any comments from the business community. At this meeting members will be required to recommend to Council a budget and the Council Tax requirement for 2021/22.
- 1.3 At the same time as preparing the draft budget, draft service plans have been prepared for member consideration. Service plans and budgets are aligned and link back to the Council Plan and reflect where possible the recently adopted Statement of Intent.

2. General Fund Budget

The Overall Financial Picture

- 2.1 Council funding from Government has moved away from general support, namely the Revenue Support Grant, for District Councils particularly income to support the cost of services is met through Business Rate income, New Homes Bonus Grant (NHB), Council Tax and the Councils' own income raising activities. It is likely that NHB will be completely phased out thereby increasing the need for the Council to utilise its own income activities.

The Government Spending Review (SR20) on the 25th November 2020 set out departmental budgets for 2021/22, this included allocations to the Ministry of Housing, Communities & Local Government (MHCLG). A briefing note prepared for members at the time can be found here: [Notes on Spending Review 2020](#)

- 2.2 This is followed by individual authority allocations through the 2021/22 Local Government Finance Settlement, which was announced on 17th December. As a result of the pandemic, this is a one-year spending round put on hold planned reforms at least for another year. Changes to both the local government funding formula and the business rate retention scheme are now assumed to take place in 2022/23, but this has not been confirmed.
- 2.3 As projected in the Council's Financial Plan this has delayed the significant financial deficit resulting from those reforms. Details of the Council's Financial Plan which contains the Medium Term Financial Plan (MTFP) can be found here [Financial Plan 2021 -2031](#)
- 2.4 Turning to the 2021/22 projected budget deficit of £0.7m identified in the MTFP this arises from external factors; rising costs through the pay award, effect of inflation and additional cost pressures through homelessness, an increase in the recycling and refuse staff costs and a decrease in recyclable income, local plan costs and other increasing demands on our services.
- 2.5 The preparatory work in developing savings and additional income to bridge the projected deficit to produce a balanced budget for 2021/22 has been considered and agreed with the Budget Setting and Capital Allocations Panel and endorsed by Cabinet. Details were also considered by the Overview and Scrutiny Committees. An update on these proposals are covered in paragraph 2.10 of this report identifying those that have now been included in the draft budget, on the assumption they are adopted, enabling the ability **to present to members proposals for a balanced budget in 2021/22.**

- 2.6 The processes of completing the detailed draft budget for 2021/22, working from the base up inevitably gives a different position to that calculated in the MTFP, which is prepared at an earlier stage and at a much higher level. It is also prepared before key Government announcements. The MTFP continues to prove to be a good estimate and guide in the preparation of the Council's annual budgets.
- 2.7 **The draft budget proposed for members' to consider is balanced (expenditure met by available income), resources have been aligned to enable investment in desired areas.**

Draft Revenue Budget 2021/22

- 2.8 A summary position of the General Fund draft budget is given below. Further details are contained in the Budget Book linked to this report showing the current budget, the draft budget proposed for 2021/22 alongside variation between years and other points of detail to inform members.

The Budget Book provides a summary of the services we operate, the assets, resources involved in each area and portfolio graphs. For a better understanding of the draft budget and the resources allocated members are recommend to study these pages along with the service plan proposals.

General Fund Revenue Budgets 2021/22					
Portfolio Budget - Net Expenditure	2020/21	2021/22	Variation	%age Change	Notes
Corporate Business	136,690	152,640	15,950	12%	
Corporate Services	1,591,502	1,728,601	137,099	9%	
Economy And Regenrtn Portfolio	248,441	364,010	115,569	47%	1
Environment Portfolio	1,849,408	1,585,734	-263,674	-14%	2
Finance	1,704,679	1,599,050	-105,629	-6%	3
Strategic Development & P'Ship	2,184,236	2,297,590	113,354	5%	4
Street Scene Portfolio	10,065,334	10,324,690	259,356	3%	5
Sustainable Homes & Communitie	617,150	767,940	150,790	24%	6
Portfolio Totals	18,397,440	18,820,255	422,815	2%	
Reversal of Capital Charges (Depreciation)	-2,797,480	-3,057,560	-260,080	9%	
Portfolio Totals Net of Capital Charges	15,599,960	15,762,695	162,735	1%	
Interest Receipts (Net of investment management fees)	-856,780	-426,750	430,030		
Interest Payable	300	300	0		
PWLB Interest & Principal Repayments	481,870	427,130	-54,740		
Net Expenditure	15,225,350	15,763,375	538,025	4%	
Government Grants					
New Homes Bonus contribution	-1,500,000	-1,500,000	0		
Rural Services Delivery Grant	-225,590	-225,590	0		
Savings Target	-70,000	-63,345	6,655		
Use of Reserves					
Use of Collection fund surplus	-122,000	0	122,000		
Earmarked Reserves	-305,330	-134,230	171,100		
Use of General Fund Balance for elections	0	0	0		
Use of General Fund Balance	0	0	0		
Budget Requirement	13,002,430	13,840,210	837,780	6%	
Revenue Support Grant	0	0	0		
Business Rate Baseline Funding	-2,674,930	-2,720,660	-45,730		
Business Rate Retention Inflation Uplift	-1,500,000	-2,000,000	-500,000		
Council Tax Support Grant paid to Parishes	0	0	0		
Parish Support Reserve	0	0	0		
Council Tax Requirement	8,827,500	9,119,550	292,050	3%	

High level notes on main variations – see budget book for detailed analysis.

1. Additional resources in Economic Development Team.
2. Assumed increase of £300k in car park income.
3. £30k reduction in payment to Cranbrook Town Council as per agreement, Communities together funding was closed in an earlier year and budget no longer required for outstanding payments – budget reduction of £70k.
4. Main variation being additional resources in Planning Policy
5. Increase in Recycling and Refuse budgets; £209k reduction in recyclables income and £78k in additional contract payments previously approved.
6. Mainly additional Homelessness costs.

- 2.9 The budget has been prepared on the basis of continuing to provide existing services without any reductions, considering the financial pressures this is a significant achievement. Services need to continually work more efficiently in order to give them the capacity to meet additional demands, any risk of non-delivery or cost overspend needs to be monitored carefully through performance reports and budget monitoring.
- 2.10 The actions agreed in principle by members to make savings/increase income in preparing the draft budget is given below. Items included in the draft budget are where there is high level of certainty on deliverability, or they will be considered at the time of setting the budget. Items have also been re-profiled to 2022/23 onwards, or considered not achievable as indicated below.

Savings/Increased Income – Actions endorsed by members to prepare a balanced budget.	2021/22 Draft Budget position £000
<p>“Fit for Purpose”</p> <p>Details are uncertain so not prudent to include in the draft budget.</p> <p>However the MTFP assumed a pay award increase across the board at 2%, it is likely the Local Government Pay Award will follow announcements in the Spending Review which generates a saving of £218k</p>	218
<p>Other areas</p>	
<p>Street Scene potential to increase event income for existing assets</p>	20
<p>Property Investment (£300k commercial + £150k District Benefits)</p> <p>£50k net income now in base budget. Investment fund to be reappraised in light of market conditions, new borrowing restrictions and a change in administration priorities.</p>	Future year consideration
<p>StreetScene - Right Toilets in Right Place - £200k</p> <p>Reports to be presented for member consideration</p>	Future year consideration
<p>StreetScene - Revert maintenance on private bowling clubs - £60k</p> <p>Report to be presented for member consideration</p>	Future year consideration
<p>Car Park Income Initiatives - £425k</p> <p>Car Park TAFF - recommendations assumed adopted Further recommendations to be considered for future budgets.</p>	300

Commercialisation of existing services	50
Home safeguard – assume £50k in 2021/22, but actions do need progressing.	
Handyperson Service – to be considered further £20k	
Housing Company - £25k and future year income.	-
Market conditions have changed, the previous strategy had not worked and new administration have clarified additional social housing is the key priority which the Housing Company would not be the right delivery model.	
Efficiencies and rewilding in Grounds Maintenance - employment of agency during summer period ceased	70
Total	600

2.11 The draft budget includes key areas that aligns to the Council's **new Statement of Intent**;

- £323k is included for a new allocation towards **Carbon Reduction** measures. A monitoring report of actions against spend in the current year and the plan for 2021/22 needs to be presented to Cabinet. This includes a Service Lead position which is currently vacant.

A report is contained on this agenda relating to a potential district heating investment. This will come back as a formal investment proposal but importantly it is aiming to meet three main objectives; return, carbon savings and social benefit in terms of helping with fuel poverty.

- To further help with addressing **Poverty**, external funding has been obtained for a new position of a Financial Resilience Officer to work within the Revenues and Benefits Team. Also with the appointment of new Benefits Manager the post has been re-designed to include a significant focus on anti-poverty measurers.

A number of services do provide existing support ranging from public health initiatives to health and wellbeing activities. Specific funding includes the continuation of £120k funding of money advice to assist residents of East Devon. Members recently agreed the continuation of the improved Council Tax Support scheme which is currently costing £8.5m (£595k to EDDC) as a reduction in council tax income. A hardship fund (£180k) funded from Defra and the County Council has been established to support those residents in urgent need; this assists in meeting essential costs needed urgently, the fund works alongside the discretionary council tax and rent support schemes with the same officer helping with residents through the process. At the same time financial resilience work is undertaken to provide more sustainable support to individuals and families of a lasting nature. Discussions are in progress with Department of Work and Pensions over project funding to support this work further and to determine what support can be given to the Community and Voluntary Sector in the District.

The additional economic development resource will have a people focused role; a key part being addressing redundancy situation and potential worklessness.

Services have also been administered a range of grants for business and individuals during the pandemic. The Government has also announced in the Settlement an allocation to implement a Council Tax Support Scheme along the lines implemented in the current year; those on low income receiving a relief against their Council Tax Bill.

Further initiatives are likely to come from the Poverty Panel and cost implications will have to be considered as details are formed. Members may have to consider in year supplementary estimates to support these outcomes.

- Additional **Social Housing** is being driven further as a key priority for the Housing Revenue Account and additional support is being put in place through a part time post (to be funded from the HRA) in the Property and Estates Team to help facilitate this work.
- The Statement of Intent sets out an ambitious vision for the continuing investment into the Council's cultural programme. The ambition is to develop the District's significant potential of arts, entertainment, culture and natural environment in terms of developing and regenerating the local economy and providing the focus for the Council's tourism work. The budget for this area for 2021/22 will need to be aligned to ascertain how best to achieve this goal.
- Additional resources have been accommodated in the draft budget to address specific issues, with external funding being sought where possible. These have been approved in previous reports to members, or if new proposals and unfunded a link is provided to this report for further information:
 - Two additional planning posts to support the Local Plan process – previous report presented. £93k included in draft budget, part funded from planning reserves in 2021/22.
 - Inclusion of a budget for an ecologist position or the purchase of expertise when required. This is as a consequence of bio-diversity net gain requirement introduced in planning legislation. £50k included in draft budget.
 - Two economic development officers (2 year fixed contract) to support businesses and residents in the District – previous report presented. £86k included in draft budget, funded from Business Rates Reserves.
 - Additional support for the democratic services – previous report presented. £34k included in draft budget.
 - Dedicated Seaton Wetlands Ranger – details in linked papers £28k included in draft budget.
 - Additional support in the administration of Section 106/Community Infrastructure Levy – recommendation coming from Internal Audit (SWAP) report being presented to members. £30k included in draft budget funded from related income.

- Additional resources for pest control service and Environmental Health Team in the district. £68k included in budget, funded from associated additional income raised.
- Recycling and Waste Team Leader Post – Details in linked papers. £41k included in draft budget.
- Additional support in the Streetscene Business Support Team – Details in linked papers. £13k included in draft budget.
- RNLI extended cover at Exmouth – Details in linked papers. £5k included in draft budget
- Additional staff resource in Homelessness Team; temporary post in budget made permanent and additional post added – previous report presented. Additional £32k included in budget.
- A data analyst (2 year fixed term contract) working with Strata but an in-house resource to pull together data from differing systems and services in the Council to prepare management dashboards both for members and services. This will lead to efficiencies in relation to time taken currently to manually pull information together but also will provide better information which can help identify efficiencies and focus resources in the right place.

This is in line with positions in place at Exeter City Council and Teignbridge District Council. £32k included in draft budget to be funded from the Transformation Reserve.

2.14 Council Tax

The draft budget, in line with the MTFP, assumes the Council will increase the Council Tax for 2021/22 by £5 a year. This gives a precept for the Council of £9,119,550 raising the current annual council tax charge from £146.78 to £151.78 for a band D property a year, a 3.4% increase.

This is based on the Council Tax Base of 60,084 band D properties; a reduction of 50 compared with the current year. Normally there would be an annual growth in the tax base of closer to a 1,000 band D properties a year. The reduction results from of a lower collection rate from 99% to 98.3% and an increase in Council Tax Support with the effect of reducing the taxbase by 609 band D equivalents compared with the previous year.

Government announced on 17th December the Council Tax Referendum Levels - the increases above which would trigger a referendum. For shire districts this will be an increase of £5 a year or 2% whichever is the greater. This is the level the Government have calculated in their assumptions as income available to these Councils. The draft budget assumes the £5 increase.

2.15 General Fund Balance

The Council has an adopted range for the General Fund Balance of between £3m to £3.8m which is still considered appropriate; the draft budget maintains the Balance within that range.

The current prediction of the Balance at current year end is at the bottom of this range.

There are however some key risks in the budget that need to be highlighted to members that could require funding, and if so would normally fall to the General Fund Balance in 2021/22:

➤ **Implications of Covid-19**

The income from fees and charges and expenditure budgets have been set in the main ignoring the financial implications we have seen through the pandemic.

Income has return fairly quickly since the initial lockdown period including during the periods of where was saw further restrictions. The Government has extended its income loss guarantee scheme (covering 75% of losses after the first 5% loss) through to the end of June 2021. It is also to introduce arrangements to assist Councils with loss Council Tax and Business Rate Income as result of Covid-19.

The Government spending review in addition to income protection measures for Local Authorities does include amounts for additional Covid-19 grants to local authorities in 2021/22 to assist with any continuing costs. This has now been confirmed for EDDC at £616k

Therefore loss of income or costs associated with the continued impact of Covid-19 is considered at this stage to be mitigated with the funding provided by Government.

➤ **Income generation/saving proposals – Car Park Income**

A key assumption in the draft budget is additional income of £300k is to be obtained from car park revenue. If Council do not approve this proposal then the loss in the draft budget would have to be made good from alternative means or met from Balances.

If Council agree to increase the charges but delay the introduction, as not wanting to introduce during, or shortly after, a pandemic; then the cost if necessary could be met from Balances or alternative funding for part of or up to a year.

If the decision is not to increase charges at all, then it would be prudent to find the difference in budget reductions for the 2021/22 budget as the base budget going forward would have this as an ongoing deficit. This would not be good financial management and makes further budget setting for the Council even more difficult than the positioned outlined in the MTFP.

➤ **LED**

The Council have agreed an additional subsidy of up to £1.3m to LED in the current financial year to address the significant loss of income they have seen through Covid-19. It was hoped that this additional subsidy would in significant part be met from Government funding as is the case with In-House leisure services. The separate claim process (National Leisure Recovery Fund) has allocated a sum of £280k for EDDC to claim against!

For 2021/22 onwards LED had signalled before the effects of Covid-19 that they may be looking to request an increase in their Service Level payment which is due for review in next year's budget. The draft budget has maintained the subsidy payment at the same level as the current year at £898k as no commitment or details have been agreed on this aspect.

Very recent discussions through the newly formed LED Forum have consider initial indications from LED of their required increase, in order to maintain existing services going forward; this being in the order of £296k to £673k depending how increases are phased. This rising cost is clearly a position the Council cannot afford, which LED understand as the Council understands their position. Further discussion and options are being prepared for further debate through the Forum, along with the appointment of independent expert advice. Recommend outcomes will be reported back to Cabinet and Council as details progress.

➤ **Current policy/work streams implications not concluded in draft budget at this point in time**

There are currently ongoing discussions/meetings which have not concluded in time to determine the implication on next year's budget and no provision has currently been made. The areas being:

- Queens Drive Open Space – The base budget of £50k has been rolled into next year's draft budget but a number of new proposals are being considered but have yet to be concluded and costed.
- The Poverty Panel are still meeting and it's likely that recommendations will be made, no allowance for additional spend has been included in the draft budget over and above existing actions at this time. A theme emerging is the support required to third party organisations who support our residents. The Council needs to be clear on what's within its remit and capacity to support and ensures it uses its influence to lobby or work with others where issues are outside of its direct control. A District Council will never have the resources to deal with poverty alone.
- A Management Review has been announced that will be the subject of a report to Cabinet. This is likely to require a budget that has not been factored in at this stage. This could be met from the Transformation Fund if approved by Council.

➤ **Brexit**

Direct implications of Brexit are likely to be the effect on our main contractors, discussions are taking place on the possible delay of materials and parts and how best this can be managed.

The effect on residents and business is likely to add to the existing difficult position as result of Covid-19 with a further increase in demand for services. Again there has been a request to Government signalling that Local Authorities may need additional support and funding to deal with issues that may arise.

The effects of increasing Council Tax Support Claims and a reduction in Council Tax Collection has been factored into the budget. Some additional resource have been included in Revenues and Benefits and Economic Development areas and work streams are being planned to support both residents and business. A loss of business rate income is a concern but in the way income flows to the Council in accounting terms this likely to have a greater impact in 2022/23. Additional Economic Development resources will be working with businesses to help to mitigate the impact.

Should any of the above require monies to be met from the General Fund Balance this could take the Fund below the acceptable level.

The settlement included a new grant - Lower Tier Service Grant Allocation (LTSG). This is a one off grant for 2021/22 for District Councils to help with services such as homelessness, planning, recycling and refuse collection and leisure services – the areas we have identified as cost pressures. EDDC allocation is £700k. It is a general grant so not ring fenced to these areas but the Government is aware of particular pressures for Districts.

This additional grant had not been signalled prior to the announcement on 17th December and is very welcome against the pressures identified above. It is proposed this sum is held to mitigate the risk of costs arising from the above and other unknown cost pressures in 2021/22.

2.16 Business Rates

The 2021/22 budget uses the Government's funding calculation at £2.7m as the income to be derived from Business Rates; to this an additional £2m has been added to reflect the Council's own rate estimate which is higher. The Council does hold a Rates Volatility Fund of £0.639m accumulated from previous Business Rate surplus to mitigate the risk if Rates do not achieve this full level and it helps smooth out year on year fluctuations.

2.17 New Homes Bonus (NHB)

The government intention is to end the NHB scheme, in 2020/21 the Council received £3.6m through this grant. The grant for 2021/22 is £2.5m, the draft budget uses £1.5m of this to support the General Fund with the balance being directed to part finance the Capital Programme.

It is likely the scheme will diminish year on year with a final payment in 2022/23 estimated at £0.922m. It is assumed that this will be directed to the General Fund.

Budget Strategy for future years

2.18 The recently adopted Financial Plan 2021 – 2031 has informed the balancing of the 2021/22 budget. Work now needs to begin on future year budgets taking into account a new Council Plan being formulated over the coming months. There is currently a projected funding gap of £4.3m up to the next District election (2023/24), with the assumed change in funding of Business Rates and NHB accounts for £3.1m of this shortfall.

General Fund	2022/23 £000	2023/24 £000	Total
MTFP Budget Shortfall	3,010	1,243	4,253
<i>Change in Business Rates & NHB</i>	2,278	822	3,100
<i>Underlying MTFP shortfall – service costs increasing above income generation</i>	732	421	1,153

The changes in funding are uncertain in terms of extent and timing and although likely to be implemented to a degree or to its full extent it puts the Council in a precarious position of having to make significant savings and likely service reductions without being certain on the level and timing of savings required.

The adopted Financial Plan proposed that the funding gap is addressed in terms of the underlying MTFP shortfall at this stage and although plans should be considered for the larger deficit actions are held until there is clarity on timing and extent.

To mitigate and de-risk this approach the Council approved a new reserve from additional business rates received in 2019/20 (details contained in 2019/20 Outturn Report to Cabinet on 30/9/20) of £2m. This reserve to be used to mitigate and de-risk the implications of the Government funding changes until the outcome is known and can be planned for appropriately. Having such a reserve can then buy time, if required, to fund a sudden fall in funding whilst the Council reshapes its budget, but at a time and to a degree that's required instead of progressing at this point when there are so many uncertainties.

2 Housing Revenue Account Budget

The Overall Financial Picture

2.1 The Housing Revenue Account (HRA) is underpinned and influenced by a business plan, this plan needs a refresh which has been delayed with other work commitments. The revised Plan needs to:

- Undertake a full conditions survey to inform future programme costs.
- Consider the implication of the new maintenance contract.
- Reflect additional work on asset management planning and compliance requirements,
- Consider the end of rent reductions.
- The implication of Universal Credit,
- Reconsider the debt level and use of Right to Buy Receipts linked to future development ambitions, and
- The implications of the climate change action plan.

This work is progressing for inclusion in the 2022/23 budget, the picture for the draft 2021/22 budget is very much stand still in that it continues to invest in our existing properties at a similar level; it provides an acceptable surplus which will need to be prioritised between competition demands:

- The purchase programme to counteract the impact of continuing Right to Buy (RTB) sales and the development ambitions to significantly add to our stock/social housing. This is a key priority in the Statement of Intent.
- To ensure new compliance requirements are met.
- To implement the carbon reduction actions.

2.2 In accordance with central government policy, the increase in any individual tenants rent is limited to inflation + 1% for the forthcoming financial year. Inflation is taken as the Consumer Price Index (CPI) rate at the prevailing rate for September 2020, which was official registered at 0.5%. The draft budget assumes an increase in Council House rents of 1.5% with a factor included for a reduction in stock numbers and voids giving £17.8m, an increase of £0.264m. The average house rent is currently £82.17 per week with 4,184 dwellings. There is 727 garages with a current rent of £15 per week, no increase is proposed.

Draft Revenue Budget 2021/22

2.3 The budget book details the draft estimates for 2021/22.

2.4 The budget has been prepared to maintain council homes to a high standard with a comprehensive planned programme of expenditure, adaptations and routine repairs. The 2021/22 draft budget maintains significant sums for:

- Major repairs totalling £4.2m covering new doors, boilers, kitchens and bathrooms, including change of tenancy expenditure, replacement of wooden fascias with uPVC and roof replacements.
- Day to day repairs, programme maintenance and one off works totalling £4.3m.

HRA BUDGET SUMMARY by SERVICE LINE & ACCOUNTING TYPE			2020	2021	Variance
			£	£	£
Rep Cat 1	Rep Cat 2	Rep Cat 3			
1 INCOME	1 Gross Property Rent inc Garages	1 Gross Property Rents	-17,567,740	-17,831,260	-263,520
		2 Garage Rents	-425,530	-336,180	89,350
	2 Other Income	1 Other Income	-542,120	-603,680	-61,560
1 INCOME Total			-18,535,390	-18,771,120	-235,730
2 EXPENDITURE	1 Repairs And Maintenance - General	1 Responsive Maintenance	1,862,440	1,953,350	90,910
		2 Annual Programmed Maintenance	1,098,260	1,033,300	-64,960
	2 Repairs And Maintenance - Special	1 Compliance	318,050	790,050	472,000
		2 Other	859,100	560,730	-298,370
	3 Supervision And Management	1 Supervision And Mgt General	4,275,600	4,418,290	142,690
		2 Supervision And Mgt Special	1,738,360	1,994,300	255,940
	4 Other Expenditure	1 Other Exp non Sewerage	227,900	231,700	3,800
		2 Sewerage	54,230	54,390	160
	5 Capital Charges & Bad Debt	2 Reval Deprn and Impair	950,420	950,420	0
		3 Major Repairs Expenditure	3,876,000	4,226,690	350,690
2 EXPENDITURE Total			15,260,360	16,213,220	952,860
3 FINANCING	1 Interest on Balances	(blank)	-39,000	-23,700	15,300
	2 Loan Principal & Interest repayments	(blank)	2,503,900	2,547,440	43,540
	3 Other	1 Gain on Disposal	-3,161,910	-3,161,910	0
		2 Loss on Disposal	2,001,980	2,001,980	0
		4 Other	-10	-10	0
	4 MIRS	1 Rev Gain on Disposal	3,161,910	3,161,910	0
		2 Rev Loss on Disposal	-2,001,980	-2,001,980	0
		3 Rev Rev, Dep & Impair	-950,420	-950,420	0
		5 Cont to Capital	830,000	0	-830,000
3 FINANCING Total			2,344,470	1,573,310	-771,160
Grand Total			-930,560	-984,590	-54,030

2.5 Main Variations to highlight:

The Net movement on the budgeted HRA surplus is an overall increase of £54k to £0.985m

Income increased by a total of £254k year on year;

- The predominant driver of the increase is rent increase £264k.
- These were partially offset by a decrease in forecast income from garages (-£90k) due to unrentable units and a reduction in interest income as a result of the current and forecasted continued suppression of interest rates.

Expenditure increased by £200k year on year;

- Although the allocation of expenditure on premises has shifted year on year to meet demand, incorporating the catch up work required due to COVID restrictions, the total budgeted expenditure remains materially consistent. The primary driver of the annual increase is within employee costs as new roles are required to meet the demands of the service, notably within the Landlord Services area with the appointment of a Mental Health officer and within the Asset and Property team with the appointment of a Climate Change officer.

2.6 The HRA draft budget currently shows a surplus of **£0.985m**; this level of surplus in the past has been directed to replacement housing to match the Right to Buy receipts. It is proposed that this sum is held for the purpose of additional housing and climate change measures. Reports on priority and proposed actions to be considered will be presented to the Housing Review Board through 2021/22.

- 2.7 The HRA Balance is maintained within the adopted range of £2.1m and £3.1m, being projected to be retained £3.1m level at the end of 2021/22. There is an additional £1.6m being held in the HRA debt Volatility Fund which remains unchanged.
- 2.8 The draft HRA budget will be reviewed by the Housing Review Board (HRB) on 21st January 2021.

Budget Strategy for future years

- 2.9 The HRA Business plan needs refreshing as outlined in 2.1 above to ensure properties can be maintained at a high standard whilst investing in new properties and meet carbon reductions priorities whilst keeping the HRA Reserves within the adopted levels.
- 2.10 The intention is revised Business Plan will be prepared in 2021/22 for approval through the HRB, Cabinet and Council.

3 Capital Programme

The Overall Financial Picture

- 3.1 The draft Capital Programme for 2021/22, after in year available resources are used, gives an overall funding need of £1.980m. The funding position across years will be managed in the most efficient manner considering the Council's overall Treasury Management position.
- 3.2 Any underfunded capital is factored into the Council's Minimum Revenue Provision (MRP) calculation (the amount required to be charged to the revenue account for unfunded capital) in line with the Council MRP Policy. In addition there will either be interest on any external loans required to be factored in, or the loss of investment interest on any internal borrowing used. Again this has been factored into the 2021/22 draft budget. The higher the unfunded element of the capital programme the greater cost to the General Fund.
- 3.3 The preparation of the draft Capital Budget has been directed by the Budget Setting & Allocation Panel (BSCAP) who met on 1st December 2020 to consider scheme proposals. The Group considered funding resources available, the capital appraisal process and then each scheme proposal in turn. Minutes of this meeting are presented to Cabinet.
- 3.4 The capital appraisal process has been used to build a capital programme aimed at delivering the Council's stated priorities and ensuring schemes meet set outcomes. Each scheme is given a score against a set criteria such as how the project meets the Council Plan, the risk involved, any part funding, invest to save, service provision and carbon implications; scoring schemes higher which contributed to a reduction in carbon. This scoring is used to measure priority against the funding available.

For each scheme proposed an Initial Project Proposal Form was completed as governed in the adopted "Guide to Project Management".

Draft Capital Budget 2021/22

3.5 The attached booklet details the draft capital programme for 2020/21 to 2024/25; scoring information is included against the new capital bid items.

3.6 A summary of the capital funding position is given below:

Capital Programme Financing	2020/21	2021/22	2022/23	2023/24	2024/25
	Budget	Budget	Budget	Budget	Budget
	£	£	£	£	£
Net Expenditure to be Financed (GF & HRA)	20,589,634	7,965,240	4,691,555	4,692,695	5,125,115
Adjust for unused income from grants/contributions:					
	20,589,634	7,965,240	4,691,555	4,692,695	5,125,115
Financing:					
General Fund Capital Receipts	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)
Section 106 Funding	0	0	0	0	0
GF Grants	0	0	0	0	0
Use of GF Capital Project reserves	0	0	0	0	0
GF Revenue Contributions to Capital Funding	0	0	0	0	0
HRA funding	(4,906,000)	(4,906,000)	(4,906,000)	(4,906,000)	(4,906,000)
New Homes Bonus Funding	(2,146,542)	(978,938)	0	0	0
Net (internal borrowing) / Transfer to Capital Reserves balance	(6,152,092)	(1,980,302)	314,445	313,305	(119,115)
GF Loans/Internal Borrowing	(13,437,092)	(1,980,302)	314,445	313,305	(119,115)
Total Funding	(20,589,634)	(7,965,240)	(4,691,555)	(4,692,695)	(5,125,115)
Shortfall / (Surplus)	0	0	0	0	0

3.7 The draft capital budget for 2021/22 totals £7.965m (net of direct grants), schemes are detailed in the budget book.

3.8 NHB monies is helping to fund the capital programme in 2021/22 by £0.979m but no funding is expected in 2022/23 as it is assumed NHB will cease at this point. This will put significant pressure on the funding of future programmes, which if a level of investment is still to be maintained will have an effect on the revenue budget as more loan funding is likely to be required.

4 Other Balances & Reserves available to the Council

4.1 The Council holds a number of earmarked reserves set aside for specific purposes, the use of such reserves in the 2021/22 draft budget are detailed in the budget book for members' information.

5. Robustness of estimates and adequacy of reserves

- 5.1 This part of the report deals with the requirement of Section 25 (2) of the Local Government Act 2003 in that the Council's Chief Finance Officer (CFO) must report on the robustness of the estimates included in the budget and the adequacy of reserves for which the budget provides.
- 5.2 In terms of the robustness of the estimates, all known factors have been considered 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 and levels of income, financial risks inherent in any new arrangements and capital developments and 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.
- 5.3 The proposed draft budgets for 2021/22 maintain both the General Fund balance and the Housing Revenue Account balance at adopted levels provided actual net expenditure is at, or below, the level forecast. Continuous monitoring and reports to Cabinet will highlight and make recommendations on any corrective action necessary to achieve this during 2021/22. Particular risks have been highlighted in 2.15 of the report which could affect the level of the General Fund Balance. Adverse financial implications resulting from these risks will be brought to members' attention and decisions on reducing expenditure or the use of available Balances/Reserves will need to be determined.

6. Prudential Code

- 6.1 The Local Government Act 2003 also requires under regulation for local authorities to have regard to the Prudential Code for Capital Finance in Local Authorities, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) when setting and reviewing their affordable borrowing limit.
- 6.2 The key objective of the Code is to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable. A further key objective is to ensure that treasury management decisions are taken in accordance with good professional practice and in a manner that supports prudence, affordability and sustainability.
- 6.3 To demonstrate that local authorities have fulfilled these objectives, the Prudential Code sets out the indicators that must be used and the factors that must be taken into account. These indicators will be presented to the next Cabinet meeting when a recommendation will be made on the budget for 2020/21, Council Tax levy and Council House Rents.
- 6.4 A Capital Strategy is required to be approved by Council annually to consider any investment property the Council holds or likely to hold, what this means in terms of financial exposure and risk. This will be presented along with the documents above at the next Cabinet for onward approval by Council in February 2021.