

SIGNED OFF BY	Interim Head of Finance
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TO	Executive
DATE	Thursday, 28 January 2021
EXECUTIVE MEMBER	Deputy Leader and Portfolio Holder for Finance and Governance

KEY DECISION REQUIRED:	YES
WARD (S) AFFECTED:	ALL

SUBJECT:	BUDGET 2021/22 and CAPITAL PROGRAMME 2021/22 to 2025/26
RECOMMENDATIONS:	
That Executive recommend to Council:	
<p>(i) The latest Medium-Term Financial Plan forecast at Annex 1</p> <p>(ii) A Revenue budget requirement of £17.395 million for 2021/22, as set out in this report and at Annex 2, which reflects:</p> <ul style="list-style-type: none"> • Service budget growth of £0.695 million (net); plus • Central budget savings of (£1.554) million (net). <p>(iii) An increase in Reigate & Banstead's Band D Council Tax of £5.00 (2.15%) and a final taxbase of 60,720 Band D equivalents;</p> <p>(iv) The forecast for Revenue Reserves (Annex 3) and the recommended use of £0.477 million from Reserves in 2021/22 comprising:</p> <ul style="list-style-type: none"> • Drawing £0.104 million from the Government Funding Risks Reserve to fund reduced housing benefit subsidy; and • Drawing £0.138 million from the Commercial Risks Reserve to fund reduced income from rents and trading activities; and 	

- **Drawing £0.235 million from the General Fund Balance to support the 2020/21 Revenue Budget;**

- (v) A Capital Programme of £81.555 million for 2021/22 to 2025/26 as set out in this report and at Annexes 4.1 and 4.2, including Capital Programme Growth Proposals of £1.326 million.**
- (vi) The Chief Finance Officer's report on the robustness of the Budget estimates and adequacy of Reserves.**

That Executive authorise:

- (vii) The Chief Finance Officer to make any necessary final technical adjustments to the Budget and Council Tax arising from final budget refinements or changes to Government funding.**

REASONS FOR RECOMMENDATIONS:

To ensure that the Council continues to plan and manage its resources well, deliver high standards of service and meet the aims and objectives of its Five-Year Plan for 2020-2025 and supporting Strategies.

EXECUTIVE SUMMARY:

This report sets out the recommended Revenue Budget and a £5.00 (2.15% per annum) increase in Council Tax for 2021/22. It also presents the recommended Capital Programme for 2021/22 to 2025/26.

Recommendations (i) to (vi) are subject to approval by the Council. The Executive has authority to approve recommendation (vii).

STATUTORY POWERS

1. The Local Government Act 1972 requires the Council to set the associated annual budget as part of proper financial management. This report is part of that process.
2. The Local Government Act 1992 requires councils to set a balanced budget and announce the Council Tax level by 11 March each year. Section 65 of the Act requires the Council to consult representatives of those subject to non-domestic rates in the Borough about its proposals for expenditure for each financial year.
3. The Chief Finance Officer has a key role to play in fulfilling the requirements of the statutory duty under the Local Government Act 2003 to keep the authority's finances under review during the year and take action if there is evidence that financial pressures will result in a budget overspend or if there is a shortfall in income.
4. Council Tax Reduction Scheme: Section 13A(2) of the Local Government Finance Act 1992 (as amended) requires billing authorities to make a reduction scheme for persons in financial need or classes of persons that the authority considers – in general – to be in financial need. Section 13A(1)(c) of this Act gives billing authorities the power to reduce a liability to an extent that is seen fit.
5. The council tax that local authorities can charge for the long-term empty premium was changed when the Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018, came into force from 1 April 2019.

FINANCIAL CONTEXT

6. The purpose of this report is to:
 - Set out the recommended Revenue Budget and Council Tax for 2021/22 following scrutiny of the draft budget proposals and the provisional Local Government Funding Settlement announcement on 17 December 2020
 - Set out the proposed Capital Programme for 2021/22 to 2025/26
 - Receive a commentary on the budget and adequacy of reserves from the Chief Finance Officer, in accordance with the Local Government Act 2003.

Government Funding

7. The 2021/22 Provisional Local Government Finance Settlement was published in December 2020. As expected, it is for one year only and is based on Spending Review 2020 (SR20) funding levels that were announced in November. There remains a commitment from the Government to return to multi-year settlements at some point but that is likely to depend on whether COVID-19 continues to have significant impacts on local government finances during 2021/22. The main points are set out below:
 - **Council Tax** – the council tax referendum limit will be 2% for lower tier authorities; it was confirmed that districts will be allowed to apply the higher of the referendum limit or £5.
 - **Business Rates Retention** – the business rates multiplier has been frozen for 2021/22 instead of increasing in line with inflation. Therefore, the three elements of the Business Rates Retention system (Baseline Need, NNDR Baseline and Tariff/Top Up amounts) remain at 2020/21 levels. However, the Under-Indexing Multiplier Grant has been increased to ensure that local authorities' shares of NNDR income is not impacted.
 - **Top Up/Tariff Adjustments ('Negative RSG')** – as in previous years, the Government has eliminated the negative RSG impacts.

- **Lower Tier Services Grant** – a new un-ringfenced lower tier services grant of £111m was announced in the Provisional Settlement. The purpose is to ensure that no authority has a total Core Spending Power less than in 2020/21.
- **New Homes Bonus** - 2021/22 allocations have been announced. These will be paid with the legacy payments due from previous years (2018/19 and 2019/20). As previously announced, there will be no legacy payments for the new 2021/22 in-year allocations and no legacy payment was paid for 2020/21. The ‘deadweight’ of 0.4% has been maintained.
- **Rough Sleepers** - £750m, a 60% increase on the previous spending review.
- **Troubled Families Programme** - £165 million.
- **£4bn ‘levelling up’ fund (UK Shared Prosperity Fund)** - any local area can apply directly with the focus on town centre regeneration and culture. Details to be published early next year.
- **Redmond Review of external audit** - £15m has been allocated to implement the review recommendations (audit fee increases)
- **COVID-19 Funding** – in SR20 £2.2bn of funding was announced to support local government in 2021/22. To include:
 - Hardship Grant – Tranche 5 (£1.55bn)
 - Local Council Tax Support Grant (£670m) to help fund the expected increase in demand for local council tax support in 2021/22
 - Sales, Fees and Charges compensation scheme (Q1 2021/22 only); and
 - Tax Income Guarantee Scheme (£790m estimated) to fund 75% of irrecoverable losses in council tax and business rates (in addition to the 3-year collection fund spreading arrangements).
- **Local Government Funding Reform** – no papers were published relating to the Review of Relative Needs & Resources (Fair Funding), the Business Rates Reset and the Business Rates fundamental review. The Provisional Settlement confirmed that it remains the Government’s intention to implement these reforms in 2022/23 but it remains uncertain whether they will be able to do so under the current circumstances.

MEDIUM TERM FINANCIAL PLANNING

8. The Council has been planning for the loss of Government funding, with the objective to become financially self-sufficient going forward. In order to achieve self-sufficiency the Council needs to continue to find budget efficiencies whilst also generating new sustainable sources of additional income.
9. An updated Medium Term Financial Plan (MTFP) was approved in July 2020 and forecasts were refreshed in November 2020. It sets out the financial direction of the Council over the medium term to ensure that the Council plans and manages its resources effectively. It also sets out the priorities that have been taken into account when preparing the budget for 2021/22:
 - To ensure resources are aligned with the emerging Corporate Plan **priorities**
 - To maintain a **balanced budget** such that expenditure matches income from council tax, fees and charges, and government and other grants and to maintain that position
 - To set a rate for **council tax** which maximises income necessary to deliver our strategic objectives while ensuring that Government referendum limits are not

exceeded. The percentage increase will be reviewed annually and be approved by Full Council

- To maximise other income by setting **fees and charges**, where we have the discretion and need to do so, at a level to ensure at least full cost recovery, promptly raising all monies due and minimising the levels of arrears and debt write offs
 - To ensure a long-term sustainable view is taken of our **investments** and that appropriate risk analyses are used when considering new investments
 - To consider and take advantage of **commercial opportunities** as they arise to deliver new income streams
 - To maintain an adequate and prudent level of **reserves** and regularly review their planned use and allocation to support delivery of our priorities.
10. The latest MTFP forecasts are set out at Annex 1 and indicate a budget gap of £2.268 million for service budgets in 2022/23, rising to £4.103 million by 2025/26. Further work is now in progress to update MTFP forecasts to support service & financial planning for 2022/23 onwards. The outcome will be reported to Executive in summer 2021.
11. Many of the measures, as detailed in this report, that are being used to balance the budget for 2021/22 are one-off cost reductions, including calling on reserves to address the residual budget gap.
12. Going forward, sustainable solutions that reduce costs or increase income on a permanent basis will have to be identified for 2022/23 onwards. These are likely to include:
- Pursuing commercial investments to generate new income streams – after taking into account the costs of associated borrowing.
 - Considering options for asset sales to realise capital receipts and reduce or avoid new borrowing costs
 - Continuing the fees and charges review across all services that is now in progress
 - Planning for 2022/23 staff pay negotiations; and
 - Reviewing in-year budget monitoring forecasts to identify new opportunities for savings and efficiencies.

COVID-19 Pandemic

13. To date the pandemic has impacted on:
- Expenditure budgets – significant unbudgeted costs have been incurred to deliver the Council's emergency response to the pandemic.
 - Income budgets – there have been material shortfalls in income receipts across many services compared to budget
 - Collection fund recovery performance – council tax and business rates income receipts have been distorted by short-term relief measures introduced by Government at the same time as underlying economic pressure on taxpayers and delays in recovery processes during lockdown. The full picture will take some time to emerge.
 - Financial responsibilities – local authorities were asked to take on new responsibilities at short notice to support Government in distributing new

reliefs, grants and benefits.

14. Further details of are set out at Appendix 3 of the MTFP Summary attached at Annex 1.
15. On 11 January 2021, the Chancellor provided an economic update to the House of Commons. Since the start of the coronavirus pandemic, updates such as this have often involved announcements of new or extended economic support schemes. This update did not include new announcements, but:
 - Laid out the economic support provided to date. This includes the Coronavirus Job Retention Scheme, Self-Employment Income Support Scheme, the business rates 'holiday', loan schemes, and the grant schemes for businesses required to close. The Chancellor specifically mentioned the latest grant schemes, which were announced early in the new year:
 - The additional one-off top-up grant provided to businesses required to close which cannot operate remotely, providing up to £9,000 per premise required to close. This is to be provided in addition to the existing Local Restrictions Support Grant.
 - The new discretionary scheme, which is expected to be a further allocation of Additional Restrictions Grant funding.
 - Explained the Government's vision of an economic recovery triggered by the ongoing vaccination programme. The announcement explained that such a recovery was expected primarily by reference to statistics showing increasing net saving in households, but also some available business cash reserves. It was suggested that these may be spent once the economy fully reopens, allowing recovery.
 - Indicated that the Government was likely to have to seek to control public spending going forwards.
16. The date for the Chancellor's Budget has been confirmed as 3 March 2021. The stated intention is to set out the next phase of the plan to tackle the virus and protect jobs.

Commercial Strategy

17. The Medium-Term Financial Plan includes the objective of:
 - To consider and take advantage of **commercial opportunities** as they arise to deliver new income streams.
18. Delivery of this objective requires the allocation of additional funds in the Capital Programme to purchase assets and make investments that will generate new income streams as well as supporting delivery of corporate objectives. These investments will be financed through prudential borrowing therefore provision has to be made in the revenue budget for the costs of repaying that debt. It will also be necessary to ensure that borrowing for this purpose complies with MHCLG and CIPFA guidance, specifically 'borrowing in advance of need'.
19. While service efficiencies and council tax increases are important, their contribution to addressing the financial challenges faced by the Council is limited. It is therefore important that the Council also becomes an increasingly commercial organisation. This means generating new net income streams to support service delivery. This requires investment – and will have an element of commercial risk – but it will also enable the

Council to develop and grow into a self-sustaining organisation. This will be supported by the developing Commercial Strategy and associated plans.

20. The latest Capital Investment Strategy was approved in July 2020 and sets out how the Council plans to invest to generate income through its capital and commercial investments, within the bounds of the regulatory frameworks that govern council borrowing and investments. Further work is planned progress to update Capital Strategy forecasts to support service & financial planning for 2022/23 onwards. The outcome will be reported to Executive in summer 2021.
21. The Commercial Ventures Executive Sub-Committee, supported by other Members, has been working to develop the Council's commercial agenda. Going forward this will include consideration of the scale and appropriate type of investments, the geographic area of any investment activities, and opportunities for partnership working. The Commercial Strategy (Part 1) was approved by Executive in November 2020 and will provide a framework for this activity.

Example Investment Returns

22. Following the decrease in PWLB borrowing costs, that was announced in October 2020, in order to generate £2.200 million additional net income to the revenue budget (for example) delivering an estimated net return on investment of 3% would require borrowing and re-investment in income-generating assets of circa £57 million [based on prevailing PWLB rates at the time of preparing this report].

2021/22 REVENUE BUDGET

23. The Revenue Budget comprises five 'building blocks' as follows:
 - **Net Cost of Services:** These are the direct costs incurred in delivering services through the three Directorates, net of specific income generated by them.
 - **Central Budgets:** These are costs incurred and income received that are not service-specific, eg. employer Pension Fund deficit contributions, central provision for staff pay increases and treasury management budgets. Also included in this block is the Headroom Contingency budget.
 - **Sources of Funding:** These income budgets are general, non-service specific income sources. They include the Council's share of Non-Domestic Rate income and for 2021/22:
 - the continued impact (benefit) of the continued elimination of 'Negative Revenue Support Grant' that was confirmed in Spending Review 20 in November 2020; and
 - other significant Government grants: eg. New Homes Bonus and Homelessness Prevention grant. For 2021/22 they include the new Lower Tier Services grant and previously-announced COVID-19 grant allocations.
 - **Council Tax:** After the budget requirement has been established for the other blocks then the amount required by this Council from council tax can be calculated; known as the 'Demand on the Collection Fund'.

- **Contributions (to)/from Reserves:** This relates to use of Earmarked Revenue Reserves, which have been allocated to fund specific purposes. For example, the use of Reserves to fund the one-off advance pension contribution. The impact of the use of Reserves is a reduction in the total income demand on council taxpayers. It also refers to the use of funds from the General Fund Balance to support the annual revenue budget (£0.235 million in 2021/22).

24. The table below summarises the final Revenue Budget for 2021/22

Table 1: BUDGET SUMMARY 2021/22	Budget 2020/21 £m	Budget 2021/22 £m
1. Net Cost of Services	14.209	14.903
2. Central Budgets	4.047	2.492
NET EXPENDITURE 2021/22	18.256	17.395
3. Council Tax	14.100	14.365
4. National Non-Domestic Rates (NNDR)	2.900	1.819
5. Un-ringfenced Grants – transferred to Reserves <ul style="list-style-type: none"> • COVID-19 Emergency Funding - Allocation 5 • New Homes Bonus • Homelessness Prevention 	- 1.789 0.580	0.638 0.887 0.668
6. Other Un-ringfenced Grants <ul style="list-style-type: none"> • Lower Tier Services Grant • COVID-19 Tax Income Guarantee Grant (estimate) • COVID-19 Local Council Tax Support Grant 	- - -	0.394 0.150 0.190
7. Contribution to Earmarked Reserves: <ul style="list-style-type: none"> • COVID-19 Emergency Funding – transferred to new COVID-19 Reserve • New Homes Bonus – 2021/22 allocation transferred to Government Funding Risks Reserve • Homelessness Prevention – 2021/22 allocation transferred to Earmarked Reserve 	- (1.789) (0.580)	(0.638) (0.887) (0.668)
8. Call on Earmarked Reserves in 2021/22: <ul style="list-style-type: none"> • Government Funding Risks Reserve (<i>Housing Benefit subsidy reduction</i>) • Commercial Risks Reserve (<i>Redhill hotel rent income reduction and Revenues & Benefits trading income</i>) 	- -	0.104 0.138
Use of funds from the General Fund Balance to support the 2021/22 Revenue Budget	1.256	0.235
NET SOURCES OF INCOME 2021/22	18.256	17.395

NOTE

1. The actual sum to be drawn from Reserves to support the budget will depend on the budget outturn position for 2021/22.

25. In addition the following ongoing impacts are forecast on income budgets as a consequence of the COVID-19 pandemic. At the time of preparing this report it is not possible to forecast with any certainty whether any additional COVID-related expenditure will be incurred; this would add to the budget pressures.

Table 2: SERVICE BUDGET PROPOSALS FOR 2021/22 – ESTIMATED COVID INCOME LOSSES AND ADDITIONAL EXPENDITURE	£m
Budget Movements:	
COVID-19 Pandemic – Ongoing Impacts on Income Budgets (2021/22 estimates) <ul style="list-style-type: none"> • Community Centres - £0.200m • Harlequin - £0.180m • Parking - £1.200m • Commercial Waste - £0.160m • Property Rents - £0.270m 	2.010
COVID-19 Pandemic – Ongoing Impacts on Income Budgets (2021/22 forecast only) <ul style="list-style-type: none"> • Additional homelessness support costs 	0.100
Total Forecast	2.110
COVID-19 Pandemic – Additional Government Funding (2021/22 forecast only) <ul style="list-style-type: none"> • Emergency Grant • Sales, Fees & Charges Q1 Claim (est) 	(0.638) (0.750)
Net Budget Impact in 2021/22 [to be funded from Government Funding Risks and Commercial Risks reserves]	0.722

2021/22 Service Budget Proposals

26. Service budget proposals are summarised below:

Table 3: SERVICE BUDGET PROPOSALS	Approved Budget 2020/21	Proposed Budget 2021/22	Net Service Budget Increase / (Decrease)
	£m	£m	£m
ORGANISATION			
Communications / Customer Service	0.933	1.052	0.119
Finance	1.123	1.168	0.045
ICT	1.866	1.810	(0.056)
Legal & Governance	2.057	2.022	(0.035)
Organisational Development & HR	0.785	0.785	-
Corporate Policy, Projects & Performance (inc environmental sustainability)	0.397	0.420	0.023
Property / Commercial	(1.693)	(1.510)	0.183

Table 3: SERVICE BUDGET PROPOSALS	Approved Budget 2020/21	Proposed Budget 2021/22	Net Service Budget Increase / (Decrease)
	£m	£m	£m
PLACE			
Economic Prosperity	0.398	0.398	-
Neighbourhood Operations	3.110	3.119	0.009
Place Delivery	0.275	0.326	0.051
Planning	0.660	0.548	(0.112)
PEOPLE			
Community Development	1.583	1.588	0.005
Housing	0.990	0.950	(0.040)
Revenues, Benefits & Fraud	0.022	0.525	0.503
Wellbeing & Intervention	0.537	0.537	-
SENIOR MANAGEMENT TEAM	1.166	1.166	-
TOTAL	14.209	14.904	0.695

27. Net Service savings, additional income and growth proposals of £0.341 million were approved in the Service & Financial Planning 2020/21 report to Executive on 19 November 2020.
28. Additional net Service savings and growth proposals totalling £0.354 million are detailed at Annex 2.
29. In total they result a net increase in Service budgets of £0.695 million:

Table 4: SERVICE BUDGET PROPOSALS FOR 2021/22	£m	£m
Budget Movements:		
Net Increase in Staff Costs ¹	0.101	
Net Increase in Other Running Costs	0.704	
Net Change in Income	(0.110)	
NET SERVICE BUDGET GROWTH		0.695

NOTE 1: provision for the annual pay award and other contractual pay increases are reported as part of Central budgets.

Deletion of Vacant Funded Posts

30. Review work has now been completed and the outcome is to confirm that 8.0 FTE posts are to be deleted to achieve a service budget total saving of £0.301m.

Grant-Funded Posts

31. An area for consideration as part of budget-setting in 2022/23 relates to posts that are

currently funded through calling on the Homelessness Prevention grant that is held in an Earmarked Reserve. They comprise:

- Housing 5.0 FTE £0.163 million
- Wellbeing & Intervention. 2.0 FTE £0.067 million
- Revenues, Benefits & Fraud 2.0 FTE £0.060 million

32. The 2021/22 Homelessness Prevention grant allocation of £0.668 million was confirmed in the Provisional Settlement. This will be transferred to an earmarked Reserve until called upon to fund related expenditure. While there is currently sufficient grant funding available for these posts to continue in 2021/22 there remains a risk that the grant may cease in 2022/23 and a decision will be required whether to continue to fund these posts through the Revenue budget as part of next years' service & financial planning process.

Senior Interim Roles

33. There will be an ongoing requirement during 2021/22 to cover some senior roles on an interim and acting basis until a decision is made regarding permanent recruitment. The additional cost of these temporary arrangements will be funded from the budget underspend while the Chief Executive post remains vacant.

Income from Fees & Charges

34. The Fees & Charges Policy was approved by Executive in November 2020 and is now being implemented with the intention that the full benefits can be realised in 2021/22 onwards when all fees and charges will have been reviewed in line with the Policy.
35. As part of service and financial planning, Heads of Service have been requested to review the charges for discretionary services provided by their teams to ensure that the Council's fees and charges policy is being consistently applied. This includes, for instance, ensuring that charges are in support of policy objectives and that, where appropriate, they are subject to an annual inflationary uplift.
36. The ongoing review into fees and charges has identified several discretionary services that may offer scope for income growth, through both increasing charges in line with inflation and expanding the current customer base.
37. The latter opportunities are being progressed, though the Council's ongoing response to the COVID-19 pandemic has resulted in efforts being prioritised on the delivery of important statutory services.

Central Budget Proposals 2021/22

38. Central budgets are summarised in the table below. They comprise those budget items that are corporate in nature and are not associated with delivery of specific services. Overall there is a net budget decrease of (£1.554) million compared to 2020/21.

Table 5: CENTRAL BUDGETS	Approved Budget 2020/21 £m	Proposed Budget 2021/22 £m	Net Budget Increase / (Decrease) £m
Insurance	0.482	0.460	(0.022)
Treasury Management			
o Interest on Investments and Company Loans	(0.582)	(1.218)	(0.636)
o Interest on Borrowing	0.922	0.165	(0.757)
o Minimum Revenue Provision	0.528	1.361	0.833

Table 5: CENTRAL BUDGETS	Approved Budget 2020/21 £m	Proposed Budget 2021/22 £m	Net Budget Increase / (Decrease) £m
o Interest on Trust Funds and Treasury transaction costs	0.036	0.041	0.005
Employer Pension Contribution	0.375	-	(0.375)
New Posts Budget	0.159	-	(0.159)
External Audit Fees ¹	0.050	0.067	0.017
Budget for Staff Salary Increases ²	0.733	1.428	0.695
Headroom Contingency Budget	1.000	-	(1.000)
Preceptor Grants	0.058	0.038	(0.020)
Apprenticeship Levy ³	0.069	0.069	-
Visa Sponsorship Budget	0.000	0.005	0.005
Central Training Budget	0.067	0.077	0.010
Central Salary Contingencies	0.150	-	(0.150)
Central Budgets	4.047	2.493	(1.554)

NOTE

1. 2021/22 audit fees were subject to confirmation at the time of preparing this report. The Provisional Settlement included an additional £15 million to help fund increased fees following the Redmond review of external audit. Individual allocations are to be confirmed.
2. To be transferred from Central to Service budgets in April 2021 to reflect allocation of the pay increase across services
3. To be confirmed when final salary costs are confirmed

39. Proposed changes in Central Budgets in 2021/22 were set out in the November budget report; the final updates are detailed below:

Table 6: CENTRAL BUDGETS	Outcome of Review
Staff Salary Increases	Capacity of £0.695 million has been included in the budget for forecast contractual pay increases and the negotiated annual cost of living increase of 1.3%. This budget is held centrally and, now that the pay award has been confirmed, will be allocated to services ready for the start of the new financial year.
Treasury Management	This Budget has been reviewed in detail to ensure that it reflects: <ul style="list-style-type: none"> • Forecast interest on balances. Interest rates have continued to fall while the range of institutions that are available to place investments remains limited (in line with the Treasury Management Strategy) to ensure security of funds. The forecast also reflects the continued use of cash balances for short-term funding of the capital programme instead of taking out external loans. • Forecast borrowing costs (interest and Minimum Revenue Provision for loan repayment) in line with the proposed Capital Programme and Treasury Management Strategy. The forecast reflects planned spend profiles and the continued use of cash balances for short-term funding of the capital programme instead of taking out external loans. It also reflects application of the MRP Policy in the Treasury Management Strategy. • Forecast interest on loans to the Council's companies. The forecast reflects current loans at January 2021; no new loans or loan repayments are anticipated.

Table 6: CENTRAL BUDGETS	Outcome of Review
	Overall there will be a net decrease of £0.555 million compared to 2020/21.
Pensions	As explained in the November 2020 budget report; there is no longer a requirement to budget for employer secondary pension payments because the full three year's contributions were paid up from in April 2020. Going forward it will however be necessary to make provision in the MTFP for funding the next forward payment which will be due in April 2023 following the 2022 Fund revaluation.
Insurance	The final budget forecast has been confirmed and the net movement is reported above.

Revenue Budget Funding 2021/22

40. The sources of funding for the revenue budget are set out in the table below.

Table 7: REVENUE BUDGET FUNDING	Budget 2021/22 £m
Council Tax	14.365
National Non-Domestic Rates	1.819
Un-ringfenced Grants – transferred to Reserves <ul style="list-style-type: none"> • COVID-19 Emergency Funding - Allocation 5 • New Homes Bonus • Homelessness Prevention 	0.638 0.887 0.668
Other Un-ringfenced Grants <ul style="list-style-type: none"> • Lower Tier Services Grant • COVID-19 Tax Income Guarantee Grant (estimate) • COVID-19 Local Council Tax Support Grant 	0.394 0.150 0.190
Contribution to Earmarked Reserves: <ul style="list-style-type: none"> • COVID-19 Emergency Funding – transferred to COVID-19 Reserve • New Homes Bonus – 2021/22 allocation transferred to Government Funding Risks Reserve • Homelessness Prevention – 2021/22 allocation transferred to Earmarked Reserve 	(0.638) (0.887) (0.668)
Call on Earmarked Reserves in 2021/22: <ul style="list-style-type: none"> ○ Government Funding Risks Reserve (<i>Housing Benefit subsidy reduction</i>) ○ Commercial Risks Reserve (<i>Redhill hotel rent income and Revenues & Benefits trading income reduction</i>) 	0.104 0.138
<ul style="list-style-type: none"> • Use of funds from the General Fund Balance to support the 2021/22 Revenue Budget 	0.235
TOTAL	17.395

41. Work is now complete to update the Funding forecasts that have been taken into account when arriving at the final budget proposals for 2020/21. Factors taken into account include:

NNDR	<ul style="list-style-type: none">• Includes continued funding for 'negative RSG', as confirmed in the November 2020 Spending Review and December Provisional Settlement
Council Tax	<ul style="list-style-type: none">• The 2021/22 increase is based on a £5.00 Band D equivalent increase and the forecast tax base reduction due to COVID-19 (as detailed below).
New Homes Bonus	<ul style="list-style-type: none">• Includes updated forecasts for New Homes Bonus based on the December 2020 Provisional Settlement announcement, comprising £0.857 million for 'legacy' payments from previous years' allocations plus a £0.030 million allocation for 2021/22. The 2021/22 allocation is significantly lower than previous years due to the number of empty properties reported at October 2019. These funds will be transferred to the Government Funding Risks Reserve.
Contributions (To)/From Reserves	<ul style="list-style-type: none">• Includes the net contribution of £0.235 million that will be required from the General Fund Balance to address the forecast remaining Revenue Budget gap in 2021/22.• Also includes calls on other earmarked Reserves for specific purposes as detailed in the table

COUNCIL TAX 2021/22

42. In setting the Council Tax Requirement for 2021/22 the Council must give due consideration to the three elements that make up the overall requirement:

- the precept amount;
- the Taxbase; and
- the outcome of the previous year's cash collection.

Precept

43. In relation to the precept amount, the Government sets a cap each year which has the effect of limiting the annual increase before a referendum is required. This was confirmed with the Provisional Local Government Funding Settlement Announcement in December, being the higher of 1.99% or £5.00 for lower tier councils. For this Council £5.00 represents a 2.15% increase; therefore adopting the £5 option will yield a higher level of income in 2021/22.

44. The recommendation is to set an annual precept increase for Reigate & Banstead Borough Council in 2021/22 of £5.00 taking the Council precept to £237.46. The £5.00 increase on the recommended Taxbase will raise an additional £303,600.

Taxbase

45. When considering the taxbase the Council has no determination over the bandings of new builds, that is decided by the Valuation Office Agency, but as the planning authority it is responsible for ensuring an adequate supply of housing to meet the needs of the local population and is therefore in a position to approve and promote

applications to build new homes.

46. The proposed Taxbase increase reported to Executive in November 2020 has been under review due to the ongoing impacts of the COVID-19 pandemic; in particular the importance of forecasting how the reliefs provided to those of working age are likely to be impacted by the growing recessionary situation.
47. It was previously reported in November that the Taxbase could increase by 885.8 Band D equivalent properties (1.5%) taking account of forecast property numbers. Forecast growth in new homes remains strong at +1.15% however demand for local concessionary support (LCTS) to working age families is predicted to grow by +21.9%. This will negate all of the benefits of the growth in the Taxbase. Non-collection levels are also likely to be higher going forward; the Revenues & Benefits team estimate that 99% recovery is now a more likely outcome than the historical levels of 99.7%.
48. After taking these factors into account in the taxbase calculations this means that the forecast movement on the taxbase is now forecast a net reduction of 408.8 Band D equivalent properties (-0.67%). Overall the adverse impacts of the post-pandemic recession have more than offset the benefit of new builds.
49. The recommendation is to adopt a Taxbase of 60,720 Band D equivalents; 408.8 lower than 2020/21 which has the effect of suppressing the effect of the increase in council tax of £5 by £0.097 million in 2021/22 compared to 2020/21.

Collection Fund Outturn

50. Another factor that has to be taken into account when forecasting council tax income for 2021/22 is the cash surplus or deficit that is brought forward on the Collection Fund from previous years. This is the difference between the actual amount of cash collected compared to the target collection rate that was forecast for that year during budget setting. Due to historically high levels of collection performance in Reigate and Banstead this has normally been immaterial to overall calculations.
51. As a consequence of the COVID-19 pandemic, non-collection of the council tax due in 2020/21 is forecast to be lower than the 97% that was assumed when the budget was set. The increase in working age concessionary (LCTS) support is also forecast to be above the levels normally experienced. Both factors contribute to an overall projected deficit (cash shortfall) of £0.789 million for 2020/21. This will be shared by the preceptors in line with their share of the precept, which means that Reigate and Banstead will have to contribute an estimated £0.116 million towards this deficit. In normal years this would be distributed in the year following the surplus or deficit arising (i.e. the full £0.116 million would have to be funded in the 2021/22 budget), but the Government has issued a statutory instrument which will allow this deficit to be spread across three financial years (2012/22 to 2023/24) in line with a specified methodology.
52. The recommendation is therefore to budget for a deficit of £0.116 million for this Council to be spread as a £0.054 million charge in 2021/22 and £0.031 million in both 2022/23 and 2023/24.
53. The Government announced its intention to support Councils with their council tax losses in 2020/21 through the Tax Income Guarantee scheme. This will pay 75% of the difference between the expected and actual Council Tax receivable. However as a considerable portion of the losses in 2020/21 will be through non collection rather than loss of taxbase, the estimated return for this Council is negligible from this scheme (estimated to be £0.150 million).

Council Tax Requirement 2021/22

54. Based on the above recommendations the Council Tax Requirement for 2021/22, (compared with 2020/21) is set out below.

Table 8: COUNCIL TAX REQUIREMENT 2021/22	2020/21	2021/22	Movement / Impact on Council Tax Income
Taxbase Band D Equivalents Forecast at October 2020	65,126.2	65,238.3	+112.1 Positive : Increase
Forecast Growth in New Homes in 2021/22	0%	1.15%	+1.15% Positive : Increase
Allowance for Increase in Non-Collection in 2021/22	(0.3%)	(1.0%)	+0.7% Adverse : Increase
Reduction in Band D equivalents due to increased demand for the Local Concessionary Support Scheme	(-5.9%)	(-7.1%)	+1.2% Adverse : Increase
Forecast Average Band D Taxbase 2021/22	61,128.8	60,720.0	-408.8 Adverse : Decrease
Council Tax Band D	£232.46	£237.46	+£5.00 Positive : Increase
Council Tax Requirement	£14,210,001	£14,418,580	+£208,580 Positive : Increase
Forecast Share of Collection Surplus / (Deficit) Brought Forward from 2020/21	(£110,000)	(£54,021)	+£55,979 Positive : Increase
Net Council Tax Income for this Council	£14,100,001	£14,364,559	+£154,558 Positive : Increase

55. The COVID-19 pandemic has given rise to new challenges with regard to preparation of forecasts for council tax income collection in 2021/22. Historically the authority has had a very strong performance record, consistently recovering 99.7% (0.3% shortfall) of income due. By December 2020 the forecast for 2020/21 had fallen to 98.3% (1.7% shortfall). The above non-collection forecast for 2021/22 has been set at 99.0% (1.0% shortfall) on that basis that some improvement may be assumed. Failure to achieve this level of recovery would however give rise to a Collection Fund deficit for 2021/22 and have to be taken into account when setting the budget for 2022/23.
56. The initial council tax income forecast in the November 2020 budget report was a net increase of £0.400 million; compared to the above updated forecast of £0.155 million.
57. The Government has provided an LCTS grant (noted in table 7 above) of £0.190 million to mitigate against some of the loss of Taxbase as a result of COVID-19. Government has made this an un-ringfenced grant but proposed that any funds available over and above that needed to support the Taxbase loss may be used at a Council's discretion to extend Hardship support to those in need. The actual proposed increase including tax rise of £0.208 million (table 8) and the LCTS grant of £0.190 million return it to that baseline position making it unlikely there will be any funds leftover for further Hardship support.

Council Tax Policy

58. In April 2020 changes to council tax charges on empty homes were approved such that:

- Homes that have been empty and substantially unfurnished for between two and five years will be charged a Council Tax long term empty premium of 100% of the Council Tax in addition to their current Council Tax.
- Homes that have been empty and substantially unfurnished for more than five years will be charged a Council Tax long term empty premium of 200% of the Council Tax in addition to their current Council Tax.

59. Further changes to council tax charges on empty homes were approved in the November 2020 budget report and will come into effect in 2021/22:

- Homes that have been empty and substantially unfurnished for more than ten years will be charged a Council Tax long term empty premium equivalent to 300% of the Council Tax in addition to their current Council Tax.

60. As these changes help deliver a county-wide initiative to reduce the number of empty properties throughout Surrey, the County Council is proposing to reallocate its share of the increased funding that results from changes in Empty Homes policies in each of the years in which the policies apply. Under this commitment the Boroughs and Districts will receive reallocated funding where agreed conditions are met. The funding is intended to be used for new schemes that cannot be funded within existing budgets.

61. The County Council plans to invite bids in September in each year. This Council's share of the funding for 2020/21 has been agreed at £70,000 and a proposal is being prepared for a scheme that supports delivery of the Environmental Sustainability Strategy.

62. In 2021/22 the estimated available funding for this Council will be £85,000 when the new April 2021 premiums are implemented and consolidated with the previous changes from April 2020. A further submission will be made when invited to do so by the County Council.

Precepting Authorities

63. Details of the proposed council tax precepts for Surrey are set out in a separate report on this agenda. In summary the proposals are as follows:

Table 9: ANALYSIS OF DRAFT COUNCIL TAX BY PRECEPTOR		
Authority	£000	% share
Surrey County Council ¹	94,061.1	74.48%
Surrey Police & Crime Commissioner ¹	17,339.8	13.73%
Reigate & Banstead Borough Council	14,418.6	11.42%
Horley Town Council	428.1	0.34%
Salfords & Sidlow Parish Council	42.0	0.03%
	126,289.6	100.00%

Table 10: ANALYSIS OF DRAFT COUNCIL TAX CHANGES BY PRECEPTOR				
Authority	2021/22	2020/21	Increase ¹	
			£	%
Surrey County Council ¹	1,549.10	1,511.46	37.64	2.49%

Table 10: ANALYSIS OF DRAFT COUNCIL TAX CHANGES BY PRECEPTOR				
Surrey Police & Crime Commissioner ¹	285.57	270.57	15.00	5.54%
Reigate & Banstead Borough Council	237.46	232.46	5.00	2.15%
Horley Town Council	41.51	39.71	1.80	4.53%
Salfords & Sidlow Parish Council	29.72	27.18	2.54	9.35%
	2,143.36	2,081.38	61.98	2.89%

NOTE:

1. Actual increases are subject to formal confirmation by precepting bodies in February 2021.

RETAINED BUSINESS RATES (NNDR)

64. The Council collects Business Rates ('National Non-Domestic Rates' or 'NNDR') on an agency basis for Government.
65. Of the estimate of total NNDR collectable, this Council retains 40% of the benefits with 10% paid to the County and 50% to the Government.
66. For 2020/21 the Council's NNDR Baseline income (before adjustments) was £20.769 million out of a total estimated income of £51.923 million.
67. The key factors that determine this income stream are outside this Council's control:
 - The NNDR 'multiplier' (pence in the pound of rateable value) which is set by Government; and
 - The rateable value of a property which is set by the Valuation Office Agency.
68. Therefore the only decision to be taken by this Council each year is in terms of determining a forecast for income during the year, being:
 - The estimate of projected growth / decline in the NNDR Baseline as a result of business failure, property conversions or new builds.
69. There has been a small amount of growth in the NNDR Baseline in 2020/21 despite COVID-19 which can be recognised in the 2021/22 target.
70. The recommendation is therefore to budget for a total NNDR Baseline increase of £0.239 million in 2021/22 resulting in an increase in this Council's share (40%) of £0.096 million. This will increase this Council's Baseline share to £20.865 million.
71. The local government funding regime then requires a number of adjustments to arrive at the actual sum to be retained. The Provisional Settlement in December confirmed that this Council's Tariff (the additional sum retained by Government) means that of the £20.865 million Baseline sum we must return an additional £19.494 million to the Government and retain just £1.370 million in 2021/22.
72. The authority will however also receive £1.505 million of grant funding from Government to fund the mandatory reliefs that it requires us to provide to local businesses. e.g. small business relief.
73. The total of the income at that point (£2.875M) is then compared to the 'NNDR Safety Net' which is calculated as being the lowest amount that the Government considers

necessary from this source of income to support this Council. This authority's Safety Net was confirmed in the Provisional Settlement for 2021/22 as £2.207 million. The Council has to forego 50% of all income above the Safety Net as a further levy payable to Government, thereby reducing the income retained from business rates by another (£0.245 million).

74. There is then a final (complex) adjustment for the effect of inflation over time since individual reliefs began, offset against the same impact on the Tariff amount which creates a small benefit of £0.115 million. For 2021/22 this adjustment will mitigate the impact of the Government's decision to freeze the NNDR multiplier.

COVID-19 2020/21 Implications

75. The NNDR position during 2020/21 has been further complicated by the significant Section 31 grants provided by Government to offset the additional reliefs granted to businesses during the year.
76. During 2020/21, the Government paid Section 31 grant funding to billing authorities like Reigate & Banstead to cover this deficit, as it has had to honour payments to major preceptors and Government despite an in-year collection shortfall.
77. In cash terms far more money has been paid over to the precepting bodies (County and Government) than received. This 'deficit' will be carried forward to 2021/22 when it would usually all fall due in that year. As for Council Tax the government has chosen to use a statutory instrument to spread the cost of this loss over three years, according to a particular formula that means that most of the losses are recovered in 2021/22, with smaller recoveries in 2022/23 and 2023/24.
78. The Provisional Settlement confirmed that these losses will be covered by additional central government funding such that the taxpayer in Reigate will not have to bear the cost of the business rates loss from COVID-19.
79. The recommendation is therefore to set aside all of the additional Section 31 grants received during 2020/21 into an earmarked reserve at year-end to fund the largest element of the NNDR loss in 2021/22, of which Reigate's portion is expected to be £8.675 million.
80. The net deficit repayable by the Council in 2021/22 after calling on these reserves is therefore £0.926 million.
81. In summary this means that the total contribution from NNDR to this Council in 2021/22 is £1.819 million.

Table 11: NNDR ANALYSIS	
Element	£m
Gross NNDR Income 2020/21	51.923
<u>Plus</u> Forecast Growth 2021/22	0.239
Gross NNDR Income 2021/22	52.162
<u>Less</u> Government share (50%)	(26.081)
<u>Less</u> Surrey County Council share (10%)	(5.216)

Table 11: NNDR ANALYSIS	
Forecast Gross NNDR Income 2021/22 - Reigate & Banstead share (40%)	20.865
<u>Less</u> Tariff due to Government	(19.494)
Forecast Net NNDR Income 2021/22 - Reigate & Banstead after Tariff	1.370
<u>Plus</u> Section 31 Grant for Reliefs	1.505
<u>Less</u> Levy Payment to Government	(0.245)
<u>Plus</u> net inflation adjustment	0.116
Forecast NNDR Income 2021/22 - Reigate & Banstead	2.746
Forecast Net Share of 2020/21 Deficit to be funded after using the Reserve set aside for this purpose	(0.926)
Forecast NNDR Income 2021/22 - Reigate & Banstead	1.819

82. The 2021/22 budget is therefore based on a total of £1.819 million income from NNDR, a reduction of £1.081 million compared to the 2020/21 expected level. This reduction will however be offset in part due to introduction of the new Lower Tier Services Grant of £0.394 million that was announced in the Provisional Settlement and the Tax Income Guarantee scheme which should provide some support (estimated to be £0.150 million and shown in Table 8). The remaining estimated £0.537 million shortfall, to be calculated when the Tax Income Guarantee amount is confirmed, will be funded through drawing from the Government Funding Risks reserve.

Negative RSG

83. The final potential adjustment to the amount of NNDR retained relates to 'Negative Revenue Support Grant (RSG)' whereby the Government has previously announced its intention to recoup a notional 'over-funding' of authorities like Reigate & Banstead.
84. It was confirmed in the Provisional Settlement that this has been delayed for another year thereby protecting the Council from a further fall in income from this source. The Settlement also indicated that Negative RSG has 'been addressed' through its inclusion in the overall local government funding baseline and will therefore not be adjusted in future years. If correct this authority will avoid the previously-predicted reduction of c£0.737 million in NNDR in future years. Further work will be undertaken to confirm the position so that the outcome can be taken into account in the next MTFP review in summer 2020.

USE OF RESERVES

85. As set out above, there is a requirement to draw £0.235 million from the General Fund Balance to address the forecast remaining Revenue Budget gap in 2021/22. The extent of the final call on reserves will depend on the outcome of in-year budget management and will be confirmed when the outturn position for 2021/22 is reported after 31 March 2022. Recent years have reported an underspend position at year-end which is not unexpected given the revenue budget included central contingency sums that are only called upon in exceptional circumstances. However deletion of the £1.0 million Headroom Contingency budget in 2021/22 means that a significant net budget

underspend is much less likely in future.

86. For 2021/22 a new Earmarked Reserve will be established to manage the additional funding allocation for COVID-19 when received:

- COVID-19 Emergency Funding - Allocation 5 - £0.638 million

87. Forecast balances on Revenue Reserves at 31 March 2021 are summarised below and detailed at Annex 3.

Table 12: RESERVES SUMMARY	Forecast Balance ¹ at 31 March 2021 £m
General Fund Balance	3.246
Other Earmarked Reserves	34.509
TOTAL	37.755²

NOTE

1. Final balance depends on draw down of funds from Earmarked Reserves during the remainder of 2020/21
2. Excludes new Reserve to be created for COVID-19 funding (balance to be confirmed at year-end)

88. A Policy on the use of Reserves was approved by Executive in November 2020.

89. The Council holds Reserves to provide protection against financial risks. The current level of reserves provides a relatively secure financial base compared to many authorities; it is important to ensure an appropriate balance between securing the financial position of the Council and investing in delivery of services.

90. Reserves can be held for four reasons:

- A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing.
- A contingency to cushion the impact of unexpected events or emergencies.
- A means of building up funds to meet known or predicted liabilities.
- A means of setting aside sums for future identified uses and / or investments.

91. There is an opportunity cost of holding reserves in terms of restricting capacity to invest in current service delivery but this is offset by the additional flexibility that reserves provide when manage budget risks and adverse variations.

92. The legal requirement for the Council to agree a balanced budget means that Council may be required to draw on its reserves to address any shortfall between forecast expenditure and forecast income.

93. The Council has set a minimum level of unallocated General Fund reserves of 15% of the net revenue budget (£17.395 million), which equates to £2.610 million (for 2021/22). The forecast unallocated balance on the General Fund at 31 March 2020 of £3.246 million, is consistent with this limit.

94. Other areas that have been considered as part of the review of Reserves include:

Table 13: RESERVES REVIEW OUTCOME	
Reserve	Recommendations
General Fund Balance	<ul style="list-style-type: none"> • Maintain balance in line with 15% of net revenue budget - £2.610 million
Government Funding Reduction Risks Reserve	<ul style="list-style-type: none"> • To help mitigate future reductions in Government funding pending delivery of new sustainable income streams. • This Reserve is particularly important in relation to unfunded legacy COVID-19 pandemic impacts. • Includes funds set aside for Business rates recovery pressures.
COVID-19 Funding Reserve	<ul style="list-style-type: none"> • To hold Grant funds received from the Government until drawn down in 2021/22.
Commercial Risks & Volatility Reserve	<ul style="list-style-type: none"> • To help address risks of failure to meet income targets from new commercial ventures while remedial action is taken.
NNDR Deficit Recovery Reserve	<ul style="list-style-type: none"> • New for 2021/22 – to set aside Section 31 grant funding received in 2020/21 that will be required to offset the NNDR Collection Fund deficit that has to be recovered in 2021/22
Housing Delivery Strategy Reserve	<ul style="list-style-type: none"> • To fund new housing developments in support of the Housing Delivery Strategy
Corporate Plan Delivery Fund Reserve	<ul style="list-style-type: none"> • To provide time-limited funding to deliver key priorities, Corporate Plan objectives and invest-to-save initiatives, including investment in new technology.
Insurance Reserve	<ul style="list-style-type: none"> • To fund any significant uninsured losses.
New Posts Reserve	<ul style="list-style-type: none"> • To allow new posts to be created in-year in anticipation of a subsequent budget growth proposal.
Homelessness Prevention Reserve	<ul style="list-style-type: none"> • To account separately for the funding set aside for homelessness prevention.
Feasibility Studies (Commercial Ventures) Reserve	<ul style="list-style-type: none"> • To ensure sufficient funding is available to prepare business cases for new initiatives designed to deliver additional sources of funding.
Feasibility Studies (Infrastructure Initiatives) Reserve	<ul style="list-style-type: none"> • To fund this Council's collective funding of Surrey-wide infrastructure feasibility studies so that bids can be made for full project funding when bidding rounds become available.
Environmental Sustainability Reserve	<ul style="list-style-type: none"> • To fund initiatives that will support delivery of the Council's Environmental Sustainability Strategy.

Table 13: RESERVES REVIEW OUTCOME	
Reserve	Recommendations
Economic Development Initiatives Reserve	<ul style="list-style-type: none"> To fund raising awareness amongst local people of quality local employment opportunities and other economic development initiatives.

FORECAST BUDGET GAP AT January 2021

95. The forecast budget gap over the next five years is set out below. Further details are provided in the MTFP at Annex 2 (Appendix 2).

Table 14.1: MEDIUM TERM REVENUE BUDGET FORECAST (at January 2021)	Approved Budget 2020/21	Forecast Budget 2021/22	Forecast Budget 2022/23	Forecast Budget 2023/34	Forecast Budget 2024/25	Forecast Budget 2025/26
	£m	£m	£m	£m	£m	£m
FORECAST GAP	Balanced	Balanced	2.005	2.382	2.161	3.149
Annual Increase in Gap	-	Balanced	2.005	0.377	(0.221)	0.988
Gap as % of 2021/22 budget requirement	-	n/a	11.53%	13.69%	12.42%	18.1%

96. However, as reported in November 2020, in addition there are forecast to be impacts on service income budgets in 2021/22 as a consequence of the COVID-19 pandemic as set out in the table below

Table 14.2: MEDIUM TERM REVENUE BUDGET FORECAST (at January 2021)	Approved Budget 2020/21	Forecast Budget 2021/22	Forecast Budget 2022/23	Forecast Budget 2023/34	Forecast Budget 2024/25	Forecast Budget 2025/26
	£m	£m	£m	£m	£m	£m
FORECAST GAP	Balanced	Balanced	2.005	2.382	2.161	3.149
COVID-19 – 2021/22 income impacts <ul style="list-style-type: none"> Community Centres - £0.200m Harlequin - £0.180m Parking - £1.200m Commercial Waste - £0.160m Property Rents - £0.270m 		2.010	TBC			
COVID-19 – 2021/22 expenditure impacts <ul style="list-style-type: none"> Homelessness prevention 		0.100	TBC			
Government Funding			TBC			

Table 14.2: MEDIUM TERM REVENUE BUDGET FORECAST (at January 2021)	Approved Budget 2020/21	Forecast Budget 2021/22	Forecast Budget 2022/23	Forecast Budget 2023/34	Forecast Budget 2024/25	Forecast Budget 2025/26
	£m	£m	£m	£m	£m	£m
<ul style="list-style-type: none"> • Round 5 Hardship Funding (<i>confirmed in the Provisional Settlement</i>) • Q1 Sales, Fees & Charges Support (<i>estimated</i>) 		(0.638)				
		(0.750)				
Residual Income Losses to be funded by calling on the Government Funding Risks Reserve and Commercial Risks Reserve (<i>if no further Government funding is received</i>)		(0.722)			TBC	
FORECAST GAP	Balanced	Balanced			TBC	

CAPITAL PROGRAMME 2021/22 ONWARDS

2020/21 to 2025/26 Capital Programme

97. The Capital Programme 2021/22 to 2025/26 is summarised below and detailed at Annex 4.2:

Table 15: CAPITAL PROGRAMME 2021/22 to 2025/26	2021/22 Projected £M	2022/23 Projected £M	2023/24 Projected £M	2024/25 Projected £M	2025/26 Projected £M	TOTAL £M
ORGANISATION						
Strategic Property	1.332	1.658	1.374	1.258	-	5.622
Corporate Resources	1.175	0.375	0.385	0.375	0.060	2.370
Organisational Development	0.260	0.260	0.260	0.260	-	1.040
PEOPLE SERVICES						
Housing	11.404	11.355	1.355	1.355	0.021	25.491
Wellbeing & Intervention	0.140	0.140	0.140	0.140	0.140	0.700
Community Partnerships	0.030	0.030	0.030	0.030	-	0.120
PLACE SERVICES						
Neighbourhood Operations	2.395	1.049	1.457	1.030	0.339	6.270
Place Delivery	24.442	15.100	-	-	-	39.542

Table 15: CAPITAL PROGRAMME 2021/22 to 2025/26	2021/22 Projected £M	2022/23 Projected £M	2023/24 Projected £M	2024/25 Projected £M	2025/26 Projected £M	TOTAL £M
Economic Prosperity	0.100	0.100	0.100	0.100	-	0.400
CORPORATE						
Commercial Investment Strategy	-	-	-	-	-	-
TOTAL CAPITAL EXPENDITURE	41.279	30.067	5.101	4.548	0.560	81.555

Capital Programme Growth 2021/22 Onwards

98. Total Capital Programme Growth across all services for the period 2021/22 to 2025/26 is summarised below:

Table 16: TOTAL CAPITAL PROGRAMME GROWTH 2021/22 to 2025/26	2021/22 Projected £M	2022/23 Projected £M	2023/24 Projected £M	2024/25 Projected £M	2025/26 Projected £M	TOTAL £M
ORGANISATION	0.750	-	-	0.050	0.060	0.860
PEOPLE SERVICES	0.100	0.121	0.121	0.121	0.161	0.624
PLACE SERVICES	(0.427)	(0.153)	0.255	(0.172)	0.339	(0.158)
CORPORATE	-	-	-	-	-	-
TOTAL CAPITAL PROGRAMME GROWTH	0.423	(0.032)	0.376	(0.001)	0.560	1.326

99. Capital Programme proposals of £0.286 million (net) were approved by Executive in November 2020.

100. Additional capital growth proposals totalling £1.040 million are summarised below and detailed at Annex 4.1.

Table 17: ADDITIONAL CAPITAL PROGRAMME GROWTH 2021/22 to 2025/26	2021/22 Projected £M	2022/23 Projected £M	2023/24 Projected £M	2024/25 Projected £M	2025/26 Projected £M	TOTAL £M
ORGANISATION						
Corporate Resources	0.300	-	-	-	-	0.300
Organisational Development	0.200	-	-	-	-	0.200
PEOPLE						
Housing	-	-	-	-	-	-
Wellbeing & Intervention	0.100	0.100	0.100	0.100	0.140	0.540
TOTAL ADDITIONAL CAPITAL PROGRAMME GROWTH	0.600	0.100	0.100	0.100	0.140	1.040

101. The reasons for these latest growth proposals are set out below:

Table 18: ADDITIONAL CAPITAL GROWTH PROPOSALS	
Service Area	Additional Capital Growth Proposals
ORGANISATION	
Corporate Resources	<ul style="list-style-type: none"> Capital allocation for investment in technology development projects
Organisational Development	<ul style="list-style-type: none"> Capital allocation for systems Disaster Recovery measures
PEOPLE SERVICES:	
Wellbeing & Intervention	<ul style="list-style-type: none"> Capital allocation for the Harlequin theatre – increased maintenance requirements due to age of building and provision to upgrade key service areas including Café and Foyer.

102. For the majority of new capital schemes there is expected to be a requirement for further reports to the relevant Board (and consultation with the Portfolioholder for significant projects) as business cases are finalised, the outcome of tendering is known and costs are confirmed, or where there is a significant cost variance compared to original forecasts.

103. Capital Rolling Programme requirements beyond 2024/25 will be reviewed as part of service & financial planning for 2022/23.

Capital Programme Funding

104. Sources of funding for the 2021/22 to 2025/26 Capital Programme are summarised below:

Table 19: CAPITAL PROGRAMME FUNDING 2021/22 to 2025/26	2021/22 Projected £M	2022/23 Projected £M	2023/24 Projected £M	2024/25 Projected £M	2025/26 Projected £M	TOTAL
TOTAL CAPITAL EXPENDITURE 2021/22 to 2025/26	41.279	30.067	5.101	4.548	0.560	81.555
FUNDED BY:						
Capital Reserves	0	0	0	0	0	0
Capital Receipts	4.187	26.778	0	0	0	30.965
Capital Grants & Contributions	2.385	1.187	1.187	1.187	0	5.946
Earmarked Reserves – Housing Delivery Strategy	9.520	0	0	0	0	9.520
Prudential Borrowing	25.187	2.102	3.914	3.361	0.560	35.124
TOTAL CAPITAL FUNDING 2021/22 to 2025/26	41.279	30.067	5.101	4.548	0.560	81.555

105. Sources of funding for the 2021/22 to 2025/26 Capital Programme are explained below:

Table 20: CAPITAL FUNDING	
Capital Reserves	<ul style="list-style-type: none"> Previously the Council benefitted from access to significant capital reserves following the sale of its housing stock. Over recent years these reserves have been fully-utilised to invest in the capital programme.
Capital Receipts	<ul style="list-style-type: none"> Sale of capital assets results in a capital receipt that can be used to invest in new capital assets or to repay prudential borrowing. The main source of forecast capital receipts over the duration of this Capital programme relate to delivery of major schemes including Marketfield Way redevelopment, Pitwood Park and the Cromwell Road Housing developments. These capital receipts have been factored into forecast funding requirements.
Capital Grants & Contributions	<ul style="list-style-type: none"> Forecasts of the future grant funding allocation for Disabled Facilities works have been updated to reflect forecast allocations. They also include the Council's share of Section 106 and CIL funding. A review of historic allocations of Section 106 funds to the Capital Programme was completed during year-end closedown for 2019/20 to confirm that the funds allocated reconcile to Planning team records.
Earmarked Reserves – Housing Delivery Strategy	<ul style="list-style-type: none"> £19.079 million has been set aside to help fund implementation of the Housing Delivery Strategy.
Prudential Borrowing	<ul style="list-style-type: none"> The primary source of long-term funding for the Capital Programme is now prudential borrowing, mainly from the Public Works Loans Board (PWLB). Loans are managed through the approved Treasury Management Strategy and policies. Interest on borrowing is paid to the PWLB and charged to the annual revenue budget along with the Minimum Revenue Provision that is necessary to set aside funds for eventual repayment of the loan principal. These costs have to be taken into account when setting a balanced Revenue Budget. There are increasing restrictions on the type of capital expenditure that is eligible for prudential borrowing. Borrowing to fund investment solely for commercial gain is not permitted.

Capital Programme – Brought-Forward Allocations from 2020/21

106. Any previously-approved unspent Capital Programme resources (due to project slippage) will be carried forward to 2021/22. At Quarter 2 2020/21 the forecast carry-forward was £46.76 million.

Capital Programme – Revenue Budget Implications

107. As explained above, the Council no longer has significant unrestricted capital reserves, therefore, while a small number of schemes will be continued to be funded from capital grants and other contributions, the majority of the approved Capital Programme must be funded through prudential borrowing. The costs of repaying this borrowing fall on the revenue budget as treasury management costs in Central budgets.

108. Treasury management budgets have been updated to reflect the costs of borrowing for the approved Capital Programme for 2021/22 onwards net of interest on forecast balances. Details

will be confirmed in the Treasury Management Strategy for 2021/22 that is reported to Executive and Full Council for approval in March/April each year.

109. The costs of operating and maintaining new assets must also be factored into future revenue budget forecasts as they come into use.

STATEMENT OF THE CHIEF FINANCE OFFICER (CFO)

110. The Local Government Act 2003 places a duty on the Chief Finance Officer to advise the Council on the robustness of the proposed budget and the adequacy of balances and reserves supporting its budget. The Council is required to have regard to this advice when making the annual budget decisions.

111. The information set out in this budget report and the supporting Medium-Term Financial Plan Summary and other Annexes sets out how this Council plans to:

- assess and manage financial risks, including the risks relating to delivery of new income streams and commercial activities
- manage increased demand for services
- manage delivery of major capital schemes
- monitor the financial risks relating to COVID-19 and Brexit
- track proposed changes and volatility of Government funding
- deliver a balanced budget beyond 2021/22
- continue to deliver value for money to local taxpayers;
- continue to receive an unqualified audit report on the annual statement of accounts; and
- ensure that effective scrutiny of the Budget process is carried out and responded to.

CIPFA Resilience Index

112. The Council's position at March 2019 against a range of financial measures compared to similar councils is available online through the CIPFA Financial Resilience Index at <https://www.cipfa.org/services/financial-resilience-index/financial-resilience>.

Table 21: CIPFA RESILIENCE INDEX INDICATORS at March 2019¹	This Council's Relative Risk Compared to Similar Councils	This Council's Prospects over the Medium Term
Reserves Sustainability – increase in reserves over recent years	Medium	Planned use of previously un-allocated reserves (for example for investment in Housing) means that this position will be harder to maintain
Level of Reserves – compared to the annual revenue budget	Low	
Changes in reserves over recent years	Low	
Interest payable compared to recent budget	Low	Planned growth in the Capital Programme and associated borrowing means that this position will not be maintained.
Gross external debt	Low	

Table 21: CIPFA RESILIENCE INDEX INDICATORS at March 2019¹	This Council's Relative Risk Compared to Similar Councils	This Council's Prospects over the Medium Term
Fees & Charges - as % of service budgets	Higher than Average	Implementation of the new Fees & Charges Policy and planned review should improve the Council's position against this indicator if it results in new and/or increased sources of income.
Ratio of Council tax contribution to revenue budget	Low	Risk may increase if budget increases without the ability to levy a proportionate increase in council tax.
Funding growth - compared to Government baseline	Increasing	This risk is expected to increase as Government funding reduces and the ongoing impacts of the COVID-19 pandemic on income budgets are confirmed.

Note

1. Latest published results

CIPFA Financial Management Code

113. The Chartered Institute of Public Finance (CIPFA) Financial Management Code ('the FM Code') was published in October 2019. It is intended to support good financial management and stability and applies to all local authorities, including police, fire and other bodies.
114. The detailed requirements were set out in the MTFP that was approved in July 2020. In summary the FM Code is based on a series of principles and standards to provide the foundation for authorities to manage their short, medium and long-term finances, maintain resilience to meet demands and manage unexpected financial shocks. It does this by aiming to:
- Support self-regulation in the local authority sector, by setting out non-prescriptive framework within which Councils can operate;
 - To promote a move away from short-termism, to longer term strategic financial planning;
 - To reinforce the role of the whole leadership team in ensuring financial sustainability and good governance.
115. Authorities were required to apply the requirements of the FM Code with effect from 1 April 2020 although CIPFA considers 2020/21 will be a 'shadow year' towards full implementation. The first full year of compliance against all 17 financial management standards in the FM Code will therefore be 2021/22.
116. The COVID-19 pandemic led to delays in CIPFA issuing the supporting guidance but it has now been received and planning for full implementation is now in progress.
117. Compliance with the FM Code will help provide further assurances on the supporting information that is relied on to produce annual budget estimates, MTFP forecasts and in-year monitoring reports.

Robustness of Reserves

118. As highlighted in the Service and Financial Planning report to Executive in November 2020 both general and earmarked reserves remain relatively healthy. The planned use of reserves in 2021/22 year is appropriate as the Council moves to a position where its finances rely less on Government grants and it invests in its Housing and Commercial Strategies. The forecast remaining level of reserves will continue to provide sufficient cover to meet commitments and provide a strong 'safety net' for unplanned events. This report includes the outcome of the latest review of Reserves to ensure that they remain aligned with the most significant areas of risk in the budget and delivery of corporate priorities.

Budget Proposals - Uncertainties & Risks

119. As explained in this report, the budget proposals for 2021/22 are robust. There remain, however, a number of uncertainties and risks which are set out in the following paragraphs.

120. COVID-19 Pandemic:

- The latest summary of the impacts of the pandemic in 2020/21 and forecasts for 2021/22 is included in Annex 1 (Appendix 3).
- There remains considerable uncertainty about the ongoing revenue budget impacts, in particular with regard to income streams that may never return to pre-2020/21 levels.
- The longer-term implications for council tax and NNDR income are also unclear while the full economic impacts of the pandemic are being mitigated through the Government's short-term measures to support households and businesses.

121. The Economy:

- There is still uncertainty and a lack of confidence about the future of the economy as consequence of exit from the European Union on 31 December.
- Any future economic slowdown nationally or globally - could result in lower income (through - for example - reduced discretionary spending or lower than anticipated recycle prices) and increases in demand (benefits and statutory duties such as homelessness).
- Any reduction in the number of employers in the Borough could also have an impact on retained NNDR income.

122. Future Government Funding:

- The future of local government funding and business rates remains uncertain and an area of concern.
- The end of New Homes Bonus payments over the coming years will have an impact on reserves, but no direct budget impact.
- The Homelessness Reduction Act requires Councils to provide more support to homeless people and people at risk of becoming homeless. The Government has continued to commit ring-fenced funding towards this duty but there remains a question mark over the longer term.

123. Revenue Budget Savings:

- Following the significant budget reductions in past years, it has become increasingly difficult to generate additional ongoing savings.
- If we are to deliver financial sustainability then we will need to continue our efforts to become a more commercial organisation and fully explore income generating opportunities involving, for example, property investment, partnership working and providing services for other organisations.
- The increasing guidance on ‘borrowing in advance of need’ is likely to limit some of the options that may otherwise have been considered to deliver new commercial income streams.
- The review of Fees & Charges that is now in progress will help identify new income generation opportunities.

124. Corporate Plan:

- The Corporate Plan sets out the Council’s vision and objectives over the medium term and will enable it to target its resources in the most efficient and effective way.
- The main challenge, as ever, will be balancing our ambitions as a high performing council with our ability to resource those ambitions.
- Prioritisation of services like Housing Delivery and Environmental Sustainability will place new demands on existing resources.
- A combination of careful stewardship and an innovative approach to service delivery will be required to ensure that we achieve our goals.

125. Budget Risks:

- The latest risk assessment is detailed in the MTFP and summarised at Annex 1 (Appendix 2).
- Given the uncertainty over future economic conditions and the business rates regime, it is prudent to maintain our capacity to protect services from unforeseen financial pressures. Once used, however, it may prove difficult to replenish Reserves.
- Despite significant improvements in recent years the Pension Fund remains a risk over the longer term as future economic downturns and recent case law may impact on the value of Fund investments and liabilities.

126. Overall, the Council has made prudent budgetary provision for its commitments for the 2021/22 financial year, within the legislative framework that governs its operations and within other constraints, such as the Council’s policy framework.

OPTIONS

127. The Executive can accept, amend or reject any or all of the budget proposals. Changes could affect the level of Council Tax to be levied in 2021/22 which in turn would require changes to the formal resolutions to full Council in February.

LEGAL IMPLICATIONS

128. There are no direct legal implications arising from the recommendations in this report subject to the Council adopting a balanced budget for 2020/21 by 11 March 2021 to

meet the requirements of the Local Government Finance Act 1992.

FINANCIAL IMPLICATIONS

129. These are addressed throughout the report.

EQUALITIES IMPLICATIONS

130. An Equalities Impact Assessment of service planning proposals has been undertaken and is provided as a background paper to this report.

131. This is based on the best information available at the time of writing; however it is important to note that where individual changes, projects or policies are being developed, equalities impact assessments will need to be carried out by the responsible officer(s) and considered by the decision maker(s).

132. Based on the information available in the draft Budget, no potential negative impacts on people with protected characteristics or other vulnerabilities have been identified.

133. However, there are a number of projects for which details are currently unknown. Consideration should be given from the outset of development of these projects as to how positive impacts for people with protected characteristics or other vulnerabilities can be secured. Provision for the assessment of equality impact forms part of the Council's established Project Management Framework.

COMMUNICATION IMPLICATIONS

134. The Council continues to offer value for money for Council residents – in 2021/22, the average household will pay just £4.57 per week to the Borough Council in Council Tax, which pays for the wide range of services that the Council delivers, including household waste and recycling collections, street cleaning, greenspaces maintenance, leisure and community centres, and statutory and regulatory services such as licencing, environmental health and planning.

135. Central to Council's communications and engagement strategy is not only to promote the good work that the Council does and the great services it provides, but also to make sure that our annual service and financial planning process reflects what our residents and businesses need. Development of the Corporate Plan was supported by extensive consultation with residents and other partners to ensure that our priorities remain relevant up to 2025.

136. Service and financial plans are aimed at minimising risks and ensuring that the Council continues to deliver great services whilst managing budgets and other resources well. The Medium-Term Financial Plan and Capital Investment Strategy include analyses of forecast budget risks and the mitigating action that is planned.

137. The Council has strong risk management arrangements in place to ensure that any risks are identified and managed, with regular performance reports provided to the Overview & Scrutiny Committee, the Audit Committee and the Executive.

138. The risks relating to the long-term financial sustainability of the Council remain on the strategic risk register, and as such controls and mitigating actions are regularly reviewed. Commercial investment (where permitted), which is a key aspect of securing our long-term financial sustainability and can be affected by wider macro-economic circumstances, is a strategic financial risk for which controls are in place and mitigating actions being implemented.

139. Other strategic risks, which the Council recognises need to be managed relate to partner organisation's decisions in relation to future funding and recycling credits.

HUMAN RESOURCE IMPLICATIONS

140. The service and financial planning proposals for 2021/22 result in an increase in FTE of 8.0 FTE; offset by deletion of 8.0 funded vacancies.

Table 22: STAFF ESTABLISHMENT - FTE MOVEMENTS 2020/21 to 2021/22		
STAFF ESTABLISHMENT 2020/21 (including fixed term posts)		534.0
New Posts		
Finance	1.0	
Commercial	2.0	
Waste & Recycling	3.0	
Revenues, Benefits & Fraud	2.0	
		8.0
Deletion of Existing Funded Vacancies		
Planning & Development	(3.0)	
ICT	(1.0)	
Procurement	(1.0)	
Waste & Recycling	(3.0)	
		(8.0)
STAFF ESTABLISHMENT 2021/22		534.0
NET INCREASE / (DECREASE)		0.0

Pay Award

141. Negotiations with employee representatives are complete. An increase of 1.3% for 2021/22 has been confirmed and has been accommodated in the budget. The budget also includes provision for contractual pay increases, such as incremental progression subject to a satisfactory appraisal outcome.

CONSULTATION

142. Consultation has been carried out in line with the Council's budget and policy framework. This includes consideration by the Overview & Scrutiny Committee.

143. The Overview & Scrutiny Committee established a Budget Scrutiny Panel to support this work. The Panel met on 3 December 2020 and their report was considered by the Overview & Scrutiny Committee on 9 December and presented to the Executive on 17 December.

144. Section 65 of the Local Government Finance Act 1992 requires the Council to consult representatives of those subject to non-domestic rates in the borough about its proposals for expenditure for each financial year. This is being done through activities coordinated by the Economic Prosperity Team, including business networking events and using the Council's business e-newsletter.

POLICY FRAMEWORK

145. Service & financial planning: The budget proposals within this report form part of the Council's budget and policy framework. The annual budget is developed to ensure that the Council can deliver the Corporate Plan and services to residents and businesses.

Background Papers:

Medium Term Financial Plan 2021/22 to 2025/26, report to Executive on 28 July 2020

Capital Investment Strategy 2021/22, report to Executive on 28 September 2020

Service & Financial Planning 2021/22, report to Executive on 19 November 2020

Budget Scrutiny Panel Report, Service & Financial Planning 2020/21, report to Executive on 17 December 2020

[*Equality Impact Assessment: Service & Financial Planning 2020/21*](#), January 2021

List of Annexes:

1. Medium Term Financial Plan Summary
2. Additional Revenue Budget Growth & Savings Proposals
3. Forecast Revenue Budget Reserves at 31 March 2021
- 4.1 Additional Capital Programme Growth Proposals
- 4.2 Capital Programme 2021 to 2026 – All Schemes