

REPORT TO: CABINET

DATE: 21 JANUARY 2021

TITLE: GENERAL FUND BUDGET 2021/22

PORTFOLIO HOLDER: COUNCILLOR MIKE DANVERS, PORTFOLIO HOLDER FOR RESOURCES

LEAD OFFICER: SIMON FREEMAN, DEPUTY TO THE CHIEF EXECUTIVE AND HEAD OF FINANCE AND PROPERTY SERVICES
(01279) 446228

SENIOR MANAGEMENT BOARD (01279) 446004

CONTRIBUTING OFFICER: REBECCA KEENE, PRINCIPAL FINANCE MANAGER (01279) 446448

This is a Key Decision

It is on the Forward Plan as Decision Number I011380

The decision is not subject to Call-in Procedures for the following reason:

The decision stands as a recommendation to Full Council.

This decision will affect no ward specifically.

RECOMMENDED that Cabinet recommends to Full Council that:

- A** The General Fund estimates for 2021/22, as set out in Appendix A to the report, are approved.
- B** The proposed transfers between the General Fund and Earmarked Reserves, referred to in paragraph 27, Table 3 of this report and set out in Appendix C to the report, are approved.
- C** The proposed Fees and Charges, as set out in Appendix E to the report, are approved.
- D** The Pay Policy Statement, as set out in Appendix G to the report, is approved.
- E** The Council's Band D Council Tax for 2021/22 is set at £288.90 representing an increase in Council Tax of 1.99 per cent for the forthcoming year.

REASON FOR DECISION

- A** The Council must approve an annual budget and Council Tax charge for the forthcoming year under legislation.

BACKGROUND

1. The 2021/22 General Fund Budget is prepared alongside the Medium Term Financial Strategy (MTFS). The MTFS covers the period 2021/22 to 2023/24 and was considered as an earlier item on the agenda for this meeting. It draws upon the fiscal backdrop set out in that report, sets the detailed budget requirement for the forthcoming financial year and proposes the resulting Council Tax charge required to maintain a balanced budget for the year.
2. In formulating spending priorities reflected in the MTFS and the 2021/22 budget, the Administration and Senior Management Board have been mindful of protecting front line services and key operations carried out by the Council whilst mitigating against the impact of the Covid-19 pandemic and the continuing uncertainties surrounding Brexit. Despite the challenge the 2021/22 budget, the proposals set out within this report represent no direct service reductions to users. The Corporate Plan 2021/22, featuring elsewhere on the agenda, has set priorities and the budget proposals continue to underpin the delivery of those priorities.

Government Grant

3. The 2021/22 draft finance settlement was announced on 17 December 2020 and the details have been incorporated into this report. The settlement is for one year only and future years remain uncertain.

Proposed General Fund Budget 2021/22

4. In January 2020, the Council approved an MTFS which assumed a 1.99 per cent increase in the level of Council Tax in 2021/22 and 2022/23 which resulted in no in-year savings for 2021/22 and £471,000 for 2022/23.
5. The Council's latest MTFS shows projected General Fund expenditure and funding over the three year period 2020/21 to 2022/23. The budget for 2021/22 shows details for every service and reflects continuing pressures on the Council's finances.
6. Meanwhile, work to deliver a balanced budget for 2021/22 has identified a small number of areas of the Council's budget where further savings can be delivered. These are detailed in Appendix B to this report.
7. The table in Appendix A shows a summary of the proposed budget for 2021/22, together with the budget for the current year approved last February. The summary shows the budgets for each service together with other key estimate headings and contributions to and from reserves.
8. The main changes in the proposed 2021/22 budget compared with the January 2020 MTFS are shown in Table 1 below.

Table 1 – Changes in 2021/22 Budget Compared with Assumptions in MTFs (as originally approved in January 2020)

	£'000	£'000
Original MTFs Savings Target (January 2020)		0
Changes from January 2020 assumptions:		
Growth in Taxbase	(50)	
Net Payroll change	52	
		2
Updated budget gap		2
Budget Pressures/Savings since budget setting:		
New Pressures/Savings		
New Telephony Licenses	70	
Additional revenue costs of new HR System	7	
Implications of not charging for Sams Place	35	
Network rationalisation	(71)	
Insurance savings	(193)	
Contingency (see Appendix B)	150	
Total Pressures / Savings		(2)
Covid Pressures		
Loss of Essex Business Rates Pool Payment	180	
Loss of car parking income	100	
Staff car parking	20	
Total Covid Pressures		300
Budget Stabilisation Reserve contribution	(300)	
Reserve contributions to GF Budget 2021/22		(300)
Revised Budget Gap		0

9. The main variations are as follows.
10. The pay award for 2021/22 has not yet been finalised and the budget has therefore allowed for an increase of two per cent.
11. There are a number of new pressures and savings which have emerged during the period since the approval of the previous iteration of the MTFs. These

essentially offset each other and relate to IT upgrades and savings as a result of the re-tendering of insurance.

12. Provision has been included in individual budgets for anticipated price changes in Business Rates, energy costs and external contracts. In accordance with the normal practice, supplies and services budgets have not, in general, been increased to allow for inflationary increases in costs. Instead, managers are required to meet these increases from within their existing budgets, where it is possible to do so, as the Council continues to deliver ongoing efficiencies in the way it conducts its day to day business.

Council Tax

13. The MTFS agreed by Full Council in January 2020 was based on a 2020/21 Council Tax increase of two per cent and an assumption that future years' increases would be no greater than the maximum amount permissible as determined by the Government. The Local Government Finance Settlement (LGFS) published on 17 December 2020 has confirmed that the maximum permissible increase will be two per cent for 2021/22.
14. The Council's 2021/22 tax base (the number of Band D equivalent dwellings in the area), which is used to determine the level of Council Tax charged to each dwelling by the Council and the preceptors, has been calculated as 27,386 (2020/21 26,943).
15. The Council is required to forecast the surplus or deficit on the Council Tax element of the Collection Fund (the account which contains the amounts collected from taxpayers and distributed to local authorities) at 31 March 2021. This amount, forecast at a £0.5 million surplus, will be distributed to/made up by the Council (£79,000) and the preceptors. In light of the impact of Covid-19 on collection rates, the Government has amended the local taxation regulations to allow any in-year deficit from 2020/21 to be spread over the next three financial years - the spreading of the deficit is mandatory.

Business Rates

16. The Council is also required to forecast the surplus or deficit on the Business Rates element of the Collection Fund at 31 March 2021. The forecast deficit at 31 March 2021 of £7.4 million will need to be made up by the Council (£2.9 million), the Government and the precepting authorities. The same amendment to allow spreading of the deficit referred to in paragraph 15 has also been applied to business rates. Therefore, the amount the Council will need to make up in 2021/22 will be around £1.8 million.
17. Cabinet has previously been advised of the high risk of year on year income variations in Business Rates income, and the Council has established a reserve to mitigate against such volatility. Funding is proposed to be drawn down from the reserve in 2021/22 to offset the impact of the accumulated deficit detailed in paragraph 16 above.

Income

18. As part of the 2021/22 budget setting process, income has been reviewed and the income budgets for next year have only been increased where it is absolutely necessary or there is a national/legal requirement to do so. The proposals are set out in Appendix E to this report.

Pay Policy Statement

19. Incidental to the Council's staffing budgets is the Council's Pay Policy Statement which must be prepared annually and approved by the Council before the 31 March of the preceding financial year. The statement relates to the remuneration of chief officers and of the lowest-paid employees; and the relationship between the remuneration of chief officers and of all other staff. The statement is attached as Appendix G to the report.

Robustness of Estimates

20. The Council's Head of Finance is required by statute to report to the Council, when it is considering the budget and level of Council Tax, on the robustness of the estimates made. The Council must have regard to the report when making its decisions.
21. The Council's Head of Finance reports that, following consultation with senior officers of the Council, it is his view that the estimates contained in this report are reasonable, robust and based on prudent assumptions. Nevertheless, as outlined in Appendix D to the report, there are a number of risks and opportunities that will require careful and ongoing management.

Discretionary Services Fund

22. The Discretionary Services Fund (DSF) is a reserve which provides time-limited funding to support discretionary services pending the identification of alternative means of provision and/or sources of finance.

New Homes Bonus

23. The actual amount to be received will be included in the LGFS referred to above. The amount currently forecast for 2021/22 is £1.079 million (2020/21 – £1.066 million) which will be transferred into the DSF as set out in the MTFS report elsewhere.

General Fund Reserve

24. Table 2 shows the position for the uncommitted General Fund Reserve taking into account in-year changes arising from consideration of the 2019/20 Final Accounts report in September 2020 and the budget monitoring position reported to Cabinet in December 2020.

Table 2 – Uncommitted General Fund Reserve

	£millions
Balance at 1 April 2020	4.513
Approved by Cabinet / Council - budget carry forwards from 2019/20	(0.163)
Creation of Covid Reserve (September Cabinet)	(0.150)
Pensions drawdown	(1.605)
Forecast budget variations in 2020/21	(0.345)
Projected balance at 31 March 2021	2.250
Reimbursement of General Fund re Pensions Upfront Payment	0.803
Adjusted Balance at 1 April 2021	3.053

25. The Council's Head of Finance is required by statute to report to the Council on the adequacy of its reserves when the Budget and Council Tax are set. The report is attached as Appendix D. It recommends that the minimum level of the uncommitted Reserve (the General Fund balance) is set at £2.5 million to reflect adequate provision to meet known or potential future risks. Uncommitted reserves after the approved pensions reimbursement at 1 April 2021 are currently forecast at £3.053 million.

Earmarked Reserves

26. The Council has both General Fund and HRA earmarked reserves. Full details of all General Fund reserves are in Appendix C to this report. A summary of proposed movements in those reserves for 2020/21 (updated) and 2021/22 are in Table 3 below for approval,

Table 3 – Summary of Proposed Movements on General Fund Earmarked Reserves

Earmarked Reserves	Net Movement To/ (From) Reserves		Details
	2020/21 Revised Budget £	2021/22 Original Budget £	
Perpetuity Reserves	5,420	(1,069)	Routine property maintenance funding obligations.
Debt Financing Reserve	237,840	237,840	Set aside for debt financing costs and to support anticipated non-housing capital programme needs.
Discretionary Services Fund	627,810	641,438	Drawn down to cover cost of discretionary services, net of NHB grant.
Budget Stabilisation Reserve	0	1,363,000	As set out within the MTFS
Hardship Fund	0	155,000	As set out within the MTFS
Environment Reserve (previously Energy Fund)	(4,022)	520	Reserve replenishment programme and interest allocation.
Enterprise Zone Disregard Reserve	0	(1,175,875)	
Environmental Urgent Works & Improvement Reserve	(1,295,090)	1,690	To facilitate urgent works and improvements across the whole town.
The Harlow & Gilston Garden Town Funding Reserve	(178,963)	(13,540)	To support the delivery and achievement of the HGGT.
Insurance claims - GF	50,000	50,000	Self-insurance.
Insurance Fund - GF (see Note 4.)	122,210	122,820	Self-insurance.
Invest To Save & Improve Reserve - see Note 5.	1,140	1,150	Utilised for JVCO demobilisation.
Planning Reserve	(50,000)	0	Applied for Local Development Framework
Regeneration Reserve	(282,742)	0	Financing of fixed-term brand and marketing budget.
Regeneration & Enterprise Reserve	(53,296)	(57,470)	Indicative NHB balances set aside for town development.
Severance Reserve	0	(1,000,000)	As set out within the MTFS
Splash Parks Reserve	(151,939)	(465,980)	To support project to introduce new splash park facilities.

Council Tax Levels

27. The proposed budget for 2021/22 is based on an increase in the Council's portion of Band D Council Tax of 1.99 per cent, from £283.26 in 2020/21 to £288.90. This will be considered by Full Council on 28 January 2021.
28. The final composite level of Council Tax depends on decisions by Essex County Council and the Essex Police, Fire and Crime Commissioner. Both bodies are due to meet to set their elements of the Council Tax on dates after the Cabinet meeting. Full Council will meet again on 25 February 2021 to approve the composite Council Tax and the formal Council Tax resolution.

IMPLICATIONS

Environment and Planning (Includes Sustainability)

As contained within the report.

Author: Andrew Bramidge, Head of Environment and Planning

Finance & Property (Includes ICT)

Implications are contained within the report.

Author: Simon Freeman, Deputy to the Chief Executive and Head of Finance and Property Services

Housing

Increase demand for housing (homelessness support) has been identified during 202, increased responsibilities following implications of Covid-19. Whilst we await further additional Government grant support this has not covered increased costs and any approved Housing Revenue Account growth bids will impact on costs to the general Fund for homelessness support in line with Council policy. In addition, implications for Covid-19 and associated restrictions has meant a reduction in forecasted supported housing income, which will need to be drawn from any contingency established for Covid-19.

Author: Andrew Murray, Head of Housing

Community Wellbeing (Includes Equalities and Social Inclusion)

Implications are contained within the report.

Author: Jane Greer, Head of Community Wellbeing

Governance (Includes HR)

Implications are contained within the report. Consultation with unions will continue on employee related issues.

Author: Simon Hill, Head of Governance

Appendices

Appendix A – General Fund Budget Summary

Appendix B – Efficiency savings (B1) and schedule of pressures (B2)

Appendix C – Projected Earmarked Reserves balances

Appendix D – Statement of the Chief Financial Officer
Appendix E – Analysis of Fees and Charges 2021/22
Appendix F – Detailed budget analysis
Appendix G – Pay Policy Statement 2020/21

Background Papers

None.

Glossary of terms/abbreviations used

DSF – Discretionary Services Fund
LGFS – Local Government Finance Settlement
MTFS – Medium Term Financial Strategy
NHB – New Homes Bonus