

APPENDIX 3

**RESOURCES ALLOCATION – GENERAL FUND REVENUE BUDGET
2021/22**1. Summary of Proposals

The policy committees of the Council have considered the revised budgets for 2020/21 and the base budgets for 2021/22 for their respective areas. Any changes arising from this process are set out below along with a summary of the proposed General Fund budget for 2021/22.

2. Key Assumptions and Other Changes

During the consideration of the revised budgets for 2020/21 and the base budgets for 2021/22 by the various service committees, there has been a strong focus on the Council's post Covid economic, health and community recovery strategies. The following proposals have been included in budgets:

- The Environmental Services budget proposals include continued investment in parks and open spaces.
- The Economic development budget proposals includes a previously approved new markets officer and continued support to the Stapleford Towns bid (£25m investment plan).
- Revenue budgets associated with the Beeston Square Phase 2 development
- Continued support to community and voluntary groups including the CAB, who support a range of Mental Health initiatives, to support the improvement of mental health of staff and residents.

The base budgets for 2021/22 include estimates for inflation on certain headings such as utilities costs and software maintenance agreements. Following the government's announcement, and in accordance with the expected national agreements, which are not yet agreed, a pay freeze has been assumed for all staff earning over the median pay c £24,000. Any staff earning below this level, a 2% annual pay award has been assumed.

No allowance has yet been made for an increase in Member's allowances. On 13 January 2021 the Council's Independent Remuneration Panel recommended freezing the member allowance rates in line with the expected employee pay freeze.

Under the prudential framework for capital finance, prudential borrowing has to be considered in overall terms and taking account of the effect on revenue budgets and general affordability in the short and medium term. Appendix 5 to this report proposes total additional prudential borrowing of £1,400,000 in 2021/22 in relation to the Housing Revenue Account and borrowing of £1,061,000 in relation to the General Fund. Based on external borrowing rates, an estimate for additional borrowing costs has been included in the base budget for 2021/2022.

It is prudent to provide a sum of money within the budget to cover unforeseen items of expenditure which may arise during the year. As in 2020/21, a General Contingency of £25,000 has been established for 2021/22.

All known revenue developments have been incorporated into base budgets. No further revenue developments are expected but other items may be brought forward to committees during the course of the year as and when need arises.

During 2021/22, any proposed staffing changes will be reported to the Personnel Committee, for consideration, and if approved incorporated within the revised 2021/22 revenue budget, and reported to the next Finance and Resources Committee.

The Non Domestic Rates income is primarily based on a calculation taking into account the local non-domestic rates tax base and the Government's calculations of each authority's spending requirements. For budgeting purposes the Council completes an assessment at the beginning of each year and uses this to determine the amount of rates to be collected (the NNDR1). The budget is then set on the basis of this assessment. For 2021/22 the non-domestic rates budget based on the NNDR1 for the year has been set at £3,755,389, which includes estimates for losses on appeal and non-collection.

Each year the Council must forecast a surplus or deficit position for both the business rates and council tax account. The balance is collected from (deficit) or distributed to (surplus) preceptors dependent upon their relative share in the following year. There is added complexity when undertaking this calculation this year due to COVID and various reliefs awarded (see section 3 overleaf).

Non Domestic Rates income is also affected by Section 31 grants received from Central Government and by payments to or receipts from the Nottinghamshire Business Rates Pool.

The provisional funding settlement for 2021/22 announced by the Ministry of Housing, Communities and Local Government Department (MHCLG) on 17 December 2020 included details of the New Homes Bonus (NHB) allocations to Councils. The provisional NHB allocation to Broxtowe for 2021/22 of £19,400 represents a reduction of £90,950 (82%) on the £110,350 received in 2020/21.

As set out in section 3 below, the recommendations are based upon adding a net £5,797,988 to balances in 2020/21 and withdrawing a net £7,556,782 from balances in 2021/22.

The General Fund Reserve is expected to fall by £1,278,576 in 2020/21 from £5,452,538 at 1 April 2020 to £4,173,962 at 31 March 2021 but by a reduced sum of £764,522 in 2021/22 such that the General Fund Reserve at 31 March 2022 is projected to be £3,409,440.

The Government has announced a series of financial measures to assist Council's with managing the impact of Covid in 2021/22. The financial impact of

these measures on the revenue budgets has been factored into the 21/22 revenue estimates.

- i. The provisional settlement announced Tranche 5 of the Governments financial support to Councils, which totalled £551,420 for Broxtowe Borough Council.
- ii. A continuation from 2020/21 into 21/22 of the financial support to retail, hospitality and leisure businesses. Business grants provided by the government, linked to the various restriction tiers and national lockdowns, have been rapidly paid to businesses across Broxtowe, and to date 800 businesses have received c£8m.
- iii. The compensation scheme for the loss of sales, fees, and charges income, is expected to continue until the end of June 2021. This scheme excludes commercial income and loss of leisure income suffered by Liberty Leisure Limited. In 2020/21 the Council has applied to the National Leisure Relief Fund for financial support to compensate for the loss of income at Liberty Leisure, and it is expected that c£200,000 will be received and passported to Liberty Leisure limited.
- iv. The Government has awarded the Council £816,716 from its Hardship Fund to fund additional payments made through the Local Council Tax support scheme. For those that qualify this reduces the amount residents need to pay in respect of Council Tax.
- v. Due to the exceptional circumstances Local Authorities are able to spread any predicted Business Rates and Council Tax in-year deficit over 3 years. Ordinarily any deficit is payable in the following year from when it occurs.
- vi. To assist in the funding of Council Tax and Business Rate losses (including the deficit) the Government is compensating local authorities for 75% of the income lost.

3. Collection Fund Income 2020/21 and 2021/22

The Collection Fund is a fund maintained by the billing authority into which amounts are paid in respect of Council Tax and Business Rates. Expenditure on the fund consists of payments to Broxtowe and its Parishes and other preceptors (County Council, Police Authority, Fire Authority in the case of Council Tax and the Central Government, County Council and Fire Authorities in respect of Business Rates). The Council's proportion is paid to the General Fund and forms part of financing section of the Broxtowe's budget. These amounts are agreed at the beginning of the financial year and will not change despite performance of the fund. Any shortfall or additional amount raised is usually collected in the following year as a surplus or deficit as previously discussed.

There has been a significant impact upon the net rates payable for Council Tax and Business Rates as explained below:-

- (i) Expanded Retail Discount and Nursery Relief

In March 2020 the Government announced that the retail discount and nursery relief that eligible businesses receive towards their business rates bills would be

expanded and cover 2020/21. This meant that the Net Rates charged by local authorities for 2020/21 as set out on their NNDR1 2020/21 returns would be substantially lower.

Broxtowe's NNDR1 2020/21 indicated that business rates of more than £27m would be chargeable in the year. However, the expanded rental retail discount and nursery relief granted by the Council amounted to in excess of £17m reducing this to just over £10m

In order that local authorities should not lose out financially as a result of the expanded retail discount, nursery relief and related schemes, the Government have funded the additional relief through Section 31 (usually referred to as S31) grants. However, these grants must, in accordance with the current regulations, be paid into the General Fund as opposed to the Collection Fund.

Broxtowe's share of the additional S31 grants in 2020/21 amounts to £6,782,260. This will be used to meet the cost of Broxtowe's 2020/21 anticipated NNDR deficit of £6,807,882 in 2021/22.

The additional S31 grant has been received in year but will not be required until next year to meet the predicted deficit. To address this timing issue a Collection Fund Equalisation Reserve has been established. This in turn will also ensure that the impact of this issue does not distort the position on the General Fund Reserve.

As mentioned at 2 vi) the in-year deficit for 2020/21 has been spread over 3 years. For business rates, the Council's proportion of the deficit will be £25,622 in 2021/22 and £92.5k in both 2022/23 and 2024/25. These pressures have been reflected in the Medium Term Financial Strategy.

ii) Extension of the Local Council Tax Scheme.

As mentioned at 2v) the Council has extended its Local Council Tax Support Scheme. The net collectable council tax has reduced but mainly the Council has been compensated through funding from the Government's Hardship Scheme. There is still an in-year deficit with Broxtowe's share being £43,366 in 2021/22 followed by further £6,200 in 2022/23 and 2023/24. These pressures have been reflected in the Medium Term Financial Strategy.

iii) Collection Fund Irrecoverable Losses 2020/21

In order to alleviate some of the impact of the pandemic upon local authorities, the Chancellor of the Exchequer announced in the Spending Review 2020 on 25 November 2020 that the Government would compensate local authorities for 75% of the irrecoverable loss on council tax and business rates revenues in 2020/21 in a similar manner to the sales, fees and charges income compensation scheme.

It is presently anticipated that this compensation will amount to £56,104 in respect of council tax and £208,200. Although this will relate to the 2020/21

financial year, it is proposed that this income be placed in the Collection Fund Equalisation Reserve at 31 March 2021 to reflect the fact that this will be used to offset council tax and business rates deficits in future years.

4. General Fund Revenue Budget 2021/22

The table below shows the 2020/2 revised budget for each committee along with the base budget figures for 2021/22. It also shows the impact that this would have upon the Council's available balances.

	2020/21 Revised Estimate £	2021/22 Base Budget £
<u>Committee</u>		
Community Safety	1,465,213	1,536,007
Environment and Climate Change	4,078,108	3,990,316
Finance and Resources	1,673,177	2,169,096
General Fund Housing	431,420	465,295
Jobs and Economy	834,247	1,067,323
Leisure and Health	2,143,340	1,722,498
Committee Net Expenditure	10,625,505	10,950,534
Beeston Special Expenses	25,000	25,000
Total Net Expenditure	10,650,505	10,975,534
<u>Funding</u>		
Lower Tier Services Grant	0	(123,995)
NNDR (ie. Business Rates)	(3,258,506)	(3,755,389)
NNDR (Surplus)/Deficit	215,260	25,622*
Estimated Safety Net or Levy Payment to/(from) Pool	647,826	813,000
Estimated S31 Grant (per NNDR1)	(1,217,092)	(1,118,346)
NNDR Covid-19 Compensation Relief	(208,200)	0
Returned Funding from Pool 2020/21	(20,000)	(180,000)
Council Tax	(5,679,431)	(5,880,271)
Council Tax (Surplus)/Deficit	(64,986)	43,366
Council Tax Covid-19 Compensation Relief	(56,104)	0
Beeston Special Expenses Precept	(25,000)	(25,000)
Total Funding	(9,666,233)	(10,201,013)
(Addition to)/withdrawal from balances	984,272	774,522

* Impact of Additional Discretionary Reliefs

Estimated additional S31 Grant received to compensate for additional discretionary reliefs awarded in 2020/21. This grant has been received in 2020/21 but will be applied to fund the projected NNDR deficit of £6,708,882 in 2021/22	(6,782,260)
Projected NNDR deficit	6,807,882
Net NNDR deficit after additional S31 Grant	25,622

The increase in the 2021/22 base budget for total net expenditure when compared with the 2020/21 revised estimate of £325,029 is primarily a consequence of the following items:

	£000s
Net Other Chnges (including increments, inflation etc)	243
Additional minimum revenue provision (MRP)	187
Net Additional Transfer Payments	185
East Midlands Development Corporation Contribution	100
Reduction in Item 8 Interest Charge to HRA	94
Reduction in New Homes Bonus	91
Reduction in Planning Fee Income	44
Removal of Review of Core Strategy Budget (2020/21 only)	(80)
Removal of 2019/20 Underspends Carried Forward to 2020/21	(88)
Increase in Distribution from Bramcote Crematorium	(100)
Reduction in Liberty Leisure Management Fee to £845,000 in 2021/22	(351)
TOTAL	325

The increase in funding of £534,780 from the 2020/21 revised estimate total of £9,666,233 to the base budget 2021/22 figure of £10,201,013 is mainly due to the following:

	£000s
Lower Tier Services Grant	(124)
Increase in NNDR (ie. Business Rates)	(497)
Decrease in NNDR Deficit	(189)
Increase in Safety Net or Levy Payment to/(from) Pool	165
Decrease in NNDR S31 Grant	99
Decrease in NNDR Covid-19 Compensation Relief	208
Increase in Returned Funding from Business Rates Pool	(160)
Increase in Council Tax Income	(201)
Decrease in Council Tax Surplus	108
Decrease in Council Tax Covid-19 Compensation Relief	56

TOTAL (535)

The anticipated withdrawals from balances in 2020/21 and 2021/22 shown above would affect the Council's reserves as follows:

Change in Balances 2020/21

	Actual Balance at 1 April 2020	Projected Withdrawal (Addition)	Estimated Balance at 31 March 2021
General Fund Reserve	(5,452,538)	1,278,576	(4,173,962)
Homelessness Grant Reserve	(108,912)	0	(108,912)
Elections Reserve	(135,300)	(30,000)	(165,300)
Stapleford Town Fund Reserve	(25,567)	0	(25,567)
Planning Reserve	(17,446)	0	(17,446)
Noise Monitoring Eqt. Reserve	(15,000)	0	(15,000)
Collection Fund Equalisation Reserve	0	(7,046,564)	(7,046,564)
Total Balances	(5,754,763)	(5,797,988)	(11,552,751)

The balance on the Collection Fund Equalisation Reserve at 31 March 2021 is comprised of the S31 grant of £6,782,260 received in 2020/21 in respect of the additional discretionary reliefs awarded in 2020/21 plus the compensation of £56,014 and £208,200 for irrecoverable council tax and business rates losses in 2020/21 respectively. This will be used to meet the projected NNDR deficit of £6,822,260 in 2021/22.

Change in Balances 2021/22

	Actual Balance at 1 April 2021	Projected Withdrawal (Addition)	Estimated Balance at 31 March 2022
General Fund Reserve	(4,173,962)	764,522	(3,409,440)
Homelessness Grant Reserve	(108,912)		(108,912)
Elections Reserve	(165,300)	(30,000)	(195,300)
Stapleford Town Fund Reserve	(25,567)	0	(25,567)
Planning Reserve	(17,446)	0	(17,446)
Noise Monitoring Eqt. Reserve	(15,000)	0	(15,000)
Collection Fund Equalisation Reserve	(7,046,564)	6,822,260	(224,304)
Total Balances	(11,552,751)	7,556,782	(3,995,969)

The recommendations are based upon withdrawing £764,522 from the General Fund reserve in 2021/22 as well as adding £30,000 to the Elections reserve to meet the cost of the Borough Council elections in May 2023.

No legislative restriction applies as to how the Council's reserves may be used. The minimum acceptable total of General Reserves to meet revenue expenditure and capital financing commitments is considered to be £1.5 million.

5. Budget Savings

It is proposed to set an employee savings target of £300,000 in 2021/22 to be met from vacancies, flexible retirements and redundancies. This is in line with the previous year's salary savings target. Any further approvals by the Personnel Committee of voluntary redundancy or flexible retirement requests will help to achieve this saving.

A range of potential efficiencies and additional income has been identified and included in the Business Strategy which was presented to the Finance and Resources Committee on 8 October 2020. The majority of these savings and additional income have been built into the 2021/22 budget.

Given the financial impact of Covid, and the medium term financial position, a further refresh of the Business Strategy will be required later in 2021 to identify further potential efficiencies and this work will be led by the General Management Team, during 2021.

6. Beeston Special Expenses

Beeston and the surrounding area is a special expense area purely in relation to the cost of maintaining allotments. It is anticipated that, assuming no unforeseen and significant events occur of a size similar to those experienced with water leaks a few years ago, then sufficient monies will remain on the account such that a precept of £25,000 per annum should be capable of being maintained for several years.

In the Beeston Special Expenses Area it is proposed to retain the precept at £25,000 as in 2020/21 and hence the council tax charge. In reality this would mean that, within the Beeston Special Expenses Area, the combined effect of the two council tax elements would produce an increase of £5.00 per band D dwelling as per the other parts of the borough.

7. Council Tax

The Local Authorities (Conduct of Referendums) (Council Tax Increases) (England) Regulations 2012, provide that any shire district or borough council proposing an increase of 2.0% (or more than 2.0%) **and** more than £5 their council tax will need to provide the opportunity for local people to approve or veto the increase in a referendum. The Leader of the Council and Chair of the Finance and Resources Committee have been consulted, and it is proposed that the band D basic council tax amount be increased by £5 from £166.85 in 2020/21 to £171.85 in 2021/22.

The authority's share of the estimated deficit on the Council Tax element of the Collection Fund as at the end of 2020/21 is £43,336. After taking this into account, and the increase in the council tax base for 2021/22 as approved by the Committee on 7 January 2021, then a £5 increase in the basic council tax (per Band D property) amount equates to a council tax requirement (excluding the special expenses area) of £5,880,271 in 2021/22 and would require an overall withdrawal from balances totalling £7,556,782.