

Hambleton District Council

Report To: Cabinet

Date: 9 February 2021

Subject: **Revenue Budget 2021/22**

Portfolio Holder: Economic Development and Finance
Councillor P R Wilkinson

Wards Affected: All Wards

1.0 Purpose and Background

- 1.1 The purpose of the report is to present at a strategic level the revenue budget proposals for the next financial year 2021/22.
- 1.2 The summary estimates in this report are shown at Annex A and present the 2019/20 Actual; 2020/21 Original Budget; 2020/21 Latest Approved and 2021/22 Estimate Budget. Commentary on the budget proposal is also contained in Annex A. Theme budgets are shown at Annex B.

2.0 Budget 2021/22

- 2.1 The original estimate for 2021/22 shows a net budget of £10,351,080. This is £1,081,410 higher than the budget set in 2020/21 which was £9,269,670.
- 2.2 The increase in the budget mainly relates to an increase in the establishment across the organisation to continue to support efficient and effective services, increase in finance costs to support the capital programme and loss of income from the closure of Thirsk & Sowerby Leisure Centre and rental income from economic development. The loss of income is an impact for 2021/22 only as the Leisure Centres will re-open, businesses will be attracted to the area and the revenue to be generated from the Crematorium will increase due to a full operational year in 2022/23.
- 2.3 Considering the financial climate in which the Council is operating with continued cost pressures facing local government generally, the tight funding position from an overall reduction of government grants in the last six years and the added impact of the COVID-19 pandemic, the 2021/22 budget position is affordable.
- 2.4 The increase in the overall net budget is necessary for the Council to continue to provide efficient and effective services for the community. The funding received across local government to support budgets in the 2021/22 Settlement is an average Core Spending Power increase of 4.5% (£2.2bn), where Core Spending Power is a combination of council tax, business rates, revenue support grant, New Homes Bonus, Rural Service Delivery grants and other grants. This increase in Core Spending Power is better than in any year for more than a decade (with the exception of 2020/21 when it was 5.1%) and represents real terms growth, however it will not reverse the effects of austerity and will do very little to address local government's funding shortfall,

- 2.5 At Hambleton District Council, however, it is estimated that Core Spending Power is a decrease of 2.1%. This is due to the overall national Settlement having increased reliance on council tax of 86% and this is accompanied by relatively low increases in grant funding from government. This Council is proposing not to increase council tax by £5 or 1.99% in 2021/22 so it can further support residents by keeping the district council tax at the same level as it was in 2020/21, it is proposing to freeze council tax. This impacts on the funding available to support the budget, however the Council's financial position can sustain this.
- 2.6 It is also worth noting that three new grants - lower tier services grant, COVID-19 support funding and local council tax support grant – have been allocated as part of the Core Spending Power, along with Revenue Support grant £91,469, New Homes Bonus and Rural Services Delivery grant.
- 2.7 Lower tier services grant £88,905 is a new grant that's function is to ensure that no authority's Core Spending Power is lower in 2021/22 than it was in 2020/21. The COVID-19 funding of £376,767 is being used to support the budget in 2021/22 and the local council tax support grant £61,969 is in recognition of the increased costs from the COVID-19 pandemic of providing local council tax support through the Council's current scheme and it is intended that it should "enable councils to continue reducing council tax bills for those least able to pay, including households financially hard-hit by the pandemic".
- 2.8 This Council benefits from New Homes Bonus of £1,391,821 which reflects and incentivises housing growth in local areas. However, funding has reduced and this grant will not be available in 2023/24. The Rural Services Delivery Grant of £659,897 is distributed to the top-quartile authorities ranked by super-sparsity and this funding is also a significant grant received.
- 2.9 The Sales, Fees and Charges (SFC) compensation scheme introduced in 2020/21 in connection with the COVID-19 pandemic will also continue in 2021/22 for the first quarter where eligible income losses up to 75% are to be supported. At this Council this is mainly for the loss in income from the leisure centres and car parking
- 2.10 The Council continues to budget within its funding envelope and has set aside reserves in 2021/22 to provide for any further losses as a result of the COVID-19 pandemic, this is prudent for affordability and sustainability in the long term.

3.0 Financial Strategy

- 3.1 The Revenue Budget estimate for 2021/22 is within the financial constraints of the Financial Strategy included previously on this Cabinet agenda.
- 3.2 The Financial Strategy is provided over a 4-year period rather than 10 years that has occurred in the past, due to the Council responding to the COVID-19 pandemic and the potential changes in the North Yorkshire area from local government reorganisation. The Financial Strategy makes a number of assumptions around the level of grant support to be received by the Council, the level of business rates to be achieved, the level of council tax to be collected, the amount of income that needs to be generated through fees and charges, efficiency savings to be made and also the reserves to be set aside to support the budget due to the continued impact from the COVID-19 pandemic. These assumptions and the Revenue Budget result in a balanced position for 2021/22.

4.0 Risk Assessment

4.1 The key financial risks and associated implications for the Revenue Budget 2021/22 are detailed below, a score of high, medium or low has been given to the likelihood of each risk occurring and the impact of risk on the Financial Strategy should it occur:-

Risk	Implication	Gross Prob	Gross Imp	Gross Total	Preventative action	Net Prob	Net Imp	Net Total
The funding settlement beyond 2021/22 is unknown due to clarity awaited from Government on the Business Rates Reform Scheme and Fair Funding Review	Loss of funding	3	5	15	Respond to all Government consultations and continue to generate income through fees and charges and economic development plans	3	5	15
Under the Business Rate Retention scheme failure to meet the target for business rate collection set by Government represents a cost to the Council. Also, under this scheme the Government has transferred the risk of business rate no payment to the Council	Loss of income	3	5	15	Monitor business growth and reduction through collection rates. Act as an enabler with partners on economic development initiatives	3	5	15
The continued forecast low Bank Base Rate of 0.1% for 2021/22 impacts on the Council's ability to generate investment income from balances	Loss of income	4	3	12	Look for other investment opportunities	4	3	12
The Council is unable to generate income on an ongoing basis	Loss of income	3	5	15	The Council is proactive in looking at new alternative income streams	3	5	15
Third Party Housing Association does not continue to require funding after current loan maturity dates reached	Loss of income	4	3	12	Further discuss with the Housing Association regarding their future funding requirement.	4	3	12

5.0 Financial Implications

5.1 The financial implications are dealt with in the body of the report.

6.0 Legal Implications

6.1 It is a legal requirement under the Local Government Finance Act 1992 to set a balanced budget and monitor the financial position throughout the year.

7.0 Equality/Diversity Issues

7.1 There are no specific equality implications to this report

8.0 Recommendation

8.1 It is recommended that Cabinet approves and recommends to Council the Revenue Budget for 2021/22 at £10,351,080.

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Background papers: Budget Setting papers 2021/22 Financial Strategy 2021/22

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