

REVENUE BUDGET – ESTIMATES 2021/22

1.0 REVENUE BUDGET ESTIMATES 2021/22

1.1 The table below details the revenue budget for 2021/22 at a strategic level.

	2019/20 Actual £	2020/21 Original £	2020/21 Latest £	2021/22 Estimate £
Economy & Planning	1,769,346	1,969,330	1,807,250	1,636,780
Environment	3,760,266	4,051,070	4,057,730	4,360,160
Finance & Commercial	75,456	23,330	201,360	816,420
Leisure & Communities	1,324,844	1,351,240	1,337,370	1,376,330
Law & Governance	1,999,916	1,726,100	1,739,630	2,032,060
Internal Drainage Boards	135,098	148,600	126,330	129,330
Net Budget	9,064,926	9,269,670	9,269,670	10,351,080

1.2 The Revenue Budget 2021/22 has been prepared in accordance with the Council's priorities reflected in the Council Plan.

1.3 A detailed schedule of service's budgets that constitute the total budget in each Department is shown at Annex B.

2.0 FINANCIAL STRATEGY:

2.1 The Council's latest Financial Strategy has been included previously on this Cabinet agenda. The Revenue Budget for 2021/22 is within the financial constraints set by the Financial Strategy.

2.2 A number of assumptions which underpin the Financial Strategy have been applied in setting the 2021/22 revenue budget, these include:-

- The budget being set as if the operating environment was not impacted by COVID-19. Reserves have been set aside to provide for any adverse effect from the pandemic;
- All Fees & Charges have been reviewed for 2021/22, with an overall increase of 3.79%. This takes into consideration the nature of the services, the impact on commercial viability and local economic circumstances;
- A provision of 0.57% salary increase has been included in line with the nationally proposed pay award announced by the Chancellor in the November Autumn statement where £250 will be provided to everyone earning less than £24,000;

- Contracts and Service Level Agreements being increased by the appropriate rate of Consumer Price Index where applicable. Energy and vehicle fuel prices continue to be volatile, although advantage has been taken of favourable rates in relation to gas and electric and contracts locked into. Prudent provision has been included for changes in vehicle fuel prices;
- The opportunity to generate income from economic development in the district where the Council looks towards alternative revenue streams;
- Council tax remaining at £114.84 the same level as in 2020/21. Council tax has not increased by £5 or 1.99% in 2021/22. Council tax has increased by £5 for the last 5 years but up to 2016/17 council tax did not increase for 5 years as Council Tax Freeze Grant was available. The freeze on council tax in 2021/22 reduces the funding available to the Council however it helps support the residents in the area during this COVID-19 pandemic;
- Business rates received from the business rate retention scheme being estimated at a lower level than 2020/21 as the North Yorkshire Business Rate pool has been discontinued due to the risk associated with the impact of the COVID-19 pandemic; this was approved by Council in December 2020. The Business Rate Retention Scheme enables the Council to keep a proportion of the business rates collected locally which provides an incentive for all councils to grow their local economy.
- Government grants included in 2021/22 but are deemed not to exist after this (except New Homes Bonus) as it is expected that the government will put in place the Fair Funding Review and the new Business Rates Retention Scheme where further information is waited from Government as to how and when this will proceed:
 - Revenue Support grant and Rural Services Delivery grant are included at the same level as for 2020/21 plus a minimal 0.1% national increase;
 - Lower tier services grant is a new grant with the aim that no council has reduced core spending power as estimated by the Government where the assumption would have been to increase council tax;
 - COVID-19 support funding and COVID-19 Local Council Tax Support grant are included just for 2021/22 to fund the impact of the pandemic;
 - New Homes Bonus has reduced in 2021/22 and is expected to decrease next year and funding be removed in 2023/24 altogether. It is assumed that funding will continue to be provided by the Government as an alternative scheme to New Homes Bonus in line with their drive for every council to publish a 15 year Local Plan to promote growth in house building.
- The Bank of England base rate will remain low at 0.1% throughout 2021/22. It is likely that the base rate will remain low for the foreseeable future until 2023/24 as the Monetary Policy Committee is unlikely to dampen growth prospects, (i.e. by raising Bank Rate), during the recovery from the COVID-19 pandemic and the uncertainties of the impact of leaving the European Union (EU) on 31 December 2020. This will impact on the ability of the Council to generate investment income from balances and opportunities will be taken of low borrowing rates.

- 2.3 Within the Financial Strategy it has been estimated that the Council loses 19.6% of its core spending power by 2024/25 and from grants and business rates, excluding council tax, a fall of 23.5% is noted. The Council will raise this directly with the Government's Ministry of Housing, Communities and Local Government department as well as through the Fair Funding Review and Business Rates Retention Scheme consultation which is addressing the changes to the mechanism as to how local authorities are funded; this is due in early in 2021/22.
- 2.4 All these factors have been taken into account to balance the revenue budget and limit the Council's reliance on the use of reserves; reserves have only been used or set aside as described above to support the affordability of the budget in 2021/22 and sustainability over the next four years. The assumptions in the Financial Strategy on the expenditure and funding levels in the budget are made on a prudent basis.

3.0 RESERVES AND BALANCES:

- 3.1 As the Revenue Budget has been set within the constraints of the Financial Strategy, the assumed level of revenue reserves and balances at 31 March 2021 remain consistent with the Financial Strategy.
- 3.2 A summary of anticipated revenue reserves and balances at 31 March 2021 is set out below:-

Reserves	Balance £
Council Tax Payers	6,072,353
Repairs and Renewals Fund	854,261
Computer Fund	874,587
Grants Fund	44,434
One Off Fund	532,931
Economic Development Fund	1,057,480
Income Generating Fund	69,178
General Fund Working Balance	2,000,000
TOTAL	11,505,224

- 3.3 This reserve position is reliant on the income streams detailed in paragraph 2.2.

4.0 FINANCIAL OUTLOOK:

- 4.1 Although the Revenue Budget 2021/22 and Financial Strategy represent a robust position, the Council is not immune to the continued significant economic and financial challenges facing the whole of the public sector in the UK, the developing impacts from Brexit and the effects of the COVID-19 pandemic.
- 4.2 The Local Government Finance Settlement 2021/22 announced on 17 December 2020 stated that the overall Core Spending Power nationally is expected to increase by 4.5%, where the Core Spending Power is the overall impact on local authorities of changes in funding and locally-raised council tax. Council tax represents 86% of

the Core Spending Power. This Council's Core Spending Power has decreased by 2.1% which is mainly in connection with the proposal to freeze council tax at the same level that it was in 2020/21 at £114.48.

- 4.3 It is estimated that the Council loses 19.6% of its core spending power over the 4-year strategy by 2024/25 even if council tax is increased by £5 every year from 22/23. When excluding council tax, funding support estimated from grants and business rates (including grant support from the 'dampening effect') shows a fall of 23.5% by 2023/24. Some "damping" or transitional support is expected, so that no authority is faced with unmanageable reductions in resources in any one year. The Government has not explained how "damping" will actually work but our forecasting assumption is that it will ensure that Hambleton's overall resources, including council tax, do not fall by more than 5% in any one year.
- 4.4 The loss in funding described is in relation to the proposed new Business Rate Retention Scheme and the Fair Funding Review which is how local authorities will be funded in future. The consultation is due early in 2021/22. The new Business Rate Retention Scheme and Fair Funding Review was originally expected to be in place for 2021/22, however due to the covid-19 pandemic this has been delayed.
- 4.5 This Council has a major concern about the methodology that the Government proposes to use to distribute funding in future and will be proactive in its consultation with government. The estimates in the Council's current financial strategy show that 25% of funding in the first year 22/23 is supported from the 'dampening' effect. Hambleton's funding losses are likely to be from a number of sources: the phasing-out of New Homes Bonus, the business rates baseline reset, and the Fair Funding Review. The Fair Funding Review moves the sparsity indicator and replaces it with three new indicators within the Area Cost Adjustment (dispersal, traversal and remoteness). This will reduce the share of funding received by very sparse authorities, such as Hambleton. The Council also receives grant funding through the Rural Services Delivery Grant which will be transferred into the main formula in 2022-23; there is a risk that Hambleton loses this funding.
- 4.6 The ongoing reductions in Government grant support increases the Council's reliance on other funding streams and saving requirements such as:
- Increasing Council Tax by £5 on a Band D equivalent property; an alternative option is to increase Council Tax by 1.99%, but due to this Council charging the third lowest council tax in the UK, not increasing council tax in 2021/22, the financial strategy is based on a Council Tax freeze and 0% rise;
 - Reviewing Fees and Charges across Council services;
 - Investment income and loan interest - delivered from investing the Council's surplus funds through treasury management activities, however interest rates are forecast to remain extremely low at 0.1% for the foreseeable future or by investing through the Capital Programme where investment can be made in third parties. In these instances, 'due diligence' and risk management are key;
 - Revenue income generated from economic development opportunities in the area; and

- Savings and cost reductions are to be made in 2022/23 at £200,000, 2023/24 at £350,000 and 2024/25 at £500,000. Further work will commence on these savings plans during 2021/22.

- 4.7 In addition to the reduction in grant funding and reliance on other funding streams it is also necessary to consider the volatility of inflation, changes in energy prices, reduced investment interest rates, the economic environment and the implications of BREXIT and the continued effect from the COVID-19 pandemic.
- 4.8 The shortfall in funding and increase in costs presents a challenging financial outlook for the Council. The Council continues to ensure services are provided in a cost-effective way enabling the Council to continue to preserve its front-line services for the community at the present time.
- 4.9 The Financial Strategy has been reduced from 10 years to 4 years considering the COVID-19 pandemic and the requirement for the Council to be more reliant on reserves. In addition, discussion is ongoing with regards to local government reorganisation and confirmation is waited from Government as to when the consultation across North Yorkshire will occur. The consultation will be for the proposed changes in the area to move from a county and district set up to either a one or two unitary arrangement where all services provided to the community and residents is through one body. More will be known when the consultation has occurred.