

## **OVERVIEW AND SCRUTINY COMMITTEE**

**DATE OF MEETING: 16 FEBRUARY 2021**

**TITLE OF REPORT: DRAFT BUDGET 2021/2022**

**Report of: Head of Corporate Services**

**Cabinet Member: Councillor James Radley, Deputy Leader and Finance**

### **1 PURPOSE OF REPORT**

- 1.1 This report provides a summary of the revenue and capital budget proposals for 2021/2022 approved by Cabinet and recommended to Council. The report also includes the statutory statement of the Head of Corporate Services (Section 151 Officer) to Council on the robustness of the estimates and adequacy of reserves.
- 1.2 This proposed budget references numbers included in the final Finance settlement for 2021/2022 which was published on 4<sup>th</sup> February 2021.
- 1.3 It is important to note that the Government's multi-year Spending Review, due in 2019 was once again replaced by a short-term Spending Round. What this means is that, in substance, any budget to be proposed will only be for one-year only. No figures have been made available for local government funding beyond 2021/22, either nationally or locally. This report therefore cannot give any realistic projection for 2022/2023, however indicative budget requirements have been entered.

### **2 OFFICER RECOMMENDATION**

- 2.1 That Overview and Scrutiny Committee consider the following recommendations to Council approved by Cabinet on the 4<sup>th</sup> February 2021 providing their comments to be considered in the production of the final budget papers to Council.
  - a) That the level of Council Tax for 2021/22 be increased by £5 (2.9%) and set at £181.84 for a band D property.
  - b) That the summary revenue budget for 2021/22 as set out in paragraph 12 of this report be approved.
  - c) That the capital programme for 2021/22 as detailed in Appendix 1 be approved.
  - d) That no changes be made to the Council Tax Support Scheme for 2021/22 but that a full review of this takes place and is reported to Council in September 2021.

### **3 BACKGROUND INFORMATION**

- 3.1 The Government postponed the Spending Review due in 2019 and once again published a short-term (one-year) Spending Round. This is the second consecutive one-year settlement necessitated this year by the Covid-19 pandemic, following on from last year's Brexit general election.

**Summary of the Government's Provisional Financial Settlement: 2021/22:**

- a uniform percentage increase in 2020-21 Revenue Support Grant (RSG) allocations, based on the change in the Consumer Price Index (CPI)
  - a freeze in Baseline Funding Levels (BFLs) at 2020-21 levels, to match the freeze in the business rates multiplier
  - an increase in section 31 grant for the under-indexation of the multiplier, to compensate for the freeze in the business rates multiplier
  - eliminating so-called 'negative RSG', through the use of forgone business rates receipts.
  - a bespoke council tax referendum principle of up to 2% or £5, whichever is higher, for shire district councils
  - a new round of NHB payments in 2021-22, which will not attract new legacy payments
  - allocation of a new Lower Tier Services Grant
- 3.2 The Government has promised once the pandemic is over to revisit the priorities for reform of the local government finance system.

#### **4 COUNCIL TAX**

- 4.1 The Government anticipates, as in previous years, that local authorities such as Hart will increase council tax in 2021/2022 by a core principle of up to 2% or £5 on a Band D property. Any higher rise will require holding a local referendum. Consequently, the budget proposals included in this report assume a £5 increase in 2021/2022. The financial effect of this increase is to add approximately £205k annually to income. The Government has incorporated the full increase as an assumption in Local Authorities' increase in spending power.

#### **5 NEW HOMES BONUS (NHB)**

- 5.1 NHB is a grant paid by central government to local councils to reflect and incentivise housing growth in their areas. It is based on the amount of extra Council Tax revenue raised for **new-build homes**, conversions and long-term empty **homes** brought back into use. There is also an extra payment for providing affordable homes. The Council relies heavily on funding from NHB with approximately 25% of the net revenue budget being funded by NHB in 2020/2021.
- 5.2 In 2019, the Government said that in 2020 it would consult on an alternative to the NHB. The intention is to move to a new, more targeted approach that rewards local authorities where they are ambitious in delivering needed homes. The Government is clearly has not had an opportunity to move that initiative forward, but it has taken an interim decision to extend NHB for one

more year but with no legacy payments. The loss of the legacy payments has had a significant effect on the amount of grant the Council will now receive from NHB.

- 5.3 The Financial Settlement proposes that Hart will receive £1.847 million in NHB in 2021/22, a reduction of £0.503 million. The NHB, if retained, is likely to further reduce in 2022/23.
- 5.4 There is, therefore, a significant future risk to the Council and whilst the Government has said that it will consult on replacements for NHB in 2021 there is absolutely no certainty as to what this could look like. It also cannot be assumed that any alternative to NHB will be as generous as the original NHB scheme.

## 6 LOWER TIER SETTLEMENT GRANT

- 6.3 The 2020/21 Finance Settlement introduced an un-ringfenced lower tier services grant, which is to be used specifically to ensure that no council sees a reduction in core spending power because of the NHB changes. This funding is in response to *“the current exceptional circumstances and is a one-off”*. The increase in spending power relies on Local Government increasing Council Tax by the core principle of up to 2% or £5 on a Band D property.
- 6.4 The Financial Settlement proposes that Hart will receive £0.1839 million in Lower Tier Settlement Grant in 2021/22. This will reduce the impact in the reduction in NHB from £0.503 million to £0.319 million.

## 7 COUNCIL TAX SUPPORT SCHEME

- 7.1 Since 2013, local authorities in England have been responsible for running their own local schemes for help with council tax - Council Tax Support. Councils can choose to either reduce the discount paid to working age claimants or find income to make up the reduction. The Council has always agreed not to reduce the discount (benefits) paid to such claimants but to fund the cost from the revenue account. There are no proposals to change the arrangement for 2021/22, however a detailed review of this scheme must be commissioned to take place in early 2021/22 to inform future years.

## 8 FEES AND CHARGES

- 8.1 In setting charges, all relevant government guidance is followed. In general, fees and charges will aim to recover the full cost of services except where this is prevented by legislation, market conditions or where alternative arrangements have been expressly agreed by Council. The full schedule of fees and charges will be taken to full Council on the 25<sup>th</sup> February 2021 for approval.
- 8.2 The Budget has been prepared taking account of the following changes to charges in the main service areas: -
- **Car Parking** - charges have remained the same in the majority of cases with the following summary exceptions. Full details can be found in the appendix

- Long term parking – 10 hours plus – increase of £1
- Quarterly parking permits increased with compensatory decrease in Annual parking permits
- 2 hour parking in Birchayes reduced from £2 to £1
- Short time parking in Hook – charge removed.
- Residents Parking Permits
  - Annual Fleet and Hartley Wintney – increase - £15
  - 2<sup>nd</sup> Household Permit – increase = £40
- Visitors Parking Permits
  - 2 weeks Fleet & Hartley Wintney – increase - £6
  - 1 day scratch card – increase - £0.50
  - Dispensations – increase - £10
  - Exemptions – increase £10
- **Council Accommodation**
  - The hiring of Council Rooms has been increased.
    - For example, the day time hiring of the Council Chamber has increased from £44.50 per hour to £50 per hour.
- **Democratic Services**
  - Charges for agendas, minutes etc for council meetings have been removed as they are free to download from the Council website.
- **Waste Collection**
  - Annual Green waste collection charges have increased as follows:
    - 140 litre Wheeled Bin Green Waste Collection – increase - £3
    - 140 litre Wheeled Bin Green Waste Collection concessions – increase - £3
    - 240 litre Wheeled Bin Green Waste Collection– increase - £4
    - 240 litre Wheeled Bin Green Waste Collection concessions– increase - £3
- **Planning**
  - Update in Fees for Planning Performance Agreement fees to reflect cost recovery.
  - Admin fee for validation non-refundable where applications cannot be validated due to them being incomplete.

In all other cases, where the Council has flexibility in setting fees and charges, the general intention is to increase them by CPI in August 2020 (0.5%), or the nearest £, unless any individual scheme of delegation allows flexibility to set specific fees and charges.

## **9 GROWTH AND SAVINGS INCLUDED IN BUDGET**

- 9.1 An incremental approach to the budget is being followed in building this budget. It includes identifying areas for further savings, as well as any opportunities to secure new sources of income.

9.2 Section 12.1 below shows the current pressure for movement of budgets between 2020/2021 and 2021/2022. In light of current risks, the details of any budget movements are still being evaluated and will be refined further before final consideration by Cabinet.

9.3 However, the following areas represent some of the more significant and ongoing cost pressures:

- Contract changes; insourcing services can bring initial increased costs in earlier years. £140K
- Recyclate income reduction from Hampshire County Council £250K
- Risks in decreased income caused by the Pandemic due to likelihood in full income recovery during early months of 2021-22 - £220K

9.4 A combination of reduced income and increased cost pressures have left the Council with an anticipated budget deficit for 2021/22 of £381K and, in 2022/23 a further deficit of £1,018K. The 2022/23 deficit is both structural and significant and the current lack of commercial opportunities coming forward requires the Council carries out a root and branch review of income and expenditure which will require Members to take difficult decisions to prioritise available budget in future years. It is essential that expenditure decisions for future years are made by Period 5 of 2021/22 to allow plans to be implemented to deliver savings in 2022/23.

## **10 OUTTURN BUDGET FOR 2020/2021**

10.1 The outturn budget is expected to be in deficit in 2020/2021. This is due to the loss in income plus an increase in expenditure in response to the COVID-19 pandemic.

10.2 Significant income will be lost in 2020/21 primarily in Parking and Leisure. The Government partly compensates for this loss. The loss is estimated to be £1.7m.

10.3 Additional spending has also been necessary to support the community, employees, and the workplace during the pandemic. The additional expenditure is likely to be c.£500K.

10.4 These pressures are tempered by savings in staff vacancies, travel and expenses plus Government support grants – c. £500K.

10.5 Some of the above losses are expected to be mitigated by both use of reserves and Central Government subsidies to counteract the direct effects of Covid-19 on Council income and expenditure. The Council has also scaled back expenditure where possible. Officers currently estimate a deficit on outturn of between £500K and £600K and a verbal update will be provided at the meeting.

## **11 CAPITAL PROGRAMME**

11.1 The proposed 2021/2022 Capital Programme is attached as Appendix 1.

## 12 DRAFT BUDGET 2020/2001

12.1 The table below summarises the draft budget for 2021/2022 compared to the approved (revised) 2020/2021 budget

	2020/2021	2021/2022	
	Budget	Draft	
	£000	£000	
Net Service Budget	9,174	10,536	
SANG Expenditure	258	258	Funded from allocated S106 receipts
<b>Cost of Service</b>	<b>9,432</b>	<b>10,794</b>	
Debt Interest	12	12	
MRP	469	406	
New Homes Bonus	-2,377	-1,847	Provisional Local Government Settlement
Lower Tier Services Grant		-200	Provisional Local Government Settlement
Pressures	1,218	610	Change programme variables
<b>Net Expenditure</b>	<b>8,754</b>	<b>9,776</b>	
<b>Financed by</b>			
Council Tax	-7269	-7,487	Provisional Local Government Settlement maximum increase
Business Rates Retained	-1,297	-1,400	Provisional Local Government Settlement
Collection Fund – CT Surplus	-31		Collection Fund estimate
Collection Fund – NNDR Deficit	154		Collection Fund estimate
S106 receipts	-53	-53	Allocation as per approved expenditure
SANG receipts	-258	-258	Allocation as per approved expenditure
Commercial Income		-196	
<b>Total Financing</b>	<b>-8,754</b>	<b>-9,395</b>	
Funding from General Fund		381	Balancing of Budget

- 12.2 The major revenue funding risks and decisions looking beyond 2021/22 to be considered to ensure financial sustainability:

**Funding Risks**

- Spending Review 2021 – may reduce the totality of local government funding
- Fair Funding Review – risk of losing further central government funding as it is distributed elsewhere
- Changes to New Homes Bonus
- Changes to 75% business rates retention from 2022/2023
- General delays and uncertainty on future funding caused by Covid-19
- Uncertainty over future Planning Fee income (this will inevitably fluctuate)
- Concerns in delivering previously estimated levels of Commercial Income.

- 12.3 Major changes in spending in service areas have been provided at Appendix 2.

**13 ROBUSTNESS OF ESTIMATES AND ADEQUACY OF RESERVES**

- 13.1 Section 25 of the Local Government Act 2003 requires the Chief Financial Officer to report on the robustness of the estimates and the adequacy of proposed financial reserves.
- 13.2 The budget has been constructed following a detailed and robust process involving budget holders, finance staff, the leadership team and Members. Account has been taken of identified financial issues and pressures and realistic budget assumptions have been made and key risks identified. Service changes and savings options have been considered by Heads of Service and Members through the service review process.
- 13.3 Budget risks are managed throughout the year by a comprehensive budget monitoring process, which acts as an early warning of budget issues allowing corrective action to be taken, and via the general fund reserve.
- 13.4 The Council has limited reserves available to it. The General Fund balance stood at £6.8m at 31st March 2020. The current year outturn projections and proposed budget for 2021/22 may decrease this by up to £500K.
- 13.5 The S151 Officer considers that the projected General Fund balance is adequate to help manage the 2020/21 budget risks. While the use of the General Fund balance is for financing unplanned one-off costs and does not underwrite on-going expenditure, the level of the General Fund balance does provide a buffer against the uncertainty of future central government funding.

**14 COMMENTS OF THE MONITORING OFFICER**

- 14.1 This report recommends the adoption of a lawful budget and the level of Council Tax for 2021/2022. It also outlines the Council's current and anticipated financial circumstances, including matters relating to capital expenditure and resources.

- 14.2 The setting of the Budget and Council Tax by Members involves their consideration of choices. No genuine or reasonable options should be dismissed out-of-hand and Members must bear in mind their fiduciary duty to the council taxpayers of Hart.
- 14.3 Members must have adequate evidence on which to base their decisions on the level and quality at which services should be provided. Where a service is provided pursuant to a statutory duty, it would not be lawful to fail to discharge it properly or abandon it. Where there is discretion as to how it is to be discharged, that discretion should be exercised reasonably. Where a service is derived from a statutory power and is in itself discretionary that discretion should be exercised reasonably.
- 14.4 Should Members wish to make additions or reductions to the budget, on which no information is given in the report before Members, they should present sufficient information on the justification for and consequences of their proposals to enable the Council to arrive at a reasonable decision on them.
- 14.5 The report sets out the relevant considerations for Members to consider during their deliberations and members are reminded of the need to ignore irrelevant considerations. Members have a duty to seek to ensure that the Council acts lawfully. They are under an obligation to produce a balanced budget and must not knowingly budget for a deficit. Members must not come to a decision which no reasonable authority could come to; balancing the nature, quality and level of services which they consider should be provided, against the costs of providing such services.
- 14.6 **Members are also reminded of Section 106 of the Local Government and Finance Act 1992 which prohibits any Member, who has not paid for at least two months his/her Council Tax when it became due, from voting on setting the Budget and Council Tax.**

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**APPENDICES:**

Appendix 1 – Capital programme 2021/2022  
Appendix 2 – Budget Change analysis appendix.



## Appendix 1 - Capital programme 2021/2022

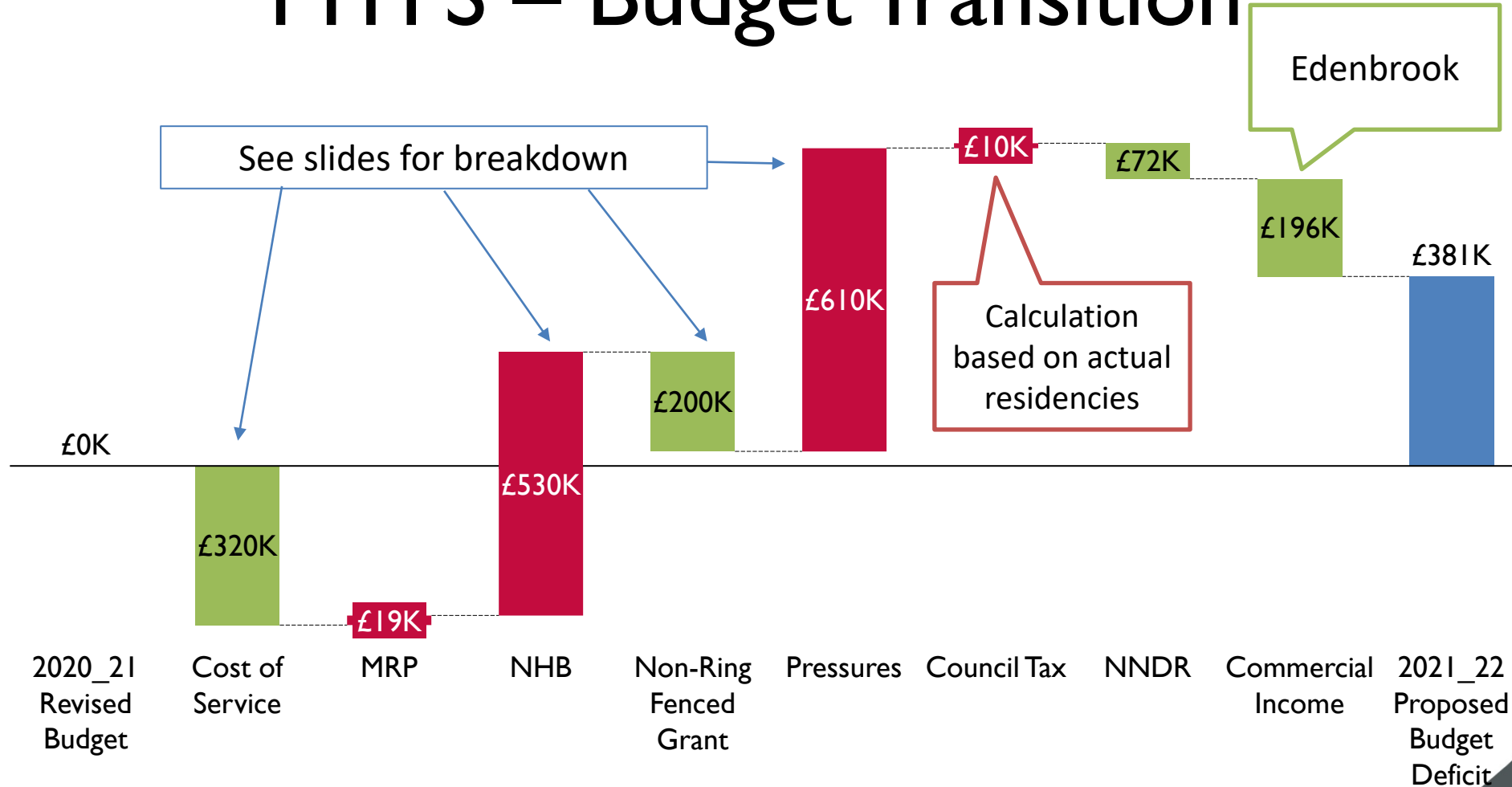
## Capital Programme 2021-2022

Service Area and Description	2021/22 Budget requested £'000	2022/23 Estimate £'000	2023/24 £'000	Source of Funding
Upgrade of Checkpoint Firewall	20	0	0	Digital Transformation Reserve
Upgrade of Backup solution	15	0	0	Digital Transformation Reserve
Warranty for laptops	10	0	0	Digital Transformation Reserve
Server Infrastructure refresh	20	0	0	Digital Transformation Reserve
Edenbrook apartments final payment	6,800	0	0	PWLB External Borrowing
<b>Total Corporate Services</b>	<b>6,865</b>	<b>0</b>	<b>0</b>	
Disabled Facilities Grant	500	500	500	Grant – Better Care Fund
<b>Total Community Services</b>	<b>500</b>	<b>500</b>	<b>500</b>	
Fleet Pond - Visitor Enhancement	75	31		S106
Fleet Pond - Fencing	21			Capital receipts reserve
Fleet Pond - Ecology	25			S106
Hazeley Heath - Grazing Project	50			S106
Hazeley Heath - Notice Boards / HW improvements	27			S106
Hazeley Heath - Access Improvements		10		S106
HW Central Common - Access Improvements	80			S106
Edenbrook - Play Tree	30			SANGs
Edenbrook - Visitor Improvements	20			S106
Edenbrook - History Walk	20			SANGs
Edenbrook - Skate park and Bike Track	165			S106
Edenbrook - Teen Health		65		S106
Edenbrook Community Garden	120			S106
Bramshot Farm - Capital	150	145	500	LEP Grant (SANGs)
Fleet Pond - Access Track	110			S106
EV Chargers	82			Capital Receipts Reserve
New Tractor	25			TBA SANGs
New Bailer	20			TBA SANGs
<b>Total Environmental and Technical</b>	<b>1,020</b>	<b>251</b>	<b>500</b>	
<b>Council Totals</b>	<b>8,385</b>	<b>751</b>	<b>1,000</b>	

# Budget 2021\_22

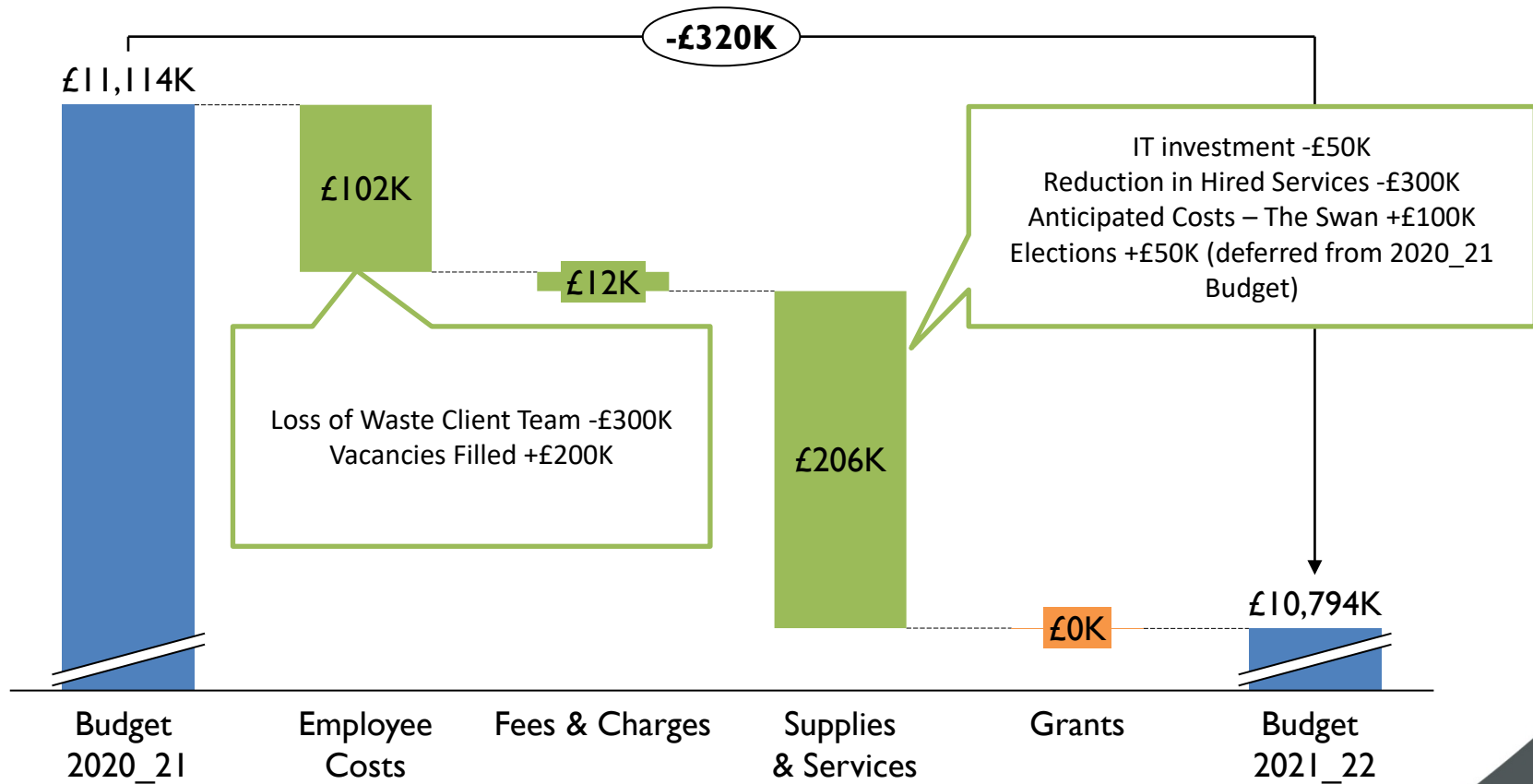
Joanne Rayne

# MTFS – Budget Transition



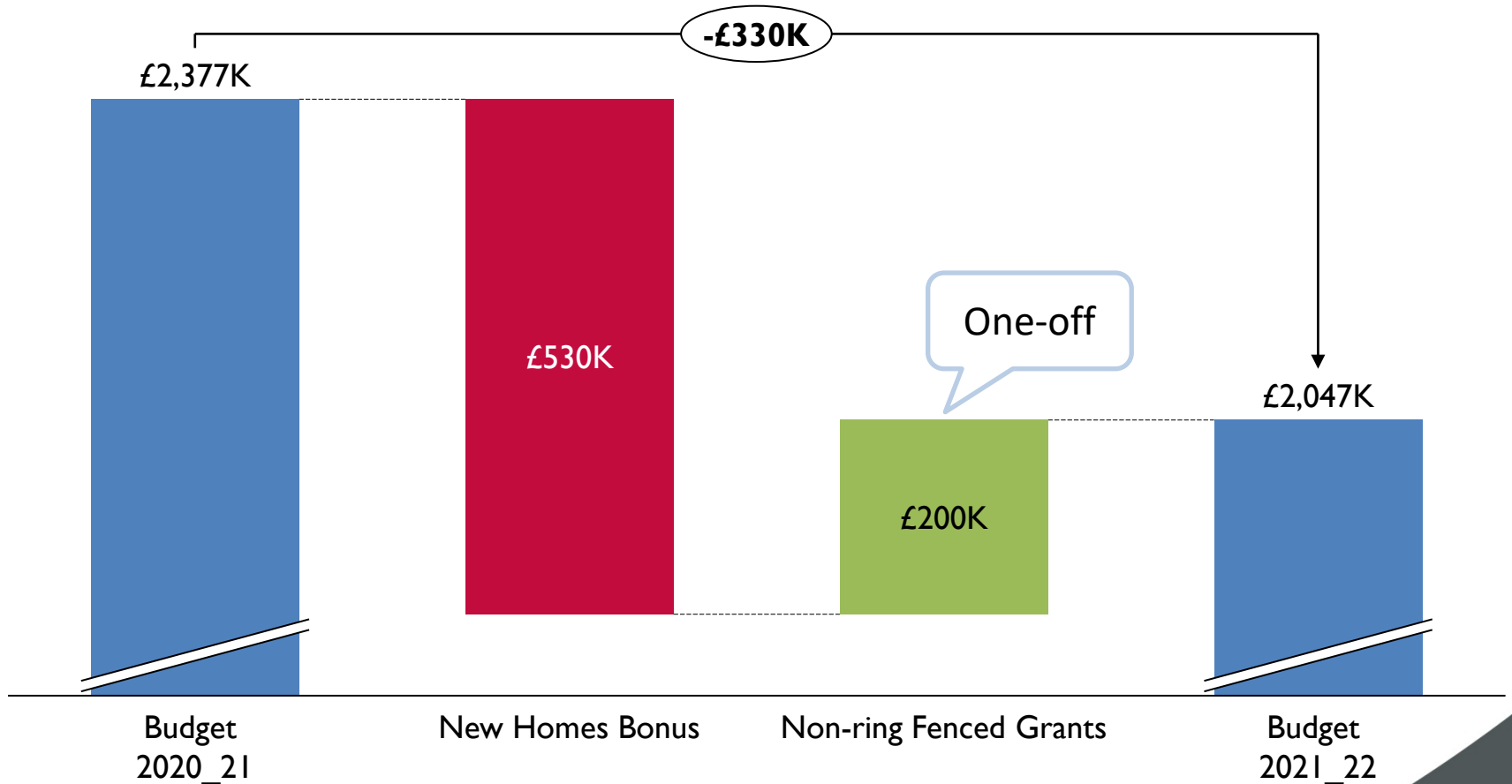
# Cost of Service

Revised Budget 2020\_21 to Proposed Budget 2021\_22



# Grants

Revised Budget 2020\_21 to Proposed Budget 2021\_22



# Pressures

Revised Budget 2020\_21 to Proposed Budget 2021\_22

