

Rother District Council

Report to:	Overview and Scrutiny Committee
Date:	25 January 2021
Title:	Draft Revenue Budget 2021/22
Report of:	Antony Baden – Finance Manager
Ward(s):	All
Purpose of Report:	To present the draft Revenue Budget 2021/22 for approval
Officer Recommendation(s):	It be RESOLVED : That the comments of the Overview and Scrutiny Committee be considered by Cabinet when setting the 2021/22 Draft Revenue Budget at its meeting on 8 February 2021

The Cabinet, at its meeting held on Monday 11 January 2021, considered a report on the Draft Revenue Budget 2021/22. The Minute in relation to this matter is reproduced below.

CB20/86. **DRAFT REVENUE BUDGET 2021/22**

Consideration was given to the report of the Assistant Director Resources on the preparation of the draft Revenue Budget for 2021/22. The report outlined the likely financial position and key issues that Members needed to consider as part of the budget setting process. Appended to the report were details of the summary draft Revenue Budget, the summary information for each service area, main changes from the 2021/22 budget, the Council's revenue reserves and identified savings and additional income.

All budgets were shown as "Net Operational Expenditure Levels" which excluded capital charges, central costs and support service recharges. In addition, budgets were shown on a departmental basis which provided Members with a clear identifiable cost for each service.

The following key issues were highlighted:

- as the Council no longer received any Revenue Support Grant it was wholly reliant on revenue from business rates, council tax, specific grants, charges for services and income generation in meeting its net budget;
- the draft settlement announced by Government in December confirmed that the Council's share of business rates remained unchanged from 2020/21, a specific additional COVID-19 grant of £519,000 to support the ongoing effects of the pandemic in 2021/22 would be received and additional support to extend the extra support

- for residents through the Council Tax Reduction Support scheme (CTRS) amounting to approximately £146,000;
- New Homes Bonus grant was expected to be £271,770 and would be incorporated into the draft budget to reduce the use of reserves, with no ongoing reliance;
 - further work to refine the business rate estimate in time for the final approval of the Revenue Budget in February was on-going;
 - the 2021/22 council tax base had been calculated at 37,606.6 and showed a reduction of 518 Band D equivalents mostly due to an increase in the number of CTRS claimants expected in 2021/22 as a result of the pandemic; the in-year recovery rate for Council Tax had reduced to 98.2% from 98.5%, taking into account the increased risk of non-payment due to the effects of the pandemic on employment;
 - the council tax referendum principle for Rother would allow an increase in council tax of £5 or 2% whichever was the highest; it had been assumed that the Council would increase Council Tax by the maximum allowed before a referendum was required;
 - for 2021/22 to ensure the Council remained within the referendum limit, it was assumed that an increase of £4.94 to £189.04 would be agreed for a Band D property, resulting in additional income of £90,000.

The financial risks that may affect the Council's finances were highlighted within the report and these included homelessness demands, staffing costs, the impact of COVID-19 on the Council's commercial tenants, leisure, swimming centres, cultural services delivered through two charitable trusts (Freedom Leisure and the De La Warr Pavilion Trust) and the emerging new Corporate Plan which aspired to accelerate the development of new housing in Rother, both market and affordable, deliver on the commitment to be a carbon neutral district by 2030 and regeneration of the local economy through investment.

The following assumptions had also been made in calculating the draft Revenue Budget:

- a. inflation of up to 1.5% had been applied except for contracts where specific indices were applied;
- b. salaries had been assumed to increase by 2% from September 2021;
- c. Appendix C to the report included details of any growth built into the base budget;
- d. the use of transfers between existing budgets had been encouraged to help enable funding to be re-directed into priority areas; and
- e. where the Council had discretion to increase income, increases should be in line with the increase in costs.

The net Revenue Budget before Government grants, use of reserves and other funding was expected to be £16.206m, an increase of £604,000 over the revised 2020/21 Revenue Budget. There had been a positive change of £1.6m between the financial forecast presented to Cabinet on the 2 November and the latest forecast, which was welcome.

The draft Revenue Budget for 2021/22 utilised £3.2m of reserves in order to meet specific costs (capital and service expenditure). Savings and increased income of £0.956m (excluding the reduction in use of revenue reserves to fund capital) had been assumed and if these were not delivered, further use of reserves may be required to balance the budget. Over the five-year financial forecast, earmarked reserves were predicted to fall to a minimum of £3.2m, rising to £3.8m by 2025/26, in excess of the minimum level of cash backed reserves and balances promoted by the Council's external auditors. However, it was below the minimum level previously agreed by Members at £5m and did not provide for any revenue reserves required to support the future Corporate Plan.

The budget consultation was currently on going and due to on 18 January 2021; interim results would be reported to the Overview and Scrutiny Committee at their meeting on the 25 January 2021.

In conclusion it was noted that the Revenue Budget included a number of assumptions relating to income generation and savings, which if not delivered, would result in an increased call on reserves. Cabinet Members were working with officers and looking at service budgets line by line to identify potential savings, some of which would be difficult to deliver.

RESOLVED: That the draft Revenue Budget for 2021/22 be considered by the Overview and Scrutiny Committee at its meeting on the 25 January 2021.

(Cabinet Agenda Item 6).

Appendix 1: Cabinet Report 11 January 2021 – Draft Revenue Budget 2021/22