



Cabinet

Tuesday, 9 February 2021

2021/22 Budget and Financial Strategy

Report of the Executive Manager – Finance and Corporate Services

Cabinet Portfolio Holder for Finance, Councillor G S Moore

1. Purpose of report

- 1.1 This report presents the detail of the 2021/22 budget, the five-year Medium Term Financial Strategy (MTFS) from 2021/22 to 2025/26, which includes the revenue budget, the proposed Capital Programme, the Transformation Strategy and the Capital and Investment Strategy (with associated prudential indicators).
- 1.2 It should be noted that this report, is based upon the provisional Local Government Finance Settlement (the final settlement is due later in February 2021). Whilst no significant changes are expected in the final settlement, if anything is deemed significant it will be covered in the final report to Full Council.

2. Recommendation

It is recommended that Cabinet RECOMMENDS to Council that it:

- a) adopts the budget setting report and associated financial strategies 2021/22 to 2025/26 (attached **Annex**) including the Transformation Strategy and Efficiency Plan (**Appendix 3**) to deliver efficiencies over the five-year period;
- b) adopts the Capital Programme as set out in **Appendix 4**;
- c) adopts the Capital and Investment Strategy at **Appendix 5**;
- d) sets Rushcliffe's 2021/22 Council Tax for a Band D property at £147.36 (increase from 2020/21 of £4.62 or 3.24%);
- e) sets the Special Expenses for West Bridgford, Ruddington and Keyworth, **Appendix 1**, resulting in the following Band D Council Tax levels for the Special Expense Areas:
 - i) West Bridgford £49.65 (£48.51 in 2020/21);
 - ii) Keyworth £3.41 (£3.76 in 2020/21);
 - iii) Ruddington £4.00 (£4.12 in 2020/21);

- f) adopts the Pay Policy Statement at **Appendix 7**; and
- g) agrees the proposal that the Year 1 funding for the Development Corporation is approved prior to receiving formal Government approval and financial support for the scheme (capped at £0.17m along with the conditions at paragraph 4.2 (l)).

3. **Reasons for Recommendation**

To comply with the Local Government Finance Act (1972) and ensuring the budget enables corporate objectives to be achieved. The Council is required to set a balanced budget and that it has adequate funds and reserves to address its risks. The impact of Covid on Council budgets makes it even more important that the Council is prudent, ensures that it can support short-term deficits and has adequate reserves going forward.

4. **Supporting Information**

The Budget and Associated Strategies

4.1 The attached report and appendices detail the following:

- a. The anticipated changes in funding over the five-year period;
- b. The financial settlement for 2021/22 and the significant budget pressures the Council must address over the Medium Term including the impact of Covid;
- c. The budget assumptions that have been used in developing the 2021/22 budget and MTFS;
- d. The detailed budget proposals for 2021/22 including the Transformation Strategy (and associated programme) to deliver the anticipated efficiency and savings requirement;
- e. The recommended levels of Council Tax for Band D properties for the Council and its special expense areas of West Bridgford, Ruddington and Keyworth;
- f. The projected position with the Council's reserves over the medium term;
- g. Risks associated with the budget and the MTFS;
- h. The proposed Capital Programme;
- i. The proposed Capital and Investment Strategy; and
- j. The proposed Pay Policy Statement.

4.2 The salient points within the MTFS are as follows (MTFS report (**Annex**) references in parenthesis):

- a. It is proposed that Council Tax for 2021/22 will increase by £4.62 (less than 9p per week) to £147.36 (3.24%). This still means that Rushcliffe's

Council Tax remains the lowest in Nottinghamshire and amongst the lowest in the country (Section 3.4);

- b. Special expenses increasing slightly £733k (£712k 2020/21), this results in Band D charges for West Bridgford increasing by £1.14 (just over 2p per week) from 2020/21 (£49.65 from £48.51), Keyworth decreasing from £3.76 to £3.41 and Ruddington decreasing from £4.12 to £4.00 (Section 3.5);
- c. Business Rates (Section 3.3) are still subject to significant uncertainty given the potential longer term impact of Covid, the Government's deferral of the review of the Business Rates system to 2022/23 (delayed from 2021/22) and risk surrounding the de-commissioning of Ratcliffe-on-Soar power station in 2025, all making forecasting the likely levels of Business Rates difficult. The Council has prudently budgeted at Safety Net plus renewable energy receipts and is anticipating £2.820m in retained Business Rates in 2021/22 and a reduction thereafter to reflect the anticipated changes to the Business Rates system in 2022/23;
- d. The Council no longer receives Revenue Support grant (reduced to zero in 2019/20) and represents a reduction of £3.25m from 2013/14 (Section 3.6). Importantly the Council has mitigated the loss of income through its Transformation Strategy;
- e. The budget for 2021/22 and 2022/23 includes anticipated effects of Covid on the income receipts (estimated at 20% and 10% respectively) with Government grant support anticipated to be £0.8m. There is an anticipated budget deficit of approximately £1.5m over the next two years (funded by reserves) moving to a surplus position in 2023/24, when reserves will be replenished. There is minimal growth included in the budget proposals with a zero pay award in 2021/22 and 2022/23. Financing costs of anticipated borrowing for two large projects (Bingham Leisure Hub and the Crematorium) are reflected in the estimates;
- f. It is proposed not to increase car parking charges, this will assist in the economic recovery following the pandemic and ensures the continuing support of the Council to the retail sector (Section 3.8);
- g. Taking into account resource predictions, spending plans and savings already identified there is a Transformation Programme requirement of around £0.253m in 2021/22 rising to £1.691m by 2024/25. (Section 7);
- h. The Transformation Strategy continues to roll forward with an updated programme to ensure the savings required can be achieved (Appendix 3);
- i. Due to the Government's recent announcement regarding restrictions in accessing PWLB borrowing, the Council has revised its Asset Investment Plans, ceasing its Asset Investment Programme and returning the uncommitted balance of the Asset Investment Strategy. The Council's existing investments continue to play a crucial part in balancing the budget and ensuring the Council is largely self-sufficient. The Council has recently procured two new units at Edwalton Business

Park and along with existing investments will contribute £2.302m over the period of the MTFs accounting for 24.6% of fees and charges income. This is continually managed and proportionate given the risks and opportunities associated with such investments (Appendix 5, Table 13);

- j. The Council has a number of earmarked reserves (excluding NHB reserve), their balance rising over five years from £6.3m to £7.3m (Section 6). Retaining sufficient reserves is essential given the volatile financial environment we currently operate in (see risks highlighted below) along with the need to effectively deliver significant projects such as the Bingham Leisure Hub and the Crematorium;
- k. Two new reserves were created in 2020/21: Development Corporation Reserve (funded from both 2019/20 in year efficiencies and £0.2m from the Climate Change Action Reserve) and the Climate Change Action Reserve (from last year's budget). Despite the pressures caused by Covid in 2020/21, both reserves have been retained with respective values of £0.5m and £0.8m, focusing on key objectives of both economic growth and supporting the environment. Planned utilisation of the Organisation Stabilisation Reserve will be replenished in the final three years of the MTFs as the budget moves into a surplus position. Any in-year surpluses the Council may generate, for example as a result of a more favourable position on Business Rates, will be used to smooth the impact on the reserves sooner than planned;
- l. Regarding the Development Corporation Reserve, the Council agreed that payments were conditional on the Government confirming their support and financial commitment to the project. Given there is still work ongoing and funding is needed, we propose to contribute a maximum of £0.17m next year. This is subject to understanding the cash flow position; and the NCC and LCC contribute proportionately as per their current overall commitment (ie at least £0.5m each) and the other districts are in agreement with these principles and will equally commit £0.17m;
- m. Key risks to the MTFs are highlighted, including Covid, the Fair Funding Review, New Homes Bonus, the volatility caused by the aforementioned various Business Rates issues and the impact of climate change on revenue and capital costs (Section 8); and
- n. The Capital Programme demonstrates the Council's commitment to deliver more efficient services, improve its leisure facilities, and to facilitate both economic development and housing growth. Spend over the five years is estimated at £38.885m. It is planned to use all available Capital Receipts by 2022/23 to fund the programme and to minimise external borrowing which is planned at £7.5m over 2021/22 and 2022/23 (to fund the Bingham Leisure Hub and the Crematorium). Capital resources are then projected to increase over the five-year period as a result of the expected Capital Receipts in relation to sale of land at Cotgrave and the overage agreement in place for development at Sharpill. By 2025/26, such resources are estimated to be at £4.9m

(Section 9). The timing of receipts will inform any borrowing requirements.

- 4.3 The MTFs has been developed at a time of significant financial challenge both nationally and locally and Council services have been under immense pressure as a result of Covid. Despite these pressures officers have been through a rigorous process and have identified efficiency savings that mitigate the anticipated legacy issues arising from Covid whilst still maintaining core services. The Transformation Strategy (and associated programme includes two significant projects, the aforementioned Bingham Leisure Hub and Crematorium).
- 4.4 Whilst the Council faces financial constraints, exacerbated by Covid, both the revenue and capital budgets delicately balance the need for efficiency and economy with the desire for growth; and the aim of encouraging economic development in the Borough, with the Council aiming to meet its corporate priorities.

5. Alternative options considered and reasons for rejection

There are other options in terms of increasing Council Tax by a lesser amount but this would put severe pressure on already stretched Council resources (see Section 11 of Annex B). Given the projected deficit position in 2021/22 and 2022/23 a reduction in Council Tax would result in increased demand on resources needed to balance the budget. For example comparing the difference from no increase to a £4.95 (£4.62 in 2021/22) increase in Council Tax, in 2025/26 the Council Tax income foregone is £1.170m and over the five-year period amounts to £3.389m.

6 Risk and Uncertainties

- 6.1 Section 8 of the Annex covers key risks that may impact upon the MTFs. There is a risk that the Council will not achieve Council Tax and Business Rates receipts as a result of Covid, in addition to risks surrounding the Fair Funding review, reform of the Business Rates system and consultation on the future of NHB all of which have been postponed for a further year. Upside risk is that Business Rates are not as significantly impacted and therefore the need for the use of the Organisation Stabilisation Reserve will diminish.
- 6.2 Expenditure pressures include the legacy of Covid and the continuing climate change and carbon reduction agenda. The Climate Change Action Reserve will assist in alleviating some of the pressure. All of these factors make longer term forecasting subject to even more uncertainty.

7 Implications

7.1 Financial Implications

These are detailed in the attached budget report (Annex). The Council is required to set a balanced budget for the 2021/22 financial year and the proposals present a balanced budget. In the opinion of the S151 Officer, a positive assurance is given that the budget is balanced, robust and affordable. The Capital Programme is achievable, realistic and resourced, with funds and

reserves including the General Fund, adequate to address the risks within the budget.

7.2 Legal Implications

The report complies with the Local Government Finance Act 1972.

7.3 Equalities Implications

There are no equalities implications.

7.4 Section 17 of the Crime and Disorder Act 1998 Implications

There are no S17 implications.

8 Link to Corporate Priorities

Quality of Life	Ensuring services that residents value are maintained and enhanced
Efficient Services	Ensuring efficient use of resources and maximising returns
Sustainable Growth	No direct impact
The Environment	Allocating resources to invest in projects that support the Council's environmental objectives.

9. Recommendation

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For more information contact:	Peter Linfield Executive Manager - Finance and Corporate Services 0115 914 8439 email plinfield@rushcliffe.gov.uk
Background papers Available for Inspection:	Department for Communities and Local Government (DCLG) website, 2021/22 Financial settlement papers
List of Annexes and Appendices (if any):	Annex to the Budget Report Appendix 1 Special Expenses Appendix 2 Revenue Budget Service Summary Appendix 3 Transformation Strategy and Efficiency Plan 2021/22 – 2025/26 Appendix 4 Capital Programme 2021/22 – 2025/26 (including appraisals) Appendix 5 Capital and Investment Strategy 2021/22 to 2025/26 Appendix 6 Use of Earmarked Reserves 2021/22 Appendix 7 Pay Policy Statement 2021/22