

2021/22 BUDGET SETTING FRAMEWORK AND TIMETABLE

AGENDA ITEM NO 13

MEETING: POLICY AND RESOURCES

DATE: 21ST OCTOBER 2020

REPORT BY: FINANCE MANAGER

1.0 Purpose of the Report

1.1 The purpose of this report is to seek approval from Members of the proposed framework and timetable for the setting of the Council's 2021/22 Revenue and Capital Programme Budgets.

2.0 Background to the Report

2.1 Members will recall that a report to the Policy and Resources Committee meeting on 26th August 2020 highlighted the challenges created by the ongoing Coronavirus pandemic and provided an initial assessment of the impact upon the Council's finances and budgets.

2.2 This report also highlighted that the pandemic had created considerable uncertainty around a number of key financial issues that would have implications for the Council's financial planning next year and beyond via the annual budget setting process and Medium-Term Financial Plan.

2.3 These issues included:-

- the ongoing Coronavirus pandemic and the risk of a significant second wave of infection leading to more stringent local or national lockdown measures and causing further financial losses;
- the Government's forthcoming Comprehensive Spending Review and the potential for cuts to local government funding;
- the potential impact of the above issue on the future payment of the Council Tax Support Grant;
- expected reductions in the Council Tax Base as a result of increasing unemployment and claims for council tax support; and
- the possibility of council tax referendum principles being extended to large town and parish councils.

2.4 The report highlighted that the lack of information around these issues, as well as the constantly evolving and changing Coronavirus situation meant that preparing a prudent, relevant and up to date Medium-Term Financial Plan would be very difficult.

2.5 It would also mean that the timetable and process for the setting of the 2021/22 Revenue and Capital Budgets would need to be adjusted to take account of these unprecedented and uncertain times.

2.6 It was therefore agreed at the meeting, that in light of the uncertainty around these issues, the Council would defer the update of the Medium-Term Financial Plan and adapt the budget setting process and timetable for the 2021/22 financial year.

2.7 This report provides details of the adjustments that will need to be made to both the process and timetable for the setting of the Council's 2021/22 Revenue and Capital Budgets.

3.0 2021/22 Budget Setting Framework and Process

3.1 The Budget Framework provides the means by which the Council's Medium-Term Financial Plan will be delivered, setting out the overall principles and assumptions for the development of the annual Revenue and Capital Budgets.

3.2 The 2021/22 Revenue and Capital Budget will be developed in accordance with the key principles set out in the current Medium-Term Financial Plan, which are:-

1. Continuing to provide all Council services, facilities and events and maintaining current standards of service.
2. Ensuring continued delivery of the Asset Management Plan via the Capital Programme Budgets.
3. Safeguarding a prudent level of balances and reserves.
4. Keeping any increase in council tax as low as possible.

3.3 The purpose of the budget setting process is to clearly identify and estimate, in a prudent, transparent and realistic way, the revenue costs and income associated with running the various services of the Council, and the capital investment that needs to be undertaken in order to deliver the Council's Asset Management Plan.

3.4 The aim is to ensure that sufficient budgetary provision is put in place in 2021/22 to ensure that all services can continue to be delivered effectively, that the Council's strategic aims and targets, as set out in the Service Delivery Plan, can be achieved, and that the Council can proactively respond to community needs and priorities.

3.5 This needs to be balanced against the financial resources that are likely to be available, bearing in mind the likely cuts to the Council Tax Support Grant funding, council tax base reductions, spending pressures such as pay awards and inflation, capital investment commitments, and the forecast fall in the Council's balances and reserves over the medium to longer term.

3.6 As highlighted earlier, there remains uncertainty over a number of key issues relating to the 2021/22 budget setting process and in particular the Council Tax Support Grant and council tax base figures.

3.7 The final figures are not likely to be known until later in the year, although provisional figures have been provided by Durham County Council.

3.8 An initial draft 2021/22 Revenue and Capital Budget has been developed at officer level during September and October using these provisional figures and in line with the latest information available.

3.9 In relation to the ongoing Coronavirus pandemic, it is almost impossible to predict how long the pandemic will last, what restrictions may still be in place by next April, and how these will impact on the Council budgets.

- 3.10 In order to keep the budget setting process as straight forward and 'future proof' as possible, it has been assumed that the worst of the crisis will be over by the start of the 2021/22 financial year, and the budgets have been prepared on the basis of 'business as usual'.
- 3.11 This means that if and when the pandemic is over, or at least under control, the Council will still have a budget in place to facilitate the continuation of all services, facilities and events.
- 3.12 If the pandemic does continue into the early months of 2021/22, it is proposed that any financial losses would be met from contingency budgets or Council reserves, although it should be borne in mind that in the current financial year, the net impact of the pandemic to date has actually been a saving to the Council Revenue Budget.
- 3.13 In terms of setting the draft 2021/22 Revenue Budget, additional budget provision will be made for unavoidable inflationary increases, estimated pay awards and any other committed increases in costs or falls in income, although no significant discretionary investment in services will be included in light of the uncertainties faced and the possible additional budget pressures and funding cuts faced by the Council.
- 3.14 An incremental budgeting process will be used in setting the 2021/22 Revenue Budget which will use the 2020/21 Revenue Budget as the starting point, and make adjustments to take account of the following changes in costs and income between the two years:-
- Unavoidable inflationary increases in running costs;
 - Estimated officer pay awards, salary increments, and any pension increases;
 - Any other unavoidable budget growth e.g. new legislative requirements e.g. COVID-19 mitigation measures, increased demand for services, contractual increases in costs;
 - Committed budget growth arising from already approved Council decisions;
 - Any approved additional revenue budget requests from service managers or Members;
 - Efficiency savings or budget reductions that have already been achieved and that can be removed from the budget;
 - Any new efficiency savings that have been identified; and
 - Changes in income such as increases in fees and charges for services, cuts to grant funding and increased or decreased demand for services.
- 3.15 In light of the possibility that council tax referendum principles may be extended to large town and parish councils from next year by the Government, the 2021/22 Revenue Budget is being prepared on the assumption of a maximum 2% increase in the Town Council Tax, with the aspiration of implementing a council tax freeze if this is achievable.
- 3.16 This is in recognition of the difficulties being faced by local taxpayers both during and in the aftermath of the Coronavirus pandemic.
- 3.17 Once finalised, this initial draft budget will be reported to the various committees, sub-committees and working groups of the Council during the November and December cycle of meetings.

- 3.18 Once further information is available on the various outstanding budget issues and uncertainties later in the year, an assessment will be undertaken as to what adjustments are needed to the draft budget.
- 3.19 This will take into account the latest information in relation to the following issues:-
- The Council Tax Support Grant figure;
 - The Council Tax Base figure;
 - The 2021/22 Local Government Pay Agreement;
 - Council Tax Referendum Principles for large Town Councils
- 3.20 Most of the above issues will be influenced by the Government Comprehensive Spending Review which is due to be undertaken later in the year, in November or December.
- 3.21 It is likely that the Council will need to identify savings to balance the 2021/22 Revenue Budget, particularly in the event that the Council Tax Support Grant is cut and if, as expected, further reductions are suffered to the Council Tax Base.
- 3.22 The Council may therefore need to prepare a 'second budget' to accommodate any savings that are required, later in the year or even early in the new year.
- 3.23 Early work will take place to identify possible options to deliver any savings requirement later in the year.
- 3.24 Options include increasing the precept and council tax by more than 2%, if permitted to do so by the government, adopting a zero-based budget setting approach, applying an across the board % reduction to all budgets, increasing fees and charges for services, or even looking at reducing or even ceasing specific services or events.
- 3.25 In relation to the 2021/22 Capital Programme Budget, the Council's Medium-Term Financial Plan highlights that the Council continues to face some quite significant capital investment commitments in relation to its assets over the coming years, linked to the delivery of the Asset Management Plan, and that the funding of this investment will see a deterioration in the level of the Council's Balances and Reserves.
- 3.26 In light of this, it is recommended that capital investment continues to be closely monitored and controlled in order to protect and preserve Council balances moving forward, and that the 2021/22 Capital Programme Budget is focussed on essential investment only, mainly on capital projects already identified in the Asset Management Plan.
- 3.27 There are also likely to be a number of capital projects that have been delayed in the current financial year as a consequence of the Coronavirus pandemic that will need to be carried forward into the 2021/22 financial year.

4.0 2021/22 Budget Setting Timetable

- 4.1 A detailed copy of the 2021/22 Budget Setting Timetable is attached in Appendix 1 to this report. The timetable is summarised below:-

- **September and October:** Development of the draft 2021/22 Revenue and Capital Budget proposals by Service Managers overseen by the Finance Manager;
- **Late October and early November:** The senior officer Performance Management Group and the Chairmen and Vice Chairmen Group to review the draft budgets;
- **25th November:** Draft 2021/22 Environment and Recreation Budgets reported to the Environment and Recreation Committees and the draft 2021/22 Capital Programme Budgets reported to the Asset Management Working Group;
- **2nd December:** Draft 2021/22 Policy and Resources Budgets reported to Policy and Resources Committee and the Charges Working Group to consider the Council's proposed fees and charges for 2021/22;
- **Early December:** Issue of the online budget survey;
- **December and early January:** Consideration of feedback from the committee meetings and budget survey, and development of the final budget proposals, incorporating any savings required following the Government's Comprehensive Spending Review and the final notification of the Council Tax Support Grant and Council Tax Base figures by Durham County Council;
- **20th January:** Final 2021/22 Revenue and Capital Budgets to be reported to and approved by Policy and Resources Committee;
- **27th January:** 2021/22 Precept to be approved by Full Council and Council Tax increase to be declared.

5.0 2021/22 Budget Consultation

- 5.1 It is important that the Council consults with local taxpayers on its future spending plans and takes those views into account when making spending decisions and setting the annual budgets.
- 5.2 In previous years, the Council has sought the views of local taxpayers via an online budget survey, promoted via the Council website, local press, social media and Council newsletter, as well as holding budget consultation events with the Council's Customer Panel group and via public drop in events.
- 5.3 In light of the ongoing pandemic situation, it is *not* recommended that any public events are held this year and that the budget consultation is undertaken via an online survey only.
- 5.4 In reality, public engagement with the Customer Panel budget consultation meeting and drop in events have been very poor in recent years, whilst engagement with the online survey has been much better. It is not therefore felt that there will be any negative public reaction to this proposed change in the consultation process.
- 5.5 An online budget survey will be published in early December, and widely publicised on the Council website, in the local press (Newton News and Aycliffe Today), and on the Council's social media channels (Facebook and Twitter).

5.6 Feedback from the budget consultation would then be reported back to members to inform the final decisions regarding the setting of the Council Budget in January.

6.0 Progress on Budget Setting Process to Date

6.1 The deadline for service managers to finalise and submit their draft budgets for 2021/22 is the 23rd October

6.2 The senior officer Performance Management Group and the Chairmen and Vice Chairmen Group are due to meet in late October or early November to review the draft budget proposals, before the draft 2021/22 Revenue and Capital Budgets are presented to Environment, Recreation and Policy and Resources Committees on 25th November and 2nd December respectively.

6.3 Good progress has been made to date in the preparation of the draft budget submissions, and no problems are anticipated in meeting the deadlines set out in the budget timetable.

6.4 Early indications are that a balanced 2021/22 Revenue Budget, that maintains current services can be delivered, on the basis of a small increase in the Town Council Tax next year.

6.5 A draft 2021/22 Capital Programme of Budget of £193,500 has currently been identified.

6.6 It remains likely that when the final Council Tax Support Grant and Council Tax Base figures are notified by Durham County Council later in the year, further savings will be required to balance the 2021/22 Revenue Budget.

6.7 There are absolutely no guarantees around the Council Tax Support Grant, which currently totals £165,000 per year; with the future receipt of this grant very much linked to the outcome of the Government's Comprehensive Spending Review.

6.8 Additionally, early indications from Durham County Council indicate that the Council is facing further reductions in its Council Tax Base next year due to an increased incidence of council tax support claims as a result of increased unemployment, and a stagnant housing market and slow-down in new build construction.

6.9 Work will shortly commence therefore to begin looking at options for identifying possible options to deliver any savings requirement in developing the final budget proposals later in the year.

6.10 Service managers have already been asked to begin identifying possible savings within their budgets should the Council need to apply an across the board % reduction to all budgets.

6.11 As highlighted earlier, other options available to the Council include increasing the precept and council tax by more than 2% if council tax referendum principles are not applied, increasing fees and charges for services, or looking at reducing or even ceasing specific services.

7.0 Policy Implications

7.1 The Budget Framework and Timetable conforms to Strategic Aim 2 in the Council's Service Delivery Plan:

"To manage the Council's finances and assets in a responsible manner".

8.0 Staffing Implications

8.1 Service managers are responsible for the development of the budgets for their areas of responsibility.

8.2 All service managers have been issued with a copy of the Budget Framework and Timetable as well as detailed guidance notes for setting of the 2021/22 Revenue and Capital Budgets.

8.3 Managers will be fully supported by the Finance Manager in the preparation of their draft budget submissions.

8.4 The Finance Manager is managing and co-ordinating the budget setting process and the draft budgets will be agreed by the senior officer Performance Management Group before being reported to Members.

9.0 Financial Implications

9.1 The financial implications for the Council are fully set out in the report

10.0 Crime and Disorder Implications

10.1 None.

11.0 Equal Opportunities Implications

11.1 None.

12.0 Environmental Implications

12.1 None.

13.0 Risk Assessment

13.1 A risk assessment is not necessary at this early stage of the budget setting process.

13.2 A full risk assessment was included in the Medium-Term Financial Plan and a further risk assessment will be included prior to the setting of the 2020/21 Precept in January, confirming the robustness of the budget estimates and the adequacy of the proposed levels of balances and contingencies.

14.0 General Data Protection Regulations (GDPR)

14.1 There is not any personal or sensitive data required for this proposal which may have any implications for GDPR.

15.0 Recommendations

15.1 It is recommended that the budget framework and timetable for the setting of the Council's 2021/22 Revenue and Capital Budgets is approved.

2021/22 Budget Setting – Reporting Timetable

Appendix 1

Working Group or Committee	Meeting Date
<u>Performance Management Group</u>	
Managers to agree the initial draft 2021/22 Revenue and Capital Budgets for reporting to Committees during October.	Week Ending 30th October 2020
Follow up meeting, if required, to agree the final 2021/22 Revenue and Capital Budgets for reporting to the Policy and Resources Committee on 20th January 2021.	Week Ending 18th December 2020
<u>Chairman's Group / Labour Group / Independent Group</u>	
Meetings, as required, to consider the draft 2021/22 Revenue and Capital Budgets and agree the figures for reporting to Committees in October.	Week Ending 6 th November 2020
Meetings, if required, to consider and agree the final 2021/22 Revenue and Capital Budget to be reported for approval at the Policy and Resources Committee on 20th January 2021.	Week Ending 8th January 2021
<u>Budget Consultation Event and Launch of the Budget Survey</u>	
The online budget survey will be launched and publicised via the local press and social media alongside press releases on the 2021/22 draft Revenue and Capital Budget.	Week Ending 4 th December 2020
<u>Policy and Resources Committee</u>	
To approve the 2021/22 Budget Framework and Budget Setting Timetable and agree the format of the 2021/22 Budget Consultation	Wednesday 21st October 2020
To consider the draft 2021/22 Policy and Resources Revenue and Capital Budgets and provide feedback and proposed amendments to the Chairman and Vice Chairman.	Wednesday 2nd December 2020
To consider and approve the final 2021/22 Revenue and Capital Budget proposals including feedback from the budget consultation process.	Wednesday, 20 th December 2020
<u>Environment Committee</u>	
To consider the draft 2021/22 Environment Revenue and Capital Budgets and provide feedback and proposed amendments to the Chairman and Vice Chairman.	Wednesday 25th November 2020
<u>Recreation Committee</u>	
To consider the draft 2021/22 Recreation Revenue and Capital Budgets and provide feedback and proposed amendments to the Chairman and Vice Chairman.	Wednesday 25th November 2020
<u>Asset Management Group</u>	
To consider the draft 2021/22 Capital Programme Budget and to make recommendations to the Policy and Resources Committee including any proposed amendments.	Wednesday 25th November 2020
<u>Charges Working Group</u>	
To consider the proposed increases to fees and charges for services for 2021/22 and make recommendations to the Policy and Resources Committee.	Wednesday 2nd December 2020
<u>Full Council</u>	
To consider and approve the final 2021/22 Revenue and Capital Budget and to set the 2021/22 Precept and Council Tax.	Wednesday 27th January 2021