

Chichester District Council

THE CABINET

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Budget Spending Plans 2021-22

1. Contacts

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2. Executive Summary

The Financial Strategy was approved by Full Council on 19 January 2021, which included the key financial principles and the 5 year Financial Model that underpins the Council's approach to financial planning for the medium term.

In preparing for the 2021-22 annual revenue budget any major variances identified in this current year, which are also expected to have an ongoing impact, have been reflected in the draft budget. These include an estimation of the likely impact of the COVID pandemic. The draft budget also takes into account any service delivery changes, service cost pressures and other funding pressures that are in line with the Council's key priorities. The key major variances are set out in appendix 1 of this report.

The draft budget assumes a £5 council tax rise.

Full Council will set the budget and council tax in March 2021. This report concentrates on the proposed budget spending plans, which are a robust financial estimate of the resources required to deliver council services and reflects the Provisional Local Government Finance Settlement for 2021-22.

3. Recommendations

3.1 That the Cabinet recommends to the Council:

- (a) That a net budget requirement of £15,041,200 for 2021-22 be approved.
- (b) That Council Tax be increased by £5.00 from £165.81 to £170.81 for a Band D equivalent in 2021-22.

- (c) That a contribution from the General Fund Reserve of £2,099,300 be approved to help fund the 2021-22 budget.**
- (d) Should the final settlement differ from the draft settlement, the sum in 3.1 (c) above be adjusted accordingly.**
- (e) The capital programme, including the asset renewal programme (appendix 1c and 1d of the agenda report) be approved.**

3.2 That the Cabinet further notes:

- (a) The current estimated resources position set in appendix 2 of the agenda report, and**
- (b) The budget variances included in the Draft Budget Spending Plan as set out in appendix 1b of the agenda report.**

4. Background

- 4.1 This report sets out the proposed annual budget for revenue spending for the forthcoming financial year 2021-22 and the rolling 5 year capital and asset replacement programmes. The detailed revenue budget builds upon the work undertaken for the Financial Strategy, which was considered by the Cabinet at its December 2020 meeting and by the Council in January 2021, and also incorporates the first year of the efficiency savings identified in the Future Services Framework.
- 4.2 For the first time in many years, the Council is recommended to set a budget that uses General Fund Reserves to help balance its finances. This is in line with the approach approved last summer by Council when addressing the likely impact on the Council's finances as a result of the COVID pandemic. Council has also approved the Future Services Framework which will gradually return the Council to a balanced financial position without using reserves over the medium term. Thus enabling valuable public services to be protected in the interim.
- 4.3 The draft financial settlement from the Government is a one year settlement. With the impact of COVID still being felt across the Local Government sector a number of new support packages were announced for 2021-22. Key announcements that impact on the 2021-22 budget include:

	Draft Settlement / Purpose	Impact	How Treated in the Draft Budget
Council Tax	Shire Districts can increase their Council Tax by 2% or £5, whichever is greater.	For Chichester, a £5 increase equates to £269,900, whereas a 2% increase would equate to £179,000.	A £5 increase has been assumed in the budget.
Sales Fees and Charges compensation scheme	This scheme which has operated in 2020-21 has been extended to the	This is worth approximately £227,000, although the final	This has been credited to the draft budget, reducing the

	Draft Settlement / Purpose	Impact	How Treated in the Draft Budget
	end of June 2021. This compensates councils for a proportion of their non-commercial income that has been lost due to COVID at a rate of 75pence per £1 lost, after the first 5% of all losses.	amount received will not be known until after June 2021.	deficit.
COVID support grant	Four tranches of general COVID support grant were received in 2020-21 amounting to £1,671,565 A further allocation has now been announced for 2021-22.	A grant of £569,449 will be received in the first quarter of 2021-22. This is a general grant to meet costs incurred in relation to COVID.	This has been credited to the budget to meet additional costs.
Local Council Tax Support Scheme	This scheme has been introduced to compensate local authorities for increasing CTR claims during 2021-22. Councils can however choose to use this funding to support vulnerable households via welfare systems.	Indicative allocations included with the draft settlement indicate that this grant may be worth £159,916. This funding could be used to reduce the deficit on the Council's budget, or used to fund additional welfare systems.	The grant has been set aside for use in 2021-22 to make additional welfare payments. Officers are currently in dialogue with other precepting authorities to seek match funding for a local Council Tax Hardship fund in 2021-22.
Lower Tier Services Grant	This is a new grant payment which largely off-sets reductions to the New Homes Bonus (NHB) grant for authorities who did not experience tax base growth due to the pandemic.	Indicative allocations contained in the draft settlement suggest that this grant will be worth £95,901.	Since we do not use NHB to fund revenue services this has been credited to the NHB reserve.

4.4 Local Tax Income Guarantee Scheme.

4.4.1 In addition to the above, the government have also prescribed how Billing Authorities should deal with deficits created on their Council Tax and Business Rate Collection Fund for 2020-21, and how those deficits should be dealt with going forwards. Ordinarily any Collection Fund deficits in the current year are recovered in the following financial year. So deficits arising in 2020-21 would normally be fully charged to the financial year 2021-22. These are shared by the various relevant authorities.

4.4.2 Council Tax - The deficit on the Collection Fund for Council Tax at 31 March 2021 is estimated to be £1,614k. The Government requires that the part of the deficit arising in respect of 2020-21 (£699k) is spread over three years commencing 2021-22. Adjusting for this, the actual amount recovered in 2021-22 will be £1,148, with the remaining £466k spread equally over the next two financial years, as follows:

	2021-22	2022-23	2023-24
Chichester DC	£140,946	£28,634	£28,634
West Sussex CC	£884,304	£179,649	£179,649
Sussex Police	£122,872	£24,962	£24,962
Total	£1,148,123	£233,245	£233,245

4.4.3 Business Rates – The Government’s announcements in February and March 2020 of expansions to retail and other COVID related reliefs reduced the actual collectible taxation income in-year by a forecast £29m. Together with necessary adjustments to non-payment and appeal provisions, this is expected to create a deficit on the Business rates collection fund at 31 March 2021 of £33.44m. As with Council Tax, part of this deficit is required to be spread over three financial years. Adjusting for this, the amount recovered in 2021-22 will be £31.215m, with the remaining element recovered in 2022-23 and 2023-24 as follows:

	2021-22	2022-23	2023-24
Chichester DC	£12,268,924	£445,613	£445,613
West Sussex CC	£3,610,393	£111,403	£111,403
Government	£15,336,155	£557,016	£557,016
Total	£31,215,472	£1,114,032	£1,114,032

The Government has already funded the effect of Covid and other business rates reliefs through section 31 grant payments received in 2020-21. The Council’s 2021-22 budget allows for this funding to be carried forward to offset the future charges against the Council’s General Fund set out above. As with Council Tax, the Government has committed to fund any further in-year deficits through the Local Taxation Guarantee Scheme and the funding for this will be determined at the year end when the full extent of any in-year losses are known.

The effect of these deficits on the Council’s budget is that the Council Tax deficit of £140,946 will be charged to the Council’s budget in 2021-22. However, the Business Rates deficit of £12,268,924 is fully funded in 2020-21 and has no impact on the draft budget for 2021-22.

- 4.5 The preparation for the 2021-22 budget has been much more difficult than in previous years. This is partly due to the additional complexities of new funding streams, and the treatment of collection fund deficits as set out above. But it has also been more difficult for managers to estimate with any accuracy their income budgets for next year. The current lockdown came part way through the budget process and has meant that many budgets have had to be revisited. Undoubtedly in the history of Chichester District Council this budget is far less certain than any other that preceded it. However, officers have diligently produced a budget that is as accurate as could possibly be prepared.
- 4.6 As anticipated the New Homes Bonus scheme (NHB) announced as part of the provisional financial settlement for 2021-22 will be for one year only. It is still expected that this scheme will be phased out or radically overhauled in the future. For 2021-22 the Council has been awarded in total £1.461m of NHB.
- 4.7 The bottom line of the budget indicates a draw against the General Fund Reserve of £2,099,300. This is greater than anticipated in the 5 year financial model due mainly to additional reductions in income, and additional costs associated with leisure provision (please refer to the exempt leisure report on this agenda). These additional budget pressures are thought to be temporary in nature, although they will of course have to be kept under review as the pandemic evolves. As such these do not detract from the longer term projections used to inform the Future Services Framework programme and the resulting efficiency measures being put in place to ensure we can return to a balanced budget without using reserves.
- 4.8 The draft budget process is an all-inclusive process with the Divisional Managers and service budget managers working with the accountancy team, under the leadership of the Strategic Leadership Team (SLT). The result is a budget that is as robust as it could possibly be in the current circumstances, ensuring financial resources match service delivery priorities.

5. Outcomes to be Achieved

- 5.1 A robust financial estimate of the resources needed to deliver council services in 2021-22.
- 5.2 To seek the Cabinet's approval on the draft spending plans and to make appropriate recommendations to the Council to determine the council tax at its meeting on 2 March 2021.
- 5.3 While recognising the objective to return to a position of having a balanced budget without the need to use reserves, to set a realistic budget for 2021-22 drawing on the General Fund Reserve to protect valuable community services while the Future Services Framework programme is implemented.

6. Proposal

Council Spending – Budget for 2021-22

- 6.1 The purpose of this report is to consider the draft budget spending plans ahead of the Council meeting in March, when the council tax and budget will be set for the

forthcoming financial year. The plans, if adopted, will set the spending parameters for services and officers for 2021-22.

- 6.2 The Council has a statutory duty to prepare a balanced annual revenue budget and it is also good financial management to do so within the context of its medium term financial strategy. The dominating variable in achieving a balanced financial position for 2021-22 is of course the current COVID pandemic and associated lockdowns. This has made it difficult to predict levels of income from fees and charges and business rates, and has created other budget pressures in some service areas.
- 6.3 The revenue estimates for 2021-22 are shown in the Budget Summary Statement in appendix 1a. This statement provides for the net cost of each Cabinet portfolio and shows the calculation of the budget requirement, the council tax requirement and also the proposed Band D council tax charge for 2021-22.
- 6.4 The draft spending plans are based on opting for a council tax increase of £5 per Band D property or 10 pence per week; this will generate an additional £269,900 per year for the council. This will assist the authority to meet its long term objective of protecting public services to its community. The council tax referendum principles for shire district councils were set as the higher of either 2.0% or £5 (which equates to an increase of 3.02%).
- 6.5 The draft budget requirement is calculated after deducting income arising from fees and charges; the remaining balance has to be financed from council tax, retained business rates, other government grants, and reserves. Currently the Council receives around £16.9m of income each year from fees and charges for services e.g. car parking, trade and green waste, estates rents, planning and building control fees. This is expected to reduce by £2.3m in 2021-22 as a result of the pandemic.
- 6.6 The draft budget requirement includes a number of service cost pressures and service delivery changes identified during this budget cycle, the details of which are set out in appendix 1b along with growth items amounting to £220,000.
- 6.7 The draft budget shows a net deficit of £2,099,300 for 2021-22, which is funded from the General Fund Reserve. The expectation reflected in the Financial Strategy is that in future years the Government's funding review will reduce funding to shire district councils further. This combined with cost pressures and uncertainty concerning some of the Council's income streams following the pandemic, means that officers currently anticipate a shortfall in resources in the following three years while the Future Services Framework programme is implemented.
- 6.8 If there is any change in the final settlement for 2021-22, it is recommended that this should be dealt with by adjusting the amount transferred from the General Fund Balance.
- 6.9 SLT and budget managers are required to adhere to robust proactive financial management principles to protect the Council's financial position, including monitoring both in year budgets and considering the medium term financial strategy. This ensures that the Council is able to be proactive rather than reactive to securing the financial stability over the medium term.

Capital Programme and Asset Renewal Programme (ARP)

- 6.10 The current Capital Programme is set out in appendix 1c. This is based on schemes previously approved by the Cabinet or the Council.
- 6.11 Appendix 1d sets out the projects within the five-year Asset Renewal Programme. These are funded via contributions from the Council's revenue budget into a reserve set up for this purpose. This ensures the Council is able to fund its replacement assets on a recurring basis. The annual contribution to this fund now stands at £1.452m following a detailed review of the services' asset requirements as part of the budget process. Under the Council's Constitution and in accordance with the project management process (i.e. those over £50,000) will be subject to a Project Initiation Document (PID) before funds are released.
- 6.12 The anticipated spend on infrastructure projects is based on the latest approved Infrastructure Business Plan (IBP), which are contained within appendix 1c. These projects will be subject to approval in accordance with the Community Infrastructure Levy (CIL) governance arrangements, and the adherence to the Council's Constitution.
- 6.13 Linked to the spending plans of the Council are the Capital Strategy and the Treasury Management and Investment Strategies. These were considered as part of the Cabinet meeting on 2 February.

Reserves

- 6.14 The current Resources Statement is detailed in appendix 2. This includes the £8m members allocated last July to address the pandemic, of which approximately £3m will be utilised in 2020-21, and £2.1m used in setting this draft budget. This statement indicates that the Capital Programme and Asset Renewal Programme remain funded from the Council's own resources. This should be read in conjunction with appendix 3 which sets out the different reserves held by the Council as at 31 March 2020, their purpose and the authorisation required to fund expenditure against those reserves.
- 6.15 The minimum level of reserves was agreed by Council remains at £4m.

Capital Prudential Indicators and Minimum Revenue Provision (MRP) Policy

- 6.16 As part of the budget process the Council needs to ensure that all of its revenue and capital expenditure and any borrowing are prudent and sustainable. This includes taking into account its arrangements for repaying any debt, through the Minimum Revenue Provision (MRP) policy.
- 6.17 The Council's draft Treasury Management Strategy and Policy for 2021-22 as discussed at 2 February cabinet meeting, is linked to the Council's spending plans and the management of its cash flows and investments decisions.
- 6.18 Appendix 4 sets out the statutory capital prudential indicators and the Council's MRP policy for the coming financial year and the Council's plans detailed in the Capital Strategy.

7. Alternatives Considered

- 7.1 The Council is legally obliged to set a balanced budget, although for this forthcoming year in accordance with the Future Services Framework using an element of reserves to do so. The draft budget has therefore been prepared on that basis. However, the level of council tax is a local determination, taking into account the government's criteria and expectation of tax increases before triggering a local referendum. The criteria announced as part of the provisional financial settlement in December 2020, was that council tax can be increased by the higher of 2% or £5; therefore members could reduce the level of increase currently incorporated in the proposed budget for 2021-22. However, doing so foregoes additional income not only in 2021-22 but in all subsequent years as well. With a deficit anticipated for the following three years this option is not recommended. It should be noted however, that the Local Council Tax Support grant (£160k) is however being earmarked for match funding with other preceptors to create a Local Council Tax Hardship Fund for 2021-22 to assist those most in need of assistance.
- 7.2 Members could choose to allocate additional resources in 2021-22. Any recurring expenditure would however, worsen the already anticipated deficits in subsequent years, and potentially result in having to revisit the Future Services Framework to identify further savings. The agreed financial principles of the Council require compensating savings to be identified before additional expenditure or reductions in anticipated income are agreed.

8. Resource and Legal Implications

- 8.1 The primary objective of this report is to determine the budget spending plans for 2021-22 against a background of the pandemic and ever-tightening financial constraints on public services. The estimates represent robust financial projections for the provision of council services, and adhere to the statutory obligation to set a balanced budget.
- 8.2 Section 25 of the Local Government Act 2003 requires the Section 151 Officer i.e. the Director of Corporate Services to report to members on the robustness of the estimates and the adequacy of reserves when considering the budget and council tax. This is so that members have authoritative advice available to them when making decisions on a budget that sets out estimates of what they plan to spend on each of the services. It is the view of the Director of Corporate Services that the processes followed are sound and well established, the resultant estimates are robust, and reserves are at an adequate level.
- 8.3 Regular monitoring reports are brought to members covering revenue budgets, the capital programme and asset replacement programme, along with updates to the Financial Strategy and plan including analysis of the resources and the affordability of the capital programme. The Director of Corporate Services having considered the risks associated with the Council's capital investment plans is of the view that they are affordable, having taken into account the measures that the authority has in place for mitigating against those risks. These measures include ensuring the adequacy of reserves to be held, regular monitoring of expenditure against the capital programme, and the expected resources available to fund those capital investment plans as detailed in the Capital Strategy.

8.4 The Director of Corporate Services is satisfied that the estimates used for Business Rates (the NNDR 1) are robust and prudent. This annual return is required by the end of January and therefore will have been submitted to government before the date of the Cabinet meeting. As in previous years this return is required by the Ministry of Housing, Communities and Local Government (MHCLG) to be authorised by the Council's Section 151 Officer i.e. the Director of Corporate Services.

9. Consultation

9.1 In line with previous years, the revenue budget spending plans were considered by a task and finish group set up jointly by the Overview and Scrutiny, and Corporate Governance and Audit Committees. This is a very useful debate in terms of testing the changes in the budget from 2020-21 to the draft budget for 2021-22.

9.2 The Draft Budget Spending Plan has been made available via the Council's website at [Annual budget: Chichester District Council](#) to encourage feedback on the budget and the balance of spending against taxation. This gives the opportunity for any interested party to state their opinion on priorities and resource allocation. Any comments received will be made available to members either at the Cabinet or the Council before the council tax and budget are set.

10. Community Impact and Corporate Risks

10.1 Where services have been changed or reduced through the Council's deficit reduction programme, the community impact will have been minimised as far as possible. Any significant impact to the community will have been assessed as part of the Cabinet's decision process at that time. General service efficiencies which do not impact on the community are managed by the Council's management team in consultation with the Cabinet members. This report represents the culmination of those previous decisions including the first year of efficiencies under the Future Services Framework.

10.2 The growth items included in the proposed budget takes account of increased service delivery demands, service delivery changes and other budget pressures which are linked to the Council's key priorities.

10.3 The resources statement currently indicates a surplus of resource after taking into account all commitments. However, this statement includes a number of capital receipts that are not yet secured. In considering the risks associated with the proposed spending plans, the potential liquidity risk (cash flow) is considered within the Treasury Management and Investment Strategies.

10.4 Due to the potential impact on the economy as a result of the COVID pandemic and the Government's view on public service spending there remains a great deal of uncertainty, which may have an impact on the Council's financial stability in the medium term. These risks will need to be monitored closely as further detailed information is obtained.

10.5 The Council's own reliance on income generating services may be adversely affected by economic uncertainty which could impact the community that uses the council's discretionary services. The impact of this risk has been considered in the draft

budget as £2.3m of income has been removed from various income targets for 2021-22 reflecting a reduction caused by the pandemic.

11. Other Implications

	Yes	No
Crime and Disorder		✓
Climate Change and Biodiversity		✓
Human Rights and Equality Impact		✓
Safeguarding and Early Help		✓
General Data Protection Regulations (GDPR)		✓
Health and Wellbeing		✓

12. Appendices

12.1 Appendix 1 - Draft Budget Spending Plan 2021-22

(Incorporating appendices 1a to 1d)

- Appendix 1a Draft Budget Summary Statement.
- Appendix 1b Analysis of major budget variations
- Appendix 1c Capital and Projects Programme 2021-22 to 2025-26
- Appendix 1d Asset Replacement Forecast 2021-22 to 2025-26

12.2 Appendix 2 - Capital Programme Resource Statement

12.3 Appendix 3 – Reserves Statement

12.4 Appendix 4 – Capital Prudential Indicators and MRP Policy

13. Background Papers

13.1 None