

OVERVIEW AND SCRUTINY COMMITTEE

DATE OF MEETING: 15 SEPTEMBER 2020

TITLE OF REPORT: REVISED DRAFT BUDGET 2020/2021 AND OUTTURN PERIODS 1-4

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 revised revenue proposals for 2020/2021 to enable Overview and Scrutiny Committee to forward its comments on the proposed draft revised budget and Council Tax levels to Cabinet.
- 1.2 This revised budget is necessary due to the unforeseen COVID-19 pandemic.
- 1.3 The original budget was agreed by Council on the 27th February 2020.
- 1.4 This revised budget takes into account both lost income from fees and charges and also includes calculations made that we will receive funding from Central Government to compensate income lost.
- 1.5 Expenditure for the expenditure periods to date is provided in **Appendix One** which is to follow.

2 OFFICER RECOMMENDATION

- 2.1 That the Committee forwards to Cabinet any comments it has on the approach adopted to preparing the draft revised budget.
- 2.2 That the Committee considers any recommendations it wishes to make to Cabinet in regard funding any shortfall in lost income due to Covid-19 from the the General Fund after all Central Government funding schemes have been fully engaged with.

3 BACKGROUND INFORMATION

- 3.1 The Government postponed the Spending Review due in 2019 and instead published a short-term (one-year) Spending Round. In doing so it has:
 - waived the potential for negative RSG for 2020/2021
 - postponed any decision to localise Business Rates until 2021/2022 but it has promised wider changes to the Business Rates system
 - postponed until 2021/2022 any Fair Funding Review that would revise the methodology for distributing Rate Support Grant (RSG) and business rates across the county

- Committed itself to reviewing New Homes Bonus (NHB) after consultation in Spring 2020.

Of the above proposals we currently have minimal assurance that the above proposals have remained on track and therefore there remains a large amount of uncertainty for 2021/22 onwards. This means we currently have to review the draft budget as a stand-alone year and cannot consider any future funding to cross-subsidise this year's expenditure pressures.

- 3.2 The Government has however launched a scheme to compensate authorities for lost fees and charges which have been driven by the Covid-19 pandemic. The income-loss scheme will involve a 5% deductible rate whereby Councils will absorb losses of 5% of planned sales, fees and charges income with the government compensating them for 75 pence in every £1 after this lost.

4 CONSIDERATIONS APPLIED TO THE REVISED BUDGET

- 4.1 The COVID-19 pandemic coincided with the start of the 2020-21 financial year. The Council has a social duty to respond to the needs of the community and consequently some regular services were suspended, and others introduced. Consequently, the previously agreed budget has been re-cast reflecting the new situation.

- 4.2 The original 2020-21 budget was built using an incremental approach. It included areas where resources could be saved as well as opportunities to secure new sources of income. The timing and nature of the COVID-19 pandemic has limited our opportunities in increasing income.

- 4.3 The following areas represent some of the more significant and ongoing pressures:

- Fall in income due to suspension of parking fees
- Fall in income due to change in law forcing the Leisure Centres to close
- Contract changes & inflation increases
- IT infrastructure investment for remote working
- Modifications to the Civic Offices to ensure Covid-safety.
- Reduction in income for licenses and inspections.
- Reduction in income from planning fees.

- 4.4 The below table shows the anticipated pressures and losses set against the expected Covid funding from Central Government.

Area	Estimated value £'000
Leisure	1100
Parking	500
Other	60
Additional Expenditure	310
Total	1970
Est Government Contribution inc grants	(1696)
Net loss	274

5 BUDGET APPROVED vs. REVISED BUDGET

5.1 The table below summarises the revised draft budget for 2020/2021 compared to the approved 2020/2021 budget

	202	2020/2021	
	Budget	Draft	
	£0	£0	
Net Service Budget	9,448	9,174	3% reduction on average across budgets
SANG Expenditure	258	258	Funded from allocated S106 receipts
Cost of Service	9,706	9,432	
Debt Interest	12	12	
MRP	445	469	
New Homes Bonus	-2,377	-2,377	Revised for actuals
Pressures	944	1,218	Initial plus 4.4 total
Net Expenditure	8,754	8,754	
Financed by			
Council Tax	-7,269	--7,269	Agreed Council Tax
Business Rates Retained	-1,297	-1,297	Local Government Settlement
Collection Fund – CT Surplus	-31	-31	Collection Fund estimate
Collection Fund – NNDR Deficit	154	154	Collection Fund estimate
S106 receipts	-53	-53	Allocation as per approved expenditure
SANG receipts	-258	-258	Allocation as per approved expenditure
Total Financing	-8754	-8,754	
Transfer to Reserves	0	0	

- 5.2 Line by line review of all budgets has been taken into consideration which overall leads to a reduction in net expenditure of 3%. Should this not be achievable then a further report will be brought to Full Council seeking draw-down from reserves.
- 5.3 The revised budget anticipates we will be successful in our claims to Central Government for lost income. Should this not be the case then a further report will be brought to Council seeking draw-down from reserves.
- 5.4 Any subsequent costs relating to the delivery of the Corporate Services Contract will need to be approved separately by Members and funded from General Fund Reserve.
- 5.5 The major revenue funding issues looking beyond 2020/21 are:
- Spending Review 2020 – 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
 - 75% business rates retention from 2021/2022
 - General delays and uncertainty on future funding caused by Covid-19

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APPENDICES

Appendix One – Expenditure