

POLICY & FINANCE COMMITTEE

22 FEBRUARY 2021

2021/22 PROPOSED GENERAL FUND REVENUE BUDGET

1.0 Purpose of Report

- 1.1 To enable the Policy & Finance Committee to consider the spending proposals in the Council's proposed 2021/22 General Fund revenue budget.
- 1.2 To enable the Committee to make recommendations on the 2021/22 budget to Full Council for its meeting on 9 March 2021.

2.0 Background Information

- 2.1 This report sets out details of the council's proposed General Fund revenue budget for the 2021/22 financial year. The budget proposals were formulated in accordance with the framework set out in the council's Constitution, and builds on the draft 2021/22 GF revenue budget reports presented to each functional Committee last month. The GF revenue budget has been prepared in accordance with the council's budget setting strategy for 2021/22 which was approved by this Committee on 25 June 2020.

3.0 Financial Summary

- 3.1 The council's proposed 2021/22 General Fund (GF) revenue budget is shown in further detail in **Appendices A1** and **A2** to this report. The current overall position is summarised below:

Line in Appendix A1		2021/22 (£)
5	Total service budgets	17,043,600
11	Total other operating income & expenditure	1,427,620
16	Total financing and investment income & expenditure	(348,980)
28 & 29	Less capital reversals	(2,241,300)
	Total Expenditure	15,880,940
17 to 21	Other government grants	(1,117,480)
22	New Homes Bonus (NHB)	(1,187,310)
23 to 26	Non-Domestic Rates (NDR) (Business Rates)	(7,565,810)
30 & 31	Contributions to or (from) Usable Reserves	1,683,040
33	Net call on Council Tax	7,693,380
34 to 36	Council Tax Adjustments	(411,640)
37	Amount to collect through Council Tax	7,281,740

4.0 Development of Proposed 2021/22 General Fund Revenue Budget

- 4.1 The proposed 2021/22 General Fund revenue budget collates various types of information, such as the:
- level of government grant receivable;
 - expected level of council tax and business rates income;
 - expected level of other income, such as from fees and charges;

- d) expected level of spend on employees; and
- e) expected use of reserves.

4.2 The sub-sections in this part of the report summarise these and other areas of importance.

Local Government Finance Settlement: Settlement Funding Assessment (SFA)

4.3 The annual Local Government Finance Settlement provides councils with the amount of government grant and other information crucial for setting the next financial year’s budget. The provisional settlement was announced on 17 December 2020. The final settlement has yet to be announced.

4.4 The Settlement Funding Assessment (SFA) which the government will give councils next year is a combination of Revenue Support Grant (RSG) and the council’s local share of redistributed business rates.

4.5 The government will pay Newark and Sherwood £3.762m in SFA for 2021/22. This amount is the same as 2020/21. The table below breaks down the council’s SFA for the four financial years between 2018/19 and 2021/22. This shows a reduction in government funding of 16.1% over that period.

	2018/19 (£)	2019/20 (£)	2020/21 (£)	2021/22 (£)
Revenue Support Grant (RSG)	592,374	82,785	84,134	84,599
Baseline Funding Level (BFL)	3,537,702	3,618,775	3,677,736	3,677,736
Compensation for under-indexing the Business Rates multiplier	81,072	117,923	147,404	191,626
Settlement Funding Assessment (SFA)	4,211,148	3,819,483	3,909,274	3,953,961

4.6 The freeze in the 2021/22 SFA is because of delays to government’s reform of the local government finance system. The government’s planned reforms are mainly to increase the proportion of business rates retained locally; and to make fairer the government’s annual funding allocations for local authorities. The government previously intended for these reforms to take effect from 2020/21, though now intends for these reforms to take effect from 2022/23. In light of this one year delay, the government have rolled forward the 2020/21 settlement for 2021/22.

4.7 The overall core spending power for the Council includes the Settlement Funding Assessment and other areas of government funding. The table below shows the governments assumption on the Council’s core spending power (CSP):

2020/21 (£m)	Funding Type	2021/22 (£m)
3.909	Settlement Funding Assessment	3.954
7.018	Council Tax	7.305
1.741	New Homes Bonus	1.187

0.000	Lower Tier Services Grant	0.220
0.038	Rural Services Delivery Grant	0.040
12.706	Total	12.706

This shows that, using the government's assumptions regarding housing growth and increases in the average band D council tax amount, the council's CSP for 2021/22 is the same in cash terms as for 2020/21. Together with employee and other costs increasing due to inflation, the table above shows that the council's funding has actually reduced in real terms.

The above is based solely on the government's projections. The reality around Council Tax is somewhat different from this. The table in section 3.1 shows that the actual Council Tax the council expects to be able to generate during 2021/22 will be £7.282m; £23,000 less than the government's forecast. Factoring £7.282m into the table above, the council's total spending power for 2021/22 is £12.683m; a reduction of 0.2%. Where the impact of the increase in Council Tax is taken out, this then represents a 5% reduction in core spending power.

- 4.8 In addition to the council's BFL payment from the government, the council may also receive business rates from the Nottinghamshire Business Rates Pool and retain a proportion of locally generated business rates. Further details can be found in paragraph 4.41.

Proposed 2021/22 Council Tax

- 4.9 Chapter IVA (Limitation of Council Tax and Precepts) of the *Local Government Finance Act 1992* requires billing authorities to hold referenda if their relevant basic amount of council tax for a financial year is in excess of a set of principles determined by the Secretary of State.
- 4.10 An authority's relevant basic amount of council tax is its average band D council tax excluding local precepts. The relevant basic amount of council tax for Newark & Sherwood District Council (NSDC) includes the levy that Internal Drainage Boards charge the Council.
- 4.11 Since 2016/17, shire district councils have been able to increase council tax by the greater of the core principle or £5.00 without holding referenda. For 2016/17, 2017/18 and 2020/21, the core principle was 2%; and for 2018/19 and 2019/20, the core principle was 3%.
- 4.12 The proposed core principle for 2021/22 is 2%. The government's proposed council tax referendum principle for shire district councils therefore permits increases in the council's 2021/22 relevant basic amount of council tax of up to (and including) the greater of 1.99% or £5.00 without holding a referendum.
- 4.13 The assumed council tax increase within these budget papers is an increase in the band D equivalent of 1.94%, or £3.46 per year based on the band D average. Members should note that 73% of the properties in Newark and Sherwood are in bands A to C, and therefore the increase for these properties will be less than £3.46 per year.
- 4.14 The council tax base (being the number of band D equivalent properties within the district) assumes a 1.79% increase on 2020/21, to account for both a change in methodology and increase in number of properties within the District.

Proposed 2021/22 Budget – General Principles

4.15 The appropriate bases agreed centrally and used in the preparation of the budget are:

a)	Employees	<p>Some of the main assumptions used to budget for employee costs for 2021/22 were:</p> <ul style="list-style-type: none"> - a 1% increase in the basic salary of most posts; - an increase in pay point for employees not at the post's highest pay point; and - a 3.5% vacancy rate. <p>3.5% of the council's total salary budget, or £540,530, has been budgeted to be saved from posts that remain vacant for a period of time before being filled.</p>
b)	Employer's Superannuation	<p>Pension-related costs have been budgeted for in line with the actuarial review which took place as at 31 March 2019 for the three years between 2020/21 and 2022/23.</p> <p>The council's budgeted pension-related costs have increased, because its total 2021/22 basic pay budgets have increased. The council's primary rate (charged as a proportion of basic salary at employee level) is 17.5%.</p> <p>The council's secondary rate (Appendix A1, line 7) (a fixed contribution to past service costs) for 2021/22 is notionally the same as for 2020/21. The reason the cost is notional is because the council has already paid its secondary rate costs for 2021/22. The council received a discount for paying its secondary rate costs for the three years between 2020/21 and 2022/23 in 2020/21.</p> <p>The pension strain costs budget for 2020/21 (Appendix A1, line 8) that has been previously been budgeted for within the Other Operating Income & Expenditure heading has been moved to the Policy & Finance Committee for 2021/22.</p>
c)	General Inflation	<p>Most income budgets and non-pay expenditure budgets have been uplifted by 3%, higher than the Bank of England's 2% target rate for inflation. Some costs, such as insurance and utilities, are expected to increase by more than 2%; and others, such as fixed-price goods and services, are expected to increase by less than 2%.</p>
d)	Average Interest Rate re External Debt	<p>The council's General Fund borrowing will be in accordance with the Prudential Code for Capital Finance in Local Authorities. The cost of borrowing will depend on the rates available at the time that funding is required.</p>

e)	Capital Charges	<p>The proposed budgets for each Committee (Appendix A1, lines 1-4) includes the notional costs of assets used in delivering services, so that the council can reflect the true cost of delivering services.</p> <p>Statute, however, requires these capital charges to be reversed out (Appendix A1, lines 28-29) and replaced with the cost to the council taxpayer of the underlying capital decisions that have yet to be financed (Minimum Revenue Provision (MRP)) (Appendix A1, line 12). Legislation determines that council taxpayers cannot be charged for the notional costs of assets used.</p>
f)	Capital Financing Charges	<p>The council's General Fund (GF) revenue budget is charged when the council borrows to fund the purchase or creation of non-current assets. These charges will be in line with the council's Minimum Revenue Provision (MRP) policy for 2021/22 to be approved by Council on 9 March 2021.</p> <p>MRP is a charge to the taxpayer, calculated by apportioning the value borrowed for assets over their expected useful lives.</p>

Total Expenditure after Reversal of Capital Charges (Appendix A1**)**

- 4.16 Total council expenditure budgets in 2021/22 are £2,357,560 more than in **Error! Reference source not found.**, after capital charges have been reversed (**Appendix A1**, lines 28 and 29).

Line		2020/21 (£)	2021/22 (£)	Variance
5	Total service budgets	14,520,920	17,043,600	2,522,680
11	Total other operating income & expenditure	1,633,290	1,427,620	(205,670)
16	Total financing and investment income & expenditure	(291,430)	(348,980)	(57,550)
28 & 29	Reversal of Capital Charges	(2,339,400)	(2,241,300)	98,100
	TOTAL	13,523,380	15,880,940	2,357,560

- 4.17 The table below details the council's net budget requirement for 2021/22, broken down by gross expenditure and gross income:

Line		2021/22 gross expenditure	2021/22 gross income	2021/22 net expenditure
	Total service budgets (Appendix A2)	47,656,590	(30,612,990)	17,043,600
11	Other operating income & expenditure	1,427,620	0	1,427,620
16	Total Financing and Investment income & expenditure	696,160	(1,045,140)	(348,980)
22 & 31	New Homes Bonus (NHB)	1,187,310	(1,187,310)	0
28 & 29	Reversal of Capital Charges	(3,031,300)	790,000	(2,241,300)

	TOTAL	47,936,380	(32,055,440)	15,880,940
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4.18 The main reasons for changes in 2021/22 service expenditure are listed below:

Type of service spend change	Reason for change in service spend	Change in proposed 2021/22 budget, compared to 2020/21 initial budget (£)
Employees	Largely due to: - an increase in the number of posts budgeted for in 2021/22; and - a 1% increase in basic pay budgeted for most employees, and associated increases in oncosts.	1,357,930
Recharges to Housing Revenue Account (HRA)	Largely because the council now directly pays for spend which used to be borne by Newark and Sherwood Homes (NSH), and so the recharging of these to the HRA.	(796,010)
Rent and Rates	Largely due to rental shortfall on rental units and non-domestic rates (NDR) payable for sites temporarily not occupied by tenants (because of the council's planned developments).	490,450
Rents, Sales, and Fees and Charges	Largely due to reduced income from Car Parks, Heritage and Culture, and Newark Livestock Market; partly offset by rental unit rents receivable.	485,435
Contractual and Other Services	Largely due to the £640,000 increase to the Active4Today management fee for 2021/22.	468,440

4.19 The table in paragraph 4.18 shows that there is a large increase in employee costs across the General Fund (GF). This is offset by increased income from various sources, the largest source being the Housing Revenue Account (HRA). Where officers are now managed within GF services, a recharge back to the HRA for the cost of those officers is also budgeted for. The table below at paragraph 4.19 provides further detail.

4.20 Further details can be found in the 2021/22 General Fund (GF) revenue budget reports presented to each Committee in January 2021.

2021/22 Employee Plan

4.21 The council predicts that it will have 558.95 full-time equivalent (FTE) employees at the end of 2020/21. This is predicted to increase to 579.19 FTEs by the end of 2021/22. The majority of the 20.24 FTE increase predicted for 2021/22 relates to changes in the Communities & Environment and Housing, Health and Wellbeing directorates. Further details can be found in the staffing establishment report elsewhere on this meeting's agenda. Further details can be found at Appendix X.

Fees and Charges Review

- 4.22 The fees and charges for many services administered by the local authority are set by statute. The amounts for these, and their timing and review, are therefore prescribed by central government. There remains, however, many services where the council has the ability to review and if necessary amend its charges or charging regime.
- 4.23 In accordance with the council's Constitution, each service area should consider the level of fees and charges to be implemented in the following financial year as part of the process of service planning and budget setting.
- 4.24 The proposals for the levels of fees and charges to be implemented from 1 April 2021 were subject to scrutiny by each of the Committees during the January cycle and have now been updated where appropriate. The council is currently budgeting to receive £5.244m of income from fees and charges in 2021/22. This is a decrease of £0.096m from 2020/21.
- 4.25 The table below summarises the services which provide the council with most of its fees and charges income, and the fees and charges income budgeted from these services for 2021/22:

Service	2020/21 original income budget (£)	2021/22 proposed income budget (£)	Summary
Building Control	n/a	n/a	The council is part of the East Midlands Building Consultancy (EMBC), along with South Kesteven District Council (SKDC) and Rushcliffe Borough Council. SKDC are the lead authority. Building Control fees for 2021/22 will be published on the EMBC website once these have been agreed.
Planning	960,000	977,760	Planning application fees are statutory, set by the government, whereas pre-application advice fees are discretionary, set by the council. The council categorises its pre-application advice fees by the size and type of developments. Further details, including how to access the statutory fees chargeable, can be found in Appendix C .
Car and Lorry Parking	1,238,320	1,042,220	The fees for car parking are proposed to be frozen for the 2021/22 financial year, though increases have been proposed for lorry charges. Further details can be found in Appendix D .
Culture	671,600	409,300	The charges related to the Palace Theatre Newark, National Civil War Centre, and Newark Castle and Gardens proposed for 2021/22 are the same as those in 2020/21. Further details can be found in Appendix F .

Environmental Health	119,300	114,130	<p>The Environmental Health section provides a range of services, such as food safety and pollution control. Some of these are statutory, and some discretionary. Increases have been proposed for some of the discretionary environmental health fees for 2021/22, to ensure that the council recovers the full cost of services provided. Further details can be found in Appendix O.</p> <p>The dog warden charges proposed for 2021/22 are the same as those in 2020/21. Further details can be found in Appendix P.</p>
Trade Waste, Recycling and Garden Bins	1,480,730	1,487,340	<p>Businesses based in Newark and Sherwood have to pay for their waste to be collected and disposed of. Nottinghamshire County Council sets the waste disposal charges for all district and borough councils in the county, through its statutory role as the Waste Disposal Authority for these authorities.</p> <p>Further details of these and the other proposed charges for 2021/22 can be found in Appendix Q.</p>

- 4.26 Details of the council's proposed charges for 2021/22 for services not listed above can be found in **Appendices C-W**.

Capital Financing net of Interest Receivable (**Appendix A1**, line 16)

- 4.27 Capital financing costs have been estimated based on assumptions of interest rates going forward, taking into account the forecasts of cash balances over the next year. Due to their nature and composition, however, they are subject to change on a regular basis. This reflects movements in the financial markets as well as changes to the predicted cashflow.
- 4.28 Despite the recent 1% reduction in the cost of borrowing from the Public Works Loan Board (PWLB), the Council will still seek to borrow money from the most efficient and effective institution in order to support its cash flow position. Regard will be taken to the council's Treasury Strategy (which is subject to a separate report which was considered by the Audit and Accounts Committee on 3 February 2021, and will be approved by Full Council on 9 March 2021) and due diligence through the council's Treasury Advisers.
- 4.29 In previous financial years, decisions regarding capital expenditure have been taken to utilise internal resources and maintain an under-borrowed position against its Capital Financing Requirement. This is not uncommon across the Local Government sector, at a time when budgets have been squeezed, but reserves have existed. The council is proposing to utilise some of its reserves on projects such as the Yorke Drive Regeneration and Pavilion and contribution to the funding gap for the Southern Link Road. This means that as cash backed by these reserves will be utilised, there is a need to borrow money to ensure that the Council has cash at hand to service its day to day costs.

- 4.30 There is an increase overall in net additional income in Capital Financing costs of £57,550 (**Appendix A1**, line 12) in 2021/22. This represents the cost of capital financing decisions taken in previous years where there hasn't been capital resources available to fund the capital spend. The 2021/22 interest payable and investment income receivable budgets are more favourable than for 2020/21, because the Council has not borrowed as much in 2020/21 as it originally anticipated due to the additional coronavirus-related grants it received to distribute to businesses.
- 4.31 All treasury investments are made in line with the Council's Treasury Management Strategy and due to the current climate and investment rates being at all-time low the investment income expectation for 2021/22 will be kept to a minimum. Advice from the council's external treasury consultants will be sought prior to the investment of any funds to ensure maximum scrutiny is taken on any decision making.

Contribution to or from reserves

- 4.32 Section 25 (Budget calculations: report on robustness of estimates etc) of the *Local Government Act 2003* requires local authority chief finance officers (Section 151 officers) to report on the adequacy of financial reserves in the council's proposed budget and robustness of estimates made.
- 4.33 The council's s151 Officer has reviewed the adequacy of the council's financial reserves to ensure that these are neither too low (imprudent) or too high (overprudent) based on their purpose and likely use.
- 4.34 The table below summarises the amount of council earmarked reserves as at 31 March 2020, and forecasts of these as at 31 March 2021 and 31 March 2022.

	At 31 March 2020 (£)	Forecast at 31 March 2021 (£)	Forecast at 31 March 2022 (£)
Revenue Reserves and Balances	24,148,229	22,369,425	16,865,155
Capital Reserves	10,783,435	9,340,480	7,361,089
Ring Fenced Reserves	138,584	138,584	138,584
Total Reserves	35,070,248	31,848,489	24,364,828

- 4.35 **Appendix B** lists all of the council's current reserves.

General Fund Balance

- 4.36 The council's £1.500m General Fund balance has been set aside to pay for exceptional items. Officers consistently review the appropriateness (prudence) of this amount in light of internal and external risks identified. For the council to maintain this balance, it is intended that it will only be used to fund expenditure once other appropriate reserves have been fully utilised.
- 4.37 The council's total forecast reserves and general fund balance to 31 March 2022 is £25,864,828. This is 153% of the forecast Net Budget Requirement of £15,880,940. This

compares with a national average for District Councils of 150%. The s151 Officer of the Council is satisfied with the adequacy of the levels of reserves and balances.

- 4.38 The budget has been prepared in accordance with the budget strategy approved by members of the Policy and Finance Committee on 25 June 2021. The draft budget (and Medium Term Financial Plan) has been scrutinised and challenged by the council's senior management team, the Leader and Deputy Leader of the council, the council's functional committees and the Policy and Finance Committee. The draft budget (and Medium Term Financial Plan) has also been scrutinised informally by the ruling political group. The s151 Officer of the council is therefore satisfied by the robustness of the estimates and assumptions underpinning the budget for 2021/22.

Parish and Town Council Precepts

- 4.39 Parish and town councils can raise money to help meet their spending requirements by issuing a 'precept' (mandatory demand) to the district council. The district council must account for such precepts when calculating its council tax requirement. Council tax requirement is the amount of money that councils need to raise from council tax to fund council spending once income from other sources (such as government grants) have been deducted.
- 4.40 The council is still awaiting confirmation from each parish and town council regarding their level of precept for 2021/22. These details will be included in the revenue budget and council tax setting report to be presented to Council on 9 March 2021.

Business Rates/Non-Domestic Rates (NDR) (Appendix A1, lines 23-26)

- 4.41 Under the NDR system, businesses pay councils based on the open market rental value of their business property as at 1 April 2015, as estimated by the government's Valuation Office Agency (VOA). The rate payable by small businesses in 2021/22 will be 49.9p per pound (49.9%) of their property's rateable value, and the rate payable by other businesses 1.3p per pound more than this (51.2p per pound, or 51.2%).
- 4.42 As mentioned in paragraph 4.7, though the government has allocated £3.678m of business rates to the council for 2021/22, the total amount of business rates retained by the council in 2021/22 may exceed this amount, depending on how the council and other Nottinghamshire Business Rates Pool authorities perform throughout 2020/21 and 2021/22.
- 4.43 The council is budgeting to retain £7.566m of business rates for 2021/22 (Appendix A1, lines 23-26). This includes:
- the £3.678m referred to in paragraph 4.42;
 - local growth above this baseline;
 - the surplus of £0.514m reported at 2019/20 year-end;
 - £7.140m of additional Section 31 grants received during 2020/21 to compensate councils for the distribution of the expanded retail discount;
 - £0.690m from relevant renewable energy projects;
 - £0.767m in relation to the government's local tax income guarantee scheme;
 - an allowance of £0.681m to be set aside in order to fund future charges on the General Fund in relation to the current in-year deficit on the Collection Fund; and

- £6.347m of deficit business rates income forecasted for the end of 2020/21.

4.44 There are two main factors why the amount of business rates the council is budgeting to retain for 2021/22 is significantly more than the government's business rates allocation for the council. These are:

- a) an increase in the total rateable value of all business premises within the district; and
- b) the release of surpluses built up from previous years.

Council Tax Requirement

4.45 As explained in paragraph 4.39, Council Tax Requirement is the amount of money that councils need to raise from council tax to fund council spending once income from other sources (such as government grants) have been deducted.

4.46 The council's 2021/22 net budget requirement is £15,880,940, as shown in the table in paragraph 3.1. This is partly offset by government grant income of £1.117m; projected business rates income of £7.566m and projected transfers to reserves of £0.496m. After including these sources of income, the net call on the Collection Fund before Parish Precepts are added is £7,281,740 (**Appendix A1**, line 33).

Subjective Analysis

4.47 **Appendix A2** contains a breakdown of the council's General Fund revenue budget for 2021/22 by statutory categories used to categorise expenditure and income.

Risk Assessment and Sensitivity

4.48 As mentioned in paragraph 4.32, section 25 of the *Local Government Act 2003* requires the council's chief finance officer, currently the Director of Resources and Deputy Chief Executive, to report on the robustness of estimates made in the council's proposed budget. This section fulfils that requirement.

4.49 In considering the council's proposed budget for 2021/22 and the sensitivity of expenditure and income to changes, it should be noted that:

- a) a 1% increase in Council Tax is equivalent to £72,820 of net expenditure; and
- b) a £1 increase in Council Tax is equivalent to £38,550 of net expenditure.

4.50 Various assumptions were required to be made when preparing the proposed 2021/22 budget. The two areas where it seems that variations between the proposed budget and reality could be greatest are employee pay and income receivable. Further details on each of these are below.

2021/22 pay award

4.51 Employee costs form a significant proportion of all district council budgets. As mentioned in paragraph 4.15, the 2021/22 budgets have been prepared assuming a 1% uplift to the basic

salaries of most posts, in line with the recommendation from a meeting of East Midlands Councils on 22/01/2021.

- 4.52 The National Joint Council (NJC) for Local Government Services' pay award for 2021/22 has not yet been finalised. It is possible that the costs of the 2021/22 pay award will exceed the pay increases currently budgeted for. If the 2021/22 pay award agrees a more than 1% increase in basic pay, and if reductions in employee costs elsewhere cannot offset the increase in pay award costs, the additional costs unbudgeted for will need to be funded from council reserves. A 2% increase in basic pay for 2021/22 would result in around £147,560 needing to be funded from reserves.

Income

- 4.53 A significant part of the council's annual net budget is dependent on income from rents; sales, fees and charges; and other receipts. Officers have reviewed the income that services have achieved against the current and previous years' budgets, and have considered factors expected to affect future income levels, to ensure the 2021/22 income budgets for services have been set at levels considered achievable.
- 4.54 Significant underperformance against budgeted income would increase the council's annual net expenditure, and thus place unbudgeted demand on council reserves. A 1% reduction in council income from fees and charges would cost £52,240, or a council tax increase equivalent to £1.32 per property (0.72%).
- 4.55 Officers closely monitor income levels as part of the council's monthly budget monitoring processes, and the Senior Leadership Team also continue to regularly scrutinise income levels.
- 4.56 Officers plan to develop a more detailed understanding of the volumes of activity which underpin each of the council's main income sources. This will allow the council to more accurately model changes to expected activity levels, as well as increase assurance regarding the risks of such changes materialising.

Other significant potential risks

- 4.57 Though less likely, but other assumptions which could result in the council's actual expenditure and/or income varying significantly from its proposed budgets are below:

a)	Interest rates	<p>The proposed 2021/22 budget includes amounts for both interest payable (Appendix A1, line 14) and interest receivable (Appendix A1, line 15). This is because the council expects that it will both borrow money and lend money throughout the 2021/22 financial year.</p> <p>The budgeted amounts for 2021/22 have accounted for factors such as the amount of council funds expected to be available. The actual amounts of council interest payable and receivable for 2021/22 will likely differ from those budgeted.</p> <p>The impact of a 1% change in interest rate would be insignificant on the council's overall budget.</p>
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b)	General Inflation	<p>As mentioned in paragraph 4.15, the proposed service budgets for 2021/22 include increases for inflation where appropriate.</p> <p>The most recent month for which inflation data was available at the time of writing is December 2020. There was a 0.6% increase in inflation (Consumer Prices Index (CPI)) over the 12 months of the 2020 calendar year.</p> <p>Inflation rate increases have ranged between 0.2% and 1% between April 2020 and December 2020, though are expected to increase towards the Bank of England's target rate in 2021.</p> <p>Though it is likely that actual inflation rates throughout 2021/22 will differ from the government's own forecasts for 2021/22 and the 3% the council has generally budgeted for, the small differences anticipated are expected to have insignificant impact on the council's budget.</p>
c)	National Living Wage (NLW)	<p>As referenced in paragraph 4.52, the council pays most of its employees in line with NJC terms and conditions.</p> <p>Council employees on the NJC's lowest pay point are paid £9.25 per hour in 2020/21, broadly in line with the Living Wage Foundation's Real Living Wage for 2019/20 (November 2019 – October 2020). This is £0.53 more than the 2020/21 NLW of £8.72 per hour, and £0.34 more than the 2021/22 NLW of £8.91 per hour.</p> <p>Though the pay award for 2021/22 has not yet been finalised, it seems likely that the 2021/22 pay of employees at the NJC's lowest pay point will increase to £9.50 per hour or thereabouts, in line with the Living Wage Foundation's current Real Living Wage.</p>
d)	Apprenticeship Scheme	<p>In addition to Apprenticeship Levy payments the council is required to make to the government (Appendix A1, line 6), the council employs apprentices, some of whom are paid for from its 'training' reserve (Appendix B).</p>
e)	Reserves	<p>As mentioned in paragraphs 4.32 and 4.33, the council has reviewed the adequacy of the financial reserves proposed in the 2021/22 budget, as statutorily required.</p>

5.0 **Proposals**

5.1 Officers are proposing to the Committee that it recommends to Council at its meeting on 9 March 2021:

- a) the council's General Fund revenue budget for 2021/22; and
- b) the 2021/22 fees & charges in **Appendices C to W**.

6.0 **Digital Implications**

6.1 There are no digital implications directly arising from this report.

7.0 Equalities Implications

7.1 Business Managers consider the implications on equalities when assessing how best to deliver the services they are responsible for.

8.0 Financial Implications (FIN20-21/3877)

8.1 As this report is financial in nature, the financial implications of the proposed 2021/22 General Fund revenue budget have been covered within the body of this report.

9.0 Community Plan – Alignment to Objectives

9.1 The Community Plan 2020-2023 was approved by Full Council on 13 October 2020, and sets out sets out the Council’s objectives over the next three years, building on previous published plans for the same time period.

9.2 The budget proposed within this report seeks to allocate resources in order to ensure the delivery of all the objectives within the refreshed Community Plan.

9.3 The Employee Plan in the staffing establishment report on this meeting’s agenda covers the activities of all council employees, and therefore supports the council to achieve all of the Community Plan 2020-2023 objectives.

10.0 RECOMMENDATION

That the Committee recommends to Full Council at its meeting on 9 March 2021, that:

- i. the following amounts be now calculated by the council for the 2021/22 financial year, in accordance with Sections 31 to 36 of the *Local Government Finance Act 1992* as amended by the *Localism Act 2011*:**
 - 1. £47,936,380 being the aggregate of the amounts which the council estimates for items set out in Section 31A(2)(a) to (f) of the Act (the District Council’s gross expenditure for 2021/22);**
 - 2. £32,055,440 being the aggregate of the amounts which the council estimates for the items set out in Section 31A(3)(a) to (d) of the Act (the District Council’s gross income for 2021/22); and**
 - 3. £15,880,940 being the amount by which the aggregate at (b)(i) above exceeds the aggregate at (b)(ii) above, calculated by the council, in accordance with Section 31A(4) of the Act, as its Net Budget Requirement for the year;**
- ii. the figures shown as i.1. and i.3. above to be increased only by the amount of Parish Precepts for 2021/22;**

- iii. the budget amounts included in the report be the council's budget for 2021/22;
and
- iv. the fees and charges shown in Appendices C to W be implemented with effect from 1 April 2021.

Reason for Recommendations

To enable Policy & Finance Committee to make recommendations to Council of the amounts to be calculated in accordance with Sections 31 to 36 of the *Local Government Finance Act 1992*, as amended by the *Localism Act 2011*, for the purposes of setting Council Tax levels for the 2021/22 financial year.

Background Papers

Nil

For further information please contact Nick Wilson (Business Manager – Financial Services) on extension 5317 or Mohammed Sarodia (Assistant Business Manager – Financial Services) on extension 5537.

Sanjiv Kohli
Director - Resources and Deputy Chief Executive