

## COUNCIL TAX SETTING 2021/22

Cabinet - 11 February 2021

**Report of:** Deputy Chief Executive and Chief Officer - Finance and Trading

**Status:** For Decision

**Also considered by:**

- Council - 23 February 2021

**Key Decision:** No

**Executive Summary:**

The 2021/22 Budget Setting process has been more challenging than recent years due to the ongoing financial impact of the COVID-19 pandemic. The process has also been shortened to enable savings to be implemented prior to April 2021.

In November, Council approved the budget for 2021/22 subject to any further changes.

This report revises the budget for the forthcoming financial year and recognises the level of Council Tax in light of the Provisional Local Government Finance Settlement, Council Tax base calculation and other updated data. Based on the changes detailed in this report, **this Council will continue to have a balanced 10-year budget.**

The report proposes a net expenditure budget of £16.783m in 2021/22 (£15.581m in 2020/21). Subject to any further changes this would result in a **Council Tax increase of 2.25% in 2021/22, with the District's Council Tax being £224.91 for a Band D property for the year (£219.96 in 2020/21), an increase of £4.95.** This will also result in an additional ongoing commitment to the Net Zero Transition Fund.

The report also contains details of the precepts received from other authorities (Council report only); the Collection Fund position and an updated opinion on the robustness of the budget and the adequacy of the reserves.

**Portfolio Holder:** Cllr. Matthew Dickins

**Contact Officer(s):** Adrian Rowbotham, Ext. 7153

Alan Mitchell, Ext. 7483

### **Recommendation to Cabinet:**

That recommendations (a) to (c) below be recommended to Council.

### **Recommendation to Council:**

- (a) The updated Summary of Council Expenditure and Council Tax for 2021/22 set out in Appendix D be approved.
- (b) Approve the updated 10-year budget 2021/22 to 2030/31 set out in Appendix B(i).
- (c) That the Local Council Tax Reduction Scheme 2020/21, be rolled forward to 2021/22, with effect from 1 April 2021 (Appendix G).

Due to their length and complexity, the further recommendations have been produced as a separate document (Appendix K).

## **Introduction and Background**

- 1 The Council has an excellent track record in identifying, planning for and addressing financial challenges. In light of the challenging financial position facing all authorities ten years ago, for 2011/12 the Council produced a 10-year budget together with a savings plan for the first time. This will be the eleventh year this method has been used and provides the Council with a stable basis for future years.
- 2 At the Cabinet meeting on 17 September 2020, it was agreed to shorten the budget process this year so that the Council's budget was set at the November Council meeting instead of the February Council meeting. This enabled changes to be implemented earlier and the period of uncertainty for staff minimised. The budget timetable is set out in **Appendix A**.
- 3 The Budget Setting 2021/22 report was presented at the Council meeting on 17 November 2020 when the following was resolved:
  - a) the summary of the Council Expenditure for 2021/22 be approved;
  - b) the 10-year budget 2021/22 to 2030/31 which was the guiding framework for the detailed approval of future years' budgets including the growth and savings proposals be approved, and that where possible any variations during and between years be met from the Budget Stabilisation Reserve;
  - c) the Capital Programme 2021/24 and funding method, and Capital Strategy 2021/22 be approved; and
  - d) the changes to reserves and provisions be approved.

- 4 With the shorter budget process and earlier budget approval, it was not possible to include Council Tax Setting in the same report as the preceptors had not set their Council Tax amounts at that time.
- 5 This report contains the Council Tax setting part of the budget process as well as other detailed elements of the budget setting process.
- 6 Since the Council meeting on 17 November 2020, further information has been received that has resulted in changes to the **10-year budget (Appendix B(i)) and the Summary of Council Expenditure and Council Tax for 2021/22 (Appendix D)**. Council are asked to approve these revised documents.
- 7 The changes are explained in the sections below and listed in **Appendix C**.

### Local Government Finance Settlement

- 8 ***The Provisional Local Government Finance Settlement*** for 2021/22 was announced on 17 December 2020. The most relevant elements for this Council were as follows:
- 9 The settlement relates to 2021/22 only.
- 10 ***Council Tax*** - It was announced that the referendum limit for 2021/22 was an increase of 2% (or £5 for a Band D property if higher). The Final Local Government Finance Settlement had not been announced at the time of writing this report so the referendum limit may change. This report assumes that Members recommend to change the Council Tax increase assumption for 2021/22 from £4.40 (2%) to £4.95 for a Band D property (2.25%) or the referendum limit, whichever is the greater, with the excess above 2% put into the 'Net Zero Transition Fund' to support the councils vital work in this field.
- 11 This recommendation would result in Band D Council Tax increasing from £219.96 in 2020/21 to £224.91 in 2021/22 (unless the final referendum limit is higher).

| 2021/22 Council Tax    | Original Assumption | Proposed Assumption |
|------------------------|---------------------|---------------------|
| % increase             | 2.00%               | 2.25%               |
| £ increase (Band D pa) | £4.40               | £4.95               |
| £ (Band D pa)          | £224.36             | £224.91             |

- 12 Due to the uncertainty of future Council Tax increase referendum limits, if maximum increases are not taken there will be an ongoing detrimental impact on the ability to increase Council Tax in future years.

- 13 A new **Lower Tier Services Grant** (£98,000 in 2021/22) has been included for 2021/22. This one-year payment is to ensure that no authority has a total Core Spending Power less than in 2020/21.
- 14 Additional **New Homes Bonus (NHB)** funding of £514,000 has been included for 2021/22. The attached 10-year budget assumes no NHB. As previously agreed, any amounts received will be put into the Financial Plan Reserve to support the 10-year budget including ‘invest to save’ initiatives and support for the Property Investment Strategy.
- 15 Further Covid-19 related funding detailed below.
- 16 **The Final Local Government Finance Settlement** for 2021/22 had not been released at the time of writing this report. Members will be updated of any relevant differences in the final settlement compared to the provisional settlement.

### **Covid-19 Impact**

- 17 The impact of Covid-19 on the Council’s finances continues to change as the position nationally and locally fluctuates.
- 18 Details of the Covid-19 impact were included in the Budget Setting report to Council in November and are also included in the regular Financial Results reports to the Finance & Investment Advisory Committee and Cabinet.
- 19 Since the Budget Setting report to Council in November, the following additional funding for 2021/22 has been announced which has been included in the Updated 10-Year Budget.
- 20 **Local Tax Income Guarantee for 2020/21** (estimated £51,000 in each of 21/22, 22/23 and 23/24) - The Government will compensate local authorities for 75% of irrecoverable losses in Council Tax and Business Rates income in respect of 2020/21. This will be spread over 2021/22 to 2023/24. The exact details of this scheme are yet to be announced.
- 21 **Local Council Tax Support Grant** (£245,000 in 21/22) - In recognition of the increased costs of providing Local Council Tax Support following the pandemic.

### **Council Tax Base**

- 22 A separate ‘Calculation of Council Tax Base and Other Tax Setting Issues’ report is being presented at Cabinet on 14 January 2021 and Council on 23 February 2021.
- 23 The Council Tax Base has reduced from 51,207.88 (2020/21) to 50,876.85 (2021/22) Band D equivalent properties. That is below the previously assumed 51,218.33.

- 24 The 10-year budget assumes that the majority of the reduced tax base is recovered between 2022/23 and 2024/25 as the country recovers from the pandemic.

### **Other Changes**

- 25 In the Budget Setting report, SCIA13 - Property Investment Strategy: M & Co administration (£96,000) was included in the 'New Growth' line in the 10-year budget in error. It has now been moved to the 'Property Investment Strategy Income' line. This is the reason why the Net Service Expenditure in 2021/22 has changed from £16.879m to £16.783m

### **Collection Fund Surplus/Deficit Calculation**

- 26 Rules governing the operation of the collection fund require the Council to make an estimate on 15 January (or the next working day) each year of the fund's likely surplus or deficit at the end of the current financial year, in respect of council tax transactions. The amount so estimated is to be shared between the District Council, County Council, Fire and Police in proportion to their precepts on the collection fund. Each authority's share is to be taken into account by the authority in calculating its council tax for the year following the year in which the surplus or deficit has been estimated.
- 27 The estimated surplus/deficit at 15 January 2020 was zero, whilst the actual surplus balance at 31 March 2020 was £566,060. The balance is relatively small in the context of the gross council tax collectible during 2019/20 of approximately £95.8m.
- 28 The purpose of the calculation at 15 January 2021 is to estimate the likely surplus or deficit balance on the collection fund at 31 March 2021. This is based on the tax bills issued for the year, current collection performance and the level of bad debt provision held.
- 29 As a result of the COVID-19 pandemic, the rules have changed regarding recovery of an estimated deficit on the collection fund in relation to the year 2020/21. In simple terms, rather than the full amount of an estimated deficit being taken into account by the billing and precepting authorities in the year ending 31 March 2022, it will be spread equally over the coming three financial years. This has been designed to reduce the effect on an authority's General Fund. The rules do not apply to an estimated surplus, the full amount of which will be taken into account by the billing and precepting authorities in the year ending 31 March 2022.
- 30 This Council's share of the surplus as at 31 March 2020 is £90,409 and our one-third share of the estimated deficit for 2020/21 is £4,146 resulting in a net surplus of £86,263 to be taken into account in the year ending 31 March 2022. A similar apportionment has been carried out for the County Council, Fire and Police, based on the relative level of their precepts.

## Current Budget Position

- 31 The 10-year budget (**Appendix Bi**) continues to show a fully funded 10-year position. By continuing to use the 10-year budget strategy, this council remains in a strong position going forward.
- 32 **Appendix C** shows the changes in the 10-year Budget since it was approved by Council on 17 November 2020.

## 2021/22 Budget and Council Tax

- 33 After allowing for the growth and savings agreed and the key changes made during this budget process, the resulting net expenditure for 2021/22 is £16.783m. As shown in **Appendix D** this results in Council Tax income of £11.443m, meaning that the District element of the Band D charge will be £224.91.
- 34 When the other preceptors announce their Council Tax increases, details will be included in **Appendix H**.
- 35 Further details of the budget can be found in the following appendices:
- 10-year budget - Revenue (**Appendix B(i)**)
  - 10-year budget - Balance Sheet (**Appendix B(ii)**)
  - Summary of Council Expenditure and Council Tax (**Appendix D**)
  - Summary of 2021/22 service analysis in Budget Book format (**Appendix E**)
  - Analysis of 2021/22 pay costs (**Appendix F**)

## Integration with other budget reports on the Cabinet Agenda

- 36 Separate reports on the Treasury Management Strategy and Property Investment Strategy are being presented to Cabinet and Council.

## Opinion under Section 25 of the Local Government Act 2003 (LGA 2003)

- 37 Under the LGA 2003 the Statutory Finance Officer (Deputy Chief Executive and Chief Officer - Finance and Trading) is required to give Members an opinion on the robustness of the budget estimates and the adequacy of reserves.
- 38 At the time of writing the Budget Setting 2021/22 report to Cabinet and Council in November 2020, the Deputy Chief Executive and Chief Officer - Finance and Trading (Section 151 officer) was satisfied with the robustness of the estimates and adequacy of reserves.

- 39 The Deputy Chief Executive and Chief Officer - Finance and Trading (Section 151 officer) continues to be satisfied with the robustness of the estimates and adequacy of reserves.

#### **Referendums relating to council tax increases**

- 40 Section 72 of the Localism Act 2011 inserted Section 52ZB into the Local Government Finance Act 1992. This sets out the duty on local authorities, fire authorities and Police and Crime Commissioners (PCCs) to each determine whether the amount of council tax they plan to raise for a financial year is excessive. If an authority's relevant basic amount of council tax is excessive, the provisions in relation to the duty to hold a referendum apply.
- 41 The Secretary of State has published draft thresholds in relation to 2021/22 council tax levels. District councils will be allowed a Band D council tax increase of the higher of 2% or £5 (for a Band D property). This council is therefore able to increase Band D council tax by up to 2.25% (£5 for a Band D property) without requiring a referendum. As in previous years, no equivalent principles are being proposed for Town and Parish Councils although the Government has said that they will keep this under review and take action if necessary.

#### **Local Council Tax Reduction Scheme 2021/22**

- 42 The Council Tax Reduction scheme replaced Council Tax Benefit with effect from 1 April 2013.
- 43 Under the Council Tax Reduction provisions, the scheme for pensioners is determined by Central Government and the scheme for working age applicants is determined by the Council. Pensioners broadly receive the same level of support that was previously available under the Council Tax Benefit scheme.
- 44 Schedule 1A (5) of the Local Government Finance Act 1992 as amended requires local authorities to consider the following:
- For each financial year, each billing authority must consider whether to revise its scheme or to replace it with another scheme.
  - The authority must make any revision to its scheme, or any replacement scheme, no later than 11<sup>th</sup> March in the financial year preceding that for which the revision or replacement scheme is to have effect.
- 45 The 2020/21 Local Council Tax Reduction Scheme was approved by Council on 25 February 2020.
- 46 Further details can be found in **Appendix G** and a copy of the full scheme is available upon request.

47 It is recommended that the Local Council Tax Reduction Scheme 2020/21, be rolled forward to 2021/22, with effect from 1 April 2021.

## **Key Implications**

### Financial

All financial implications are covered elsewhere in this report.

### Legal Implications and Risk Assessment Statement.

There are no legal implications.

For the effective management of our resources and in order to achieve a sustainable budget it is essential that all service cost changes and risks are identified and considered. The budget risk analysis was included as Appendix K in the Budget Setting 2021/22 report.

Current and future challenges together with risks were included in the Service Dashboards presented to the Advisory Committees and each Service Change Impact Assessment (SCIA) included the likely impacts including a risk analysis.

An effective integrated policy and priority driven long-term financial and business process is required for the Council to deliver on its priorities and maintain a sustainable budget. It is also essential that continuous improvements are identified and implemented in order to take account of the changing climate within which the Council operates and to meet the expectations of both Government and the public on the quality of service demanded from this Council.

The risks associated with the 10-year budget approach include uncertainty around the level of shortfall and the timing of key announcements such as future changes to Business Rates Retention. The risks are mitigated by continuing to review assumptions and estimates and by updating Members throughout the process.

The Council has in place a number of specific reserves and provisions to address identified risks.

### Equality Assessment

Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to (i) eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010, (ii) advance equality of opportunity between people from different groups, and (iii) foster good relations between people from different groups.

Individual equalities assessments have been completed for all Service Change Impact Assessments (SCIAs) to ensure the decision-making process is fair and transparent.

## Community Impact and Outcomes

In making any budget proposals, Members need to consider the impact on customers, service quality and staff well-being, to ensure that the budget supports the Council's aspirations for customer-focused services.

## **Conclusions**

The budget process has once again been a major financial challenge for a council that already provides value for money services to a high standard. The 10-year budget shows a fully funded position over the whole period which keeps this council in a strong position going forward.

The future financial prospects for the public sector remain difficult however, this budget ensures the Council remains in a financially sustainable position.

If the council tax resolution attached in **Appendix K** is approved, the Sevenoaks District Council element of the band D council tax will be £224.91.

### **Appendices**

Appendix A - Budget timetable

Appendix B (i) - 10-year budget - Revenue

Appendix B (ii) - 10-year budget - Balance Sheet

Appendix C - Summary of changes to the 10-year Budget since Council on 17/11/20

Appendix D - Summary of Council Expenditure and Council Tax

Appendix E - Summary of service analysis in budget book format

Appendix F - Analysis of pay costs

Appendix G - Local Council Tax Reduction Scheme 2021/22

Appendix H - Latest information on precepting authorities (only in Council report)

Appendix J - Town and Parish Council precepts and council tax rates (only in Council report)

Appendix K - Council tax setting recommendations (only in Council report)

Appendix L - Council tax rates across the district (only in Council report)

### **Background Papers**

Budget and Council Tax Setting 2020/21 - Cabinet 4 February 2020

[Financial Prospects and Budget Strategy 2021/22 and Beyond - Cabinet 17 September 2020](#)

Budget 2021/22: Service Dashboards and Service Change Impact Assessments (SCIAs) - [Housing and Health AC 29 September 2020](#), [People and Places AC 6 October 2020](#), [Improvement and Innovation AC 8 October 2020](#), [Cleaner and Greener AC 13 October 2020](#), [Development and Conservation Advisory Committee 20 October 2020](#), [Finance and Investment Advisory Committee 21 October 2020](#)

Budget Setting 2021/22 - [Cabinet 5 November 2020](#), [Council 17 November 2020](#)

**Adrian Rowbotham**

**Deputy Chief Executive and Chief Officer - Finance & Trading**