

## Report to Cabinet



Date of Meeting	28 <sup>th</sup> July 2020
Portfolio	Leader of the Council and Cabinet Member for Finance
Report Author	Julie Murphy
Public/Private Document	Public

### **Budget 2021/22 to 2023/24 Guidelines, Timetable and Budget Update**

#### **Executive Summary**

1. To recommend the budget guidelines and timetable to be used in preparing the detailed 2021/22 budget and provisional budgets for 2022/23 and 2023/24.
2. To provide an updated budget position for the Council for 2021/22 to 2023/24.

#### **Recommendation**

- 2.1 Members are requested to consider and approve the following:
  - 2.1.1 The proposed budget timetable detailed at Appendix 1.
  - 2.1.2 The revenue assumptions detailed in Appendix 2 to be incorporated into the budget setting process.
  - 2.1.3 The revenue budget principles detailed in Appendix 3.
  - 2.1.4 The capital budget principles detailed in Appendix 4.
  - 2.1.5 The proposed methods of public engagement outlined in section 4.9, as part of the 2021/22 budget setting process.
- 2.2 Members are asked to note the Revenue Budget update detailed this report.

#### **Reason for Recommendation**

- 3.1 Under the Budget & Policy Framework, Cabinet is required to approve the proposed guidelines and timetable for setting the 2021/22 Budget and Provisional Budgets for 2022/23 and 2023/24 by September.

<b>Key Points for Consideration</b>
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#### **4.1 Timetable**

- 4.1.1 The Council's budget must be approved by full Council before 11<sup>th</sup> March each year. This is a statutory requirement. The process begins in July with approval being sought for the assumptions and principles on which the budget is to be based. These will be used as a part of the determination of the overall budget position.
- 4.1.2 Throughout the year, we consult on the budget and any savings proposals. Financial projections are updated as further information becomes available in relation to the Local Government Finance Settlement and other known changes, including local decisions. The updated budget and feedback from consultations are reported back to Cabinet in February with recommendations for Budget Council, who in turn set the budget.
- 4.1.3 Services are notified of their budgets following Budget Council in February. The full budget timetable is detailed at Appendix 1.

#### **4.2 Revenue Budget update 2021/22 to 2023/43**

- 4.2.1 As part of the budget setting process, the Council makes a number of assumptions in respect of the key elements of the Council's revenue budget. Appendix 2 provides a summary of these assumptions for 2021/22, 2022/23 and 2023/24.
- 4.2.2 Provisional budget assumptions were approved for 2021/22 and 2022/23 at Budget Council 26<sup>th</sup> February 2020. The budget assumptions have been reviewed and updated in the light of the financial implications of the Covid-19 outbreak and other known factors. Future reports will make Cabinet aware of any changes that impact on the current budget assumptions.
- 4.2.3 The report to Cabinet 30<sup>th</sup> June 2020 updated Members on the implications of the Covid-19 Outbreak for 2020/21. This report outlines the ongoing implications of Covid-19 and other issues affecting the Council's budget assumptions for 2021/22 to 2023/24.
- 4.2.4 It must be noted that there is significant uncertainty as to the level of government funding for local authorities beyond the current financial year. The government intends to provide a one-year funding settlement for 2021/22. The wider reforms to local government funding have now been delayed till 2022/23.
- 4.2.5 There is also significant uncertainty over the ongoing impact of Covid-19 on the Council's expenditure and income levels for future years.

4.2.6 Discussions are ongoing in light of this uncertainty with regards to consider a New Operating Model for the Council. Given the time needed to develop the model, the one-off nature of the government funding settlement for 2021/22, and the continuing uncertainty over the medium-term impact of Covid-19.

4.2.7 The updated Budget position for 2021/22 to 2023/24 is based on the best estimates at this point in time and these will be reviewed throughout the budget process as more information becomes available. Table 1 summarises the updated Budget position 2021/22 to 2023/34 based on the changes to budget assumptions both pre and post Covid-19. The table highlights pre and post Covid pressures, amounting to £24m.

**Table 1 Budget 2021/22 to 2023/24**

	2021/22	2022/23	2023/24
	£m	£m	£m
<b>Budget Gap as per Budget Council February 2020</b>	<b>2.000</b>	<b>2.000</b>	<b>2.000</b>
<b><u>Pre Covid Issues</u></b>			
Rochdale Riverside income shortfall	0.750	0.750	0.750
Adults growth and living wage	1.450	1.450	1.450
Council Tax freeze 2021/22	1.848	1.903	1.957
3% Pay Award 2021/22	0.685	0.699	0.713
Waste smoothing reserve adjustment	(0.350)	(0.350)	(0.350)
Budget pressures funding adjustment	(0.270)	(0.270)	(0.270)
Neighbourhoods Growth removed	(0.279)	(0.360)	(0.419)
Discretionary Fees & Charges	(0.075)	(0.075)	(0.075)
Accounting Adjustments	0.033	(0.037)	(0.121)
	<b>3.792</b>	<b>3.710</b>	<b>3.635</b>
<b>Pre Covid Budget Gap</b>	<b>5.792</b>	<b>5.710</b>	<b>5.635</b>
<b><u>Post-Covid Issues</u></b>			
Council Tax income reduction	2.887	2.246	1.244
Business Rates income reduction	2.221	2.474	1.952
Airport dividend shortfall	8.517	8.517	(0.389)
Ongoing covid -19 pressures - Children's Services	3.000	3.000	3.000
Ongoing covid -19 pressures - Economy	1.500	1.500	1.500
Collection Fund Deficit 2020/21	9.500	0.000	0.000
	<b>27.626</b>	<b>17.737</b>	<b>7.307</b>
<b>Post Covid Budget Gap</b>	<b>33.417</b>	<b>23.447</b>	<b>12.941</b>

### 4.3 Pre-Covid Issues

#### Council Tax Increase

- 4.3.1 For planning purposes, a general increase in Council Tax of 0% has been assumed for 2021/22, in line with the political aspiration to freeze Council Tax for 2021/22. This results in a decrease in Council Tax income of £1.848m, compared to the 1.99% increase assumed in the provisional budget for 2021/22 approved at Budget Council February 2020. A 1.99% increase has been assumed for both 2022/23 and 2023/24, in line with expected referendum limits.

The government has not yet made an announcement on the future of the Adult Social Care precept. For planning purposes no precept has been assumed for 2021/22, 2022/23 and 2023/24.

Any variation in the level of Council Tax increase approved will have an impact on the forecast budget position.

#### **Pay Inflation**

- 4.3.1 The budget assumes for planning purposes that the pay award will be 3% for 2021/22, compared to the 2% increase assumed in the provisional budget for 2021/22 approved at Budget Council February 2020. This results in an increase in the revenue budget of £0.685m in 2021/22.

A 2% increase has been assumed for 2022/23 and 2023/24. Any settlement above the assumed increase would increase the expenditure requirement for the Council.

The budget also reflects the Council's commitment to pay, based on the Local Living Wage Rates for employees.

#### **Budget Growth/Pressures**

- 4.3.2 The Budget allows for estimated growth in Adult Care and Children's Services as a result of demographic issues. The Budget also recognises the estimated financial implications of demand pressures on Adult Care and Children's Services budgets.

Cabinet 1st October 2019 approved the overall investment strategy for Children's Social Care. Funding for the financial implications of the Children's Strategy has been included in the budget.

The budget also provides funding for Adult Care pressures, particularly in relation to commissioning. These are estimated to be a further £1m ongoing from 2021/22. A further £0.450m pressure is also estimated in relation to the progression towards paying the Real Living Wage for Adult Care contracts. Based on indicative wage rates it is expected that the Real Living Wage rate will be reached for Homecare and Supported Living contracts by 2021/22, and for Care Homes contracts by 2023/24.

The budget also estimates further pressures in relation to the shortfall in income from Rochdale Riverside of £0.750m.

#### **Post Covid Issues**

### **4.4**

#### **Business Rates**

- 4.4.1 The government has announced that the revaluation of Business Rates, due in April 2021, will no longer take place. The government announced at the same time that it is continuing work on the fundamental review of business rates.

Following the Covid-19 outbreak the assumptions on Business Rates income have been reviewed, resulting in:

- a reduction in the estimated growth in total rateable values;
- an increase in the estimated level of unoccupied property relief;
- an increase in the estimated contribution to the bad debt provision.

This has resulted in an estimated reduction in Business Rates income of £2.2m in 2021/22.

It must be noted that, given the uncertainty over the medium-term impact of Covid-19 on the economy, these are only initial estimates. It is difficult at this stage to predict the impact on the growth of new businesses, the survival of existing businesses, and the ability of business to pay business rates. It is also unclear whether the additional business rates reliefs introduced by the government in response to Covid-19 will continue, be scaled back or cease altogether.

The Business Rates base 2021/22 will be reviewed and formally considered by Cabinet in December.

#### **Council Tax Base**

- 4.4.2 A Council Tax base for 2020/21 of 55,745 was approved by Council on 18<sup>th</sup> December 2019, representing the number of Band D equivalent properties that we collect Council Tax from.

Following the Covid-19 outbreak the assumptions on the Council Tax base have been reviewed, resulting in:

- a reduction in the estimated growth in new properties;
- an increase in the cost of the Local Council Tax Support Scheme;
- a reduction in the estimated collection rate in the short-term.

This has resulted in an estimated reduction in Council Tax income of £2.9m in 2021/22.

It must be noted that, given the uncertainty over the medium-term impact of Covid-19 these are only initial estimates. It is difficult at this stage to predict the impact on the growth of new properties, the level of Local Council Tax support and the collection rate.

The Council Tax base will be reviewed and formally considered by Cabinet in December.

#### **Manchester Airport Group Dividend**

- 4.4.3 The Council holds 3.22% of the issued share capital in the Manchester Airport Group. The Covid-19 outbreak has had a significant impact on

airports and the aviation industry. Based on the latest projections supplied by Manchester Airport Group, the Council is not expected to receive a dividend until 2023/24. This will result in a budget pressures of up to £8.5m in 2021/22 and 2022/23.

#### **Post Covid Service Budget Pressures**

- 4.4.4 Ongoing post-Covid pressures of £3m are estimated in relation to Children's Services. Further post-Covid pressures on the Economy budget of £1.5m are also estimated, relating to a reduction in commercial income. The recurrent financial impact of Covid will continue to be understood and updates will be provided in future budget reports.

#### **Other Budget Assumptions**

#### **4.5**

##### **Local Government Funding Reforms**

- 4.5.1 A one-off funding settlement was announced for 2020/21 ahead of a multi-year Spending Review in 2020. Major reforms to the local government funding system were due to be introduced from 2021/22 onwards. These include the resetting of Business Rates baselines, the Fair Funding Review and the proposed move to 75% Business Rates Retention.

Following the Covid-19 outbreak the government announced on 28<sup>th</sup> April 2020 that review of Relative Needs and Resources and the introduction of 75% Business Rates Retention will no longer be implemented in April 2021, and are now expected to be introduced for 2022/23. The government will continue to work with councils on the best approach to the 2021/22 local government finance settlement, which will be a one-off settlement.

At this stage the impact of these reforms on individual authorities is unknown. The provisional budgets for 2021/22 to 2023/24 currently assume that any impact of the reforms will be neutral, taking account of the potential level of funding for local government and the transitional arrangements expected to be put in place. These assumptions will be continually reviewed as further information on the proposed reforms becomes available.

##### **Funding for Social Care**

- 4.5.2 The 2020/21 final settlement included £1bn of new grant funding for Adult and Children's Social Care and a continuation of all existing Social Care grants. Rochdale's additional Social Care Funding for 2020/21 was £6.925m. No information has been provided by the government on grant allocations for 2021/22 to 2023/24. For planning purposes the budget assumes the same funding level as 2020/21.

##### **Improved Better Care Fund**

- 4.5.3 Rochdale's 2020/21 Improved Better Care Fund allocation was £11.917m. No information has been provided by the government on grant allocations for 2021/22 to 2023/24. For planning purposes the budget assumes the same funding level as 2020/21.

#### **Business Rates**

- 4.5.4 In 2020/21 Rochdale continues to be part of the Greater Manchester pilot for 100% business rates retention, which commenced in 2017/18. The pilot authorities each retain 100% of locally-raised business rates. In return GM authorities forgo Revenue Support Grant (RSG) and the Public Health Grant. Authorities' tariffs and top-ups are adjusted to ensure that these changes are without detriment to individual authorities.

Business Rates growth income achieved under the pilot scheme is retained locally and shared 50/50 between the individual authorities and the Greater Manchester Combined Authority. For planning purposes it has been assumed that the GM 100% Business Rates pilot will continue from 2021/22. Any growth retained for 2021/22 will be held in the Business Rates Growth Reserve.

The budget assumes, for planning purposes, a general increase in business rates charges of 2% in 2021/22, 2% in 2022/23, and 2% in 2023/24 in line with the estimated CPI at September each year.

#### **New Homes Bonus**

- 4.5.5 The budget assumes that from 2021/22 there will be no further New Homes Bonus allocations in line with previous government announcements, with only remaining legacy payments expected to be received in 2021/22 to 2023/24.

#### **Housing Benefit/Local Council Tax Support Scheme Administration Grants**

- 4.5.6 The Council receives grants from the government for the administration of Housing Benefit and the Local Council Tax Support Scheme. The Council has yet to receive notification of the level of grants for 2021/22 and future years. Any shortfall in the grant received compared to the amounts estimated will be funded corporately.

#### **Increments**

- 4.5.7 The Council's operates a biennial incremental progression policy.

#### **Superannuation Rates**

- 4.5.8 In 2020/21 the Council made an upfront contribution to the pension fund. This means that the employer superannuation contribution rate can remain at the 2020/21 level of 20.5% for both 2021/22 and 2022/23. An increase of 0.9% in the contribution rate has been assumed in 2023/24.

#### **Price Inflation**

- 4.5.7 The budget assumes 0% inflation per annum across the majority of the Council's non-pay expenditure budgets. Contractual arrangements and other significant inflation issues will be considered on a case by case basis.

#### **Discretionary Fees and Charges**

- 4.5.8 Discretionary Fees and Charges are reviewed on an annual basis. For 2021/22 to 2023/24 a 2% increase in Discretionary Fees and Charges has

been assumed for planning purposes, subject to exemptions to be agreed, in line with the approach taken in 2020/21.

#### **Greater Manchester Combined Authority (GMCA)**

- 4.5.9 GMCA is currently reviewing its budgets to understand the impact of Covid-19. This may impact on the levies and other charges to districts.

#### **Waste Disposal Levy**

- 4.5.10 The Waste Disposal Levy is calculated by a formula across Greater Manchester which takes account of recycling levels. If Rochdale Borough did not increase recycling at the same level as other GM Authorities, there would be an impact on the waste disposal levy charged to the Council thus leading to an increased cost to the Council's budget.

The Waste Disposal Levy assumed for in the budget is based on the latest projections provided by Greater Manchester Combined Authority (GMCA). The Waste Disposal levy is estimated for planning purposes to decrease by 1.4% in 2021/22, and to increase by 2.0% in 2022/23 and 1.4% in 2023/24. The Waste Disposal Levy will be subject to consideration/agreement as a consequence of the Greater Manchester Combined Authority's budget setting process in 2021/22 and subsequent years.

#### **Passenger Transport Levy**

- 4.5.11 The budget assumes a 1% increase per annum in the underlying Passenger Transport Levy for 2021/22 to 2023/24. The Passenger Transport Levy will be subject to consideration/agreement as a consequence of the Greater Manchester Combined Authority's budget setting process in 2021/22 and subsequent years.

#### **Greater Manchester Combined Authority Initiatives**

- 4.5.10 Funding for any GMCA initiatives that have financial implications for individual authorities will be considered on a case by case basis.

#### **Integration of Health & Social Care**

- 4.5.11 From 2018/19 the Local Authority has been required to operate a formal pooled budget arrangement for health and social care, as part of the GM Health & Social Care Transformation Funding Programme. The pooled budget brings together resources from a range of organisations including the Clinical Commissioning Group (CCG), the Local Authority, Better Care Funds and GM level resources to invest in transformation of service delivery, (known as Transformation Funding).

Cabinet agreed that in 2020/21, as a result of the Covid-19 outbreak, each organisation will be responsible for their own variations within the Pooled Fund.

The financial implications of Covid-19 for the CCG are unknown at this stage. Future budget update reports for 2021/22 will provide an updated Pooled Fund position.

#### **Actions to mitigate the ongoing financial impact of Covid-19**



**4.6** A number of actions have been identified in order to help mitigate the estimated ongoing financial impact of Covid-19.

4.6.1 The ongoing contributions from the budget in relation to the Waste smoothing reserve (£0.350m), and the budget pressures fund (£0.270m) have been reviewed and can be removed from the budget.

4.6.2 Due to the slowdown in estimated house building the increase provision in the budget for growth in Neighbourhoods budget (£0.279m in 2021/22, £0.360m in 2022/23, and £0.419m in 2023/24) is not required at this state and has been removed from the budget. The need for growth in the Neighbourhoods budget will remain under review.

4.6.3 The proposed 2% increase in Discretionary Fees and Charges, subject to certain exemptions to be agreed, would reduce the budget gap by £0.075m in 2021/22 and future years.

4.6.4 A review of Treasury Management and Reserve budgets is currently underway.

4.6.5 A model is being developed to best utilise the Council's reserves to smooth the impact of estimated loss of income for the Manchester Airport dividend on the Revenue Budget.

4.6.6 A model is also being developed to best utilise the Council's reserves to smooth the impact of estimated loss of Collection Fund income on the Revenue Budget. The government has recently announced that local authorities will be able to spread the impact of the loss of Council Tax and Business Rates income over three rather than the usual one year. In the next Spending Review, the government will also agree an apportionment of irrecoverable Council Tax and Business Rates losses between central and local government for 2020/21. Once the details of the government's proposal are known these will be incorporated into a model in order to smooth the impact on the Revenue budget.

4.6.7 A review of the capital programme 2020/21 to 2023/24 is ongoing to establish which projects will be, or could be, delayed or cancelled in order to reduce the impact of borrowing costs on the Council's revenue budget.

4.6.8 Recurrent savings will have to be identified once the impact on the budget of the ongoing impact of Covid-19 is understood and the work, in order to achieve a balanced budget for 2021/22 and to ensure that the Council remains a going concern into the future.

4.6.9

## **Capital**

**4.7** A review of the capital programme is currently being undertaken. This review will provide a three year capital programme for 2021/22 to 2023/24

- 4.7.1 taking into consideration the estimated reduction in capital resources and the limited revenue funding available for Capital Schemes in these years.

The review of the capital programme 2020/21 (see section 4.6) will also feed into the Capital Programme 2021/22 to 2023/24.

4.7.2

Aims of the Capital Programme

The Capital Programme aims to:

- 4.7.3
- Deliver investment in the Borough to support the Borough wide priorities, including economic benefit and gross value added to the Borough;
  - Deliver investment in Service Provision to deliver future savings;
  - Maintain and enhance the Council's assets;
  - Support Devolution;
  - Meet Statutory provision;
  - Provide Value for Money.

The programme will be categorised into themes to understand interdependencies with other schemes and the Medium Term Financial Strategy. The categories are:

4.7.4

- operational – projects which are required to ensure ongoing service delivery such as vehicle replacement and asset management;
- contractual – projects which are already under contract or in the late stages of negotiation;
- match funding – projects with match funding which would be a loss to the Council and future external funding;
- invest to save – projects which will bring in additional income or reduce costs going forward;
- growth – projects that will attract growth to the borough increasing council tax and / or business rates;
- town centre – projects which enhance the town centre.

A report to Cabinet in December will recommend the Capital Programme for 2021/22 to 2023/24 for consideration. This will then be included as part of the 2021/22 budget consultation.

4.7.5

**Budget Principles**

- 4.8 Revenue Budget Principles - detailed guidelines are provided to all relevant staff to ensure that revenue budgets for individual services are prepared consistently. These guidelines contain details of the assumptions that are to be made in setting the revenue budget and also set out broad principles that are to be adhered to. The principles that are proposed for inclusion in the budget guidelines for 2021/22 to 2023/24 are provided at Appendix 3.
- 4.8.1

Capital Programme Principles have been developed to enable focus on the purpose of the Capital Programme and to seek agreement for the use of limited resources. The principles for the Capital Programme are provided at Appendix 4.

4.8.2

## Public Engagement

- 4.9** The Council is intending to undertake a Public Engagement initiative during Autumn 2020, involving residents, businesses and other stakeholders as part of the consultation on the budget 2021/22 to 2023/24 and savings proposals.
- 4.9.1

As in previous years the initiative is intended to:

- 4.9.2
- raise awareness of the services that the Council currently delivers;
  - raise awareness of the Council's current budget position, both resources and expenditure;
  - explain the future challenges as a result of funding reductions, increased demand for services and other pressures, and the difficult decisions we have to make;
  - explain the integration of Health and Social Care budgets between the Council and the Clinical Commissioning Group;
  - highlight the part that residents and businesses can play in the future of Rochdale and in helping to reduce costs;
  - highlight the need for the Council and residents/businesses to work together;
  - highlight the development of the Co-operative Council approach;
  - undertake a general conversation with stakeholders on their opinions and thoughts on the above.

Wherever possible the intention will be to work alongside other engagement initiatives to raise awareness of the budget challenges, to seek views and also highlight how residents can help.

4.9.3

Public Engagement for the Budget 2021/22 is suggested to be undertaken as a three stage process:

4.9.4

A) General Budget Conversation during Autumn 2020 by :

- Prezi animated digital presentation – updated for 2021/22.
- Edited Prezi animation – short clips that can be shared on the Council's Twitter, Facebook and website.
- Social media posts – with links to online proposals.
- Council website updates – homepage and landing page banners, plus specific 'Budget' section as in previous savings consultations.
- Facebook advertising – promoting participation in the online consultations to residents.
- Media releases at appropriate stages during the budget process.

- Messages on digital screens and public PCs in libraries and other public buildings.

B) Formal consultation of the Budget 2021/22 and savings proposals during September – November 2020.

C) March 2020 – provide feedback online as to the engagement process and what is happening as a result of the resident participation in the Budget process.

### **Alternatives Considered**

**4.9** The Council is legally obliged to set a balanced budget. The budget setting process is complex and must be undertaken in a planned way. It is equally important that assumptions used in the preparation of the budget are agreed, reasonable and consistently applied by all services.

<b>Costs and Budget Summary</b>
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**5.1** Financial implications are considered in the main body of the report.

<b>Risk and Policy Implications</b>
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### **6.1 Risk Implications**

6.1.1 The budget forecast has been based on a number of assumptions, known levels of expenditure and anticipated levels of resources. Final confirmation of these assumptions will not be received until November/December this year.

6.1.2 There are a number of areas of the Council's budget where risks to the projections contained in this report have been identified. The most significant of these are:

- Covid-19 impact – once there is more certainty regarding the timeframe and impact resulting from the Covid-19 outbreak further work will be undertaken to understand how the ongoing financial pressures can be managed.
- Monitoring of the 2020/21 budget will provide Cabinet with regular updates on any budget pressures/savings for the Council. Any associated on going implications will be incorporated into the budget projections for 2021/22 and future years. If the 2020/21 budget is to forecast an overspend position, Members may have to consider a spending freeze.
- Savings – the current financial position if a £33m gap, however work continues to understand the position. The level of savings required for 2021/22, 2022/23 and 2023/24 will depend on the level of Government support and the on going impact of Covid. A three year

budget is to be set in February 2021 which provides time to implement the level of savings required to balance the budget over the period 2021/22 to 2023/24.

- Government Funding – the level of government funding, that the Council will receive in 2021/22, 2022/23 and 2023/24 is unknown at this stage. This will be dependent on the Spending Review 2020, the Local Government Finance Settlement 2021/22 and the funding reforms scheduled for 2022/23.
- Specific Grants and Contributions – specific grants, including the Improved Better Care Fund, Additional Social Care funding received by the Council may be lower/higher than currently estimated.
- Council Tax – Central Government provides a cap on the Council Tax increase a Local Authority can make before a referendum of the local residents is required. The current referendum limit is a 1.99% increase. It is not known whether the government will allow any further adult social care precept. A nil increase is currently proposed for 2021/22. The assumptions included in this report are for planning purposes only, and will be reviewed by Cabinet leading up to a recommendation at Budget Council for each year. The impact of a 1% change in the level of Council Tax increase would be approximately £900k.
- Local Council Tax Support Scheme – the budget assumes that the Local Council Tax Support Scheme remains unchanged. The impact on the budget of a 5% change in the maximum discount allowed (currently 85%) would be approximately £500k.
- Business Rates – it has been assumed for planning purposes that the Greater Manchester 100% Retention Pilot will continue in 2021/22. Once the government's proposals for the Business Rates retention system become clear the financial implications will be reviewed and the budget assumptions updated.
- Business Rates Pool – Rochdale is part of the Greater Manchester and Cheshire Business Rates Pool. Under the terms of the Pool arrangement the Pool keeps the levy payments that some of the member authorities would otherwise have paid the government. However, there is a risk that the pool may be liable if any of the authorities require safety net payments as a result of the impact of Covid-19.
- Council Services - the impact of the economic climate on the residents of Rochdale Borough and the increased demand this may lead to for Council services could impact on cost of services, as could general demographic changes.
- Health and Social Care Devolution – the impact of pooling budgets with the Clinical Commissioning Group within a Pooled Budget. The

financial risk is that the investment in health and social care services does not deliver the benefits assumed. These benefits are required not only to fund interventions to invest to save in the long term, but also to contribute towards closing the budget gaps of all partners delivering health and social care services.

- Greater Manchester Combined Authority (GMCA) budgets – there is a risk that the impact of Covid-19 could impact on the level of levies and other charges to districts.
- Waste Disposal Levy – the Waste Disposal Levy is calculated by a formula across Greater Manchester, which takes account of recycling levels. Should Rochdale Borough not increase recycling at the same level as other GM Authorities this will impact on the levy, and would lead to an increased cost to the Council's budget.
- Inflation – impact of changes in the price of goods and services used by the Council compared to the percentage assumed in the budget projections. A 1% increase in price inflation equates to an increase in the budget of approximately £600k.
- Fees and charges income – impact of any economic slowdown on levels of usage of charged for Council services could lead to income levels not being achieved.
- Manchester Airport Group dividend – the amount of dividend received will be dependent on the performance of the Manchester Airport Group. Covid-19 is expected to have a significant impact on the Airport and no dividend is anticipated for 2021/22 and 2022/23.
- Investment income – the impact of low interest rates and implications of any economic slowdown on the level of dividends/interest received by the Council.
- Academies – the impact of the government's policies regarding the conversion of schools to Academies on the Council's budget.

## **6.2 Legal Implications**

- 6.2.1 The Council is under a duty to calculate the budget in accordance with Section 32 of the Local Government Finance Act 1992 and must make three calculations namely: an estimate of the Council's gross revenue expenditure; an estimate of anticipated income; and a calculation of the difference between the two. The amount of the budget requirement must be sufficient to meet the Council's budget commitments and ensure a balanced budget. The amount of the budget requirement must leave the Council with adequate financial reserves. The level of budget requirement must not be unreasonable having regard to the Council's fiduciary duty to its Council Tax payers and non-domestic rate payers.

- 6.2.2 Failure to make a lawful Council Tax on or before 11<sup>th</sup> March could have serious financial results for the Council and make the Council vulnerable to an Order from the Courts requiring it to make a specified increase in Council Tax.
- 6.2.3 Section 151 of the Local Government Act 1972 places a general duty on local authorities to make arrangements for 'the proper administration of their financial affairs'.
- 6.2.4 Information must be published and included in the Council Tax demand notice. The Secretary of State has made regulations, which require charging authorities to issue demand notices in a form and with contents prescribed by these regulations.
- 6.2.5 There is also a duty under Section 65 of the 1992 Act to consult persons or bodies appearing to be representative of persons subject to non-domestic rates in each area about proposals for expenditure (including capital expenditure) for each financial year.

### **Personnel Implications**

#### **6.3**

- 6.3.1 The report outlines the proposed timetable for preparing the detailed 2021/22 budget and this timetable includes the requirement to undertake formal workforce consultation with the staff and trade unions. The consultation will be undertaken in accordance with the Council's established formal staff consultation processes including meetings of the Joint Consultative Negotiation Group (JCNG).

### **Equalities Impacts**

#### **6.4**

##### Workforce Equality Impacts Assessment

- 6.4.1 Workforce equality impact assessments will be provided with any savings proposals and an overall workforce equality impact assessment on the budget will be presented to facilitate final decision making.

##### Equality/Community Impact Assessments

- 6.4.2 Equality Impact assessments will be provided with any savings proposals and an overall equality impact assessment on the budget will be presented to facilitate final decision making.

<b>Consultation</b>
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- 7.1 Stakeholders are consulted at appropriate stages throughout the budget preparation process. The Council is intending to carry out a Public Engagement initiative during Autumn 2020 involving residents, businesses and their representative bodies and other stakeholders.

#### 7.2

Consultation with the Trade Unions via the Joint Consultative Negotiation Group (JCNG) will be undertaken and the outcome of consultations will be considered by Cabinet.

<b>Background Papers</b>	<b>Place of Inspection</b>
8.	
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**Budget Timetable 2021/22 to 2023/24 – Key Meeting Dates**

<b>Date</b>	<b>Meeting/Event</b>	<b>Purpose</b>
<b>2020</b>		
<b>July</b>	Cabinet Meetings	<b>Cabinet 28 July</b> <b>Corporate O&amp;S 4 August</b>  1. Budget Update, Guidelines and Timetable
<b>September</b>	Cabinet Meetings  Consultation	<b>Corporate O&amp;S 17 September</b> <b>Cabinet 29 September</b>  1. Discretionary Fees & Charges for consultation 2. Savings Programme for consultation? 3. Revenue Budget & MTFS Update 4. New Operating Model  <b>Consultation Starts 30 September - Savings</b>
<b>November/ December</b>	Cabinet Meetings	<b>Corporate O&amp;S 24 November</b> <b>Cabinet 1 December</b>  1. Capital Programme - for consultation 2. Council Tax and Business Rates bases 2021/22
<b>December</b>	Consultation	13 November - formal consultation ends
<b>2021</b>		
<b>February</b>	Cabinet Meetings - post consultation  Budget Council	<b>Corporate O&amp;S 8 February</b> <b>Cabinet 9 February</b> <b>Budget Council 24 February</b>  1. Treasury Management Strategy 2. MTFS 3. Local Government Act 2003 Report 4. Revenue Budget and Council Tax 5. Capital Investment & Disposal Strategy 6. Savings Programme post consultation ?? 7. Capital Programme post consultation 8. Discretionary Fees & Charges post consultation

**Key Budget Assumptions 2021/22 to 2023/24**

Area of Budget	2021/22	2022/23	2023/24
<b>Council Tax</b>			
General Increase	0.00%	1.99%	1.99%
Social Care Precept	0.00%	0.00%	0.00%
<b>Total Council Tax Increase</b>	<b>0.00%</b>	<b>1.99%</b>	<b>1.99%</b>
Increase in property numbers	482	475	676
LCTSS (Maximum Discount)	85%	85%	85%
Collection Rate	97.0%	97.5%	98.0%
<b>Business Rates</b>			
Business Rates Multiplier	2.0%	2.0%	2.0%
Revenue Support Grant (notional - within Business Rates Top-up)	0.0%	0.0%	0.0%
Public Health Grant (notional - within Business Rates Top-up)	0.0%	0.0%	0.0%
Rateable Value Growth (£m)	0.350	0.000	0.500
<b>Other Resources</b>			
Improved Better Care Fund (£m)	11.917	11.917	11.917
Additional Social Care Funding (£m)	6.925	6.925	6.925
Manchester Airport dividend (£m)	0.000	0.000	8.906
<b>Service Budgets</b>			
Pay Award	3.0%	2.0%	2.0%
Superannuation - Increase (Decrease) in Contribution Rate	0.0%	0.0%	0.9%
Superannuation Contribution Rate	20.5%	20.5%	21.4%
Price Inflation*	0.0%	0.0%	0.0%
Discretionary Fees & Charges**	2.0%	2.0%	2.0%
Underlying Waste Disposal Levy	-1.4%	2.0%	1.4%
Underlying Passenger Transport Levy	1.0%	1.0%	1.0%
* Price inflation - Contractual arrangements and other significant inflation issues will be considered on a case by case basis			
** Discretionary Fees & Charges - increase subject to agreed exemptions			

## **APPENDIX 3**

### **REVENUE BUDGET PRINCIPLES**

#### **1. Budget Preparation**

- 1.1 Service estimates are required at service level for the years 2021/22 to 2023/24. The format of the service submissions, which are to be supported by appropriate working papers, will be determined by the Chief Financial Officer in consultation with Directors.
- 1.2 Estimate preparation should take account of technical guidance issued from time to time on local authority accounting practices and other related issues.
- 1.3 The budget process shall adhere to the approved timetable.

#### **2. Existing Service Level Budgets**

- 2.1 The budget will initially be prepared on the basis that current resources support existing service levels and with the exception of the schools budget should be varied to reflect:
  - (a) The full year effect of previous year's savings proposals.
  - (b) Consequences of the approved capital programme.
  - (c) Adjustments in relation to specific 'one year only' allocations and other time expired funding.
  - (d) Other specific Council decisions.
- 2.2 Most education and related budgets are funded through a specific grant namely the Dedicated Schools Grant (DSG). Separate systems and procedures relating to DSG funded budgets operate outside of the mainstream budget guidelines.
- 2.3 Salary budgets are to be prepared with reference to the 2020/21 budget (net of any vacancy factor) adjusted for pay awards, increments, approved service changes, savings and other approved variations. The salary budgets can only be used to employ staff in established posts on approved grades in line with the following conditions:
  - (a) All changes to the establishment where Council funding is available in full must be approved by Cabinet, or within the requirements of the Scheme of Delegation.
  - (b) All changes to the establishment where resource implications arise, even if the costs are met entirely from external funding, must also be approved by Cabinet, or within the requirements of the Scheme of Delegation.
  - (c) Posts funded from external sources must be established as temporary or specific purpose posts unless it can be demonstrated that:

- the external funding is permanent, or
- specific approval has been given, or
- future years' costs can be contained within current budgets.

(d) Directors must balance service requirements against the need to manage within their budgets when taking decisions to fill vacant posts or employ temporary staff.

### **3. Discretionary Fees and Charges**

- 3.1 Fees and charges must be reviewed on an annual basis. A report will be submitted to Cabinet in October each year on proposals for the following year.
- 3.2 Services may bring forward proposals to Cabinet to amend existing fees and charges, or to introduce new fees and charges.

### **4. External Funding**

- 4.1 Wherever possible external funding should be used to reduce pressure on current expenditure, thereby releasing resources for redirection into priority areas.
- 4.2 All legal, human resources, financial and administrative support costs required to manage grant conditions and fulfill the role of the accountable body should be charged, wherever possible, against the funding regime.

### **5. Integration of Health & Social Care**

- 5.1 From 2018/19 the Local Authority is required to operate a formal pooled budget arrangement for health and social care, as part of the GM Health & Social Care Transformation Funding Programme.
- 5.2 As part of the pooled budget arrangement, the Council and HMRCCG will enter into a Section 75 Agreement and a Risk Sharing Agreement.

### **6. Consultation**

- 6.1 Members will take account of consultations with stakeholders at appropriate stages throughout the budget preparation process.

## **CAPITAL PROGRAMME PRINCIPLES**

### **1. Capital Programme Preparation**

- 1.1 The Capital Programme is compiled at project level for the years 2021/22 to 2023/24. The format of the capital submissions, which are to be supported by appropriate working papers, will be determined by the Chief Financial Officer in consultation with Directors.
- 1.2 Estimate preparation should take account of technical guidance issued from time to time on local authority accounting practices and other related issues. The profiling of capital expenditure into the correct financial years and over the project's development will be key to ensure the amount of re phasing of capital resources from one year to another is kept to a minimum, and to reduce the amount of revenue budget required to finance the project.
- 1.3 The budget process shall adhere to the approved timetable.

### **2. Principles for the Capital Programme**

- 2.1 Capital Resources are to be used as follows:
  - Decisions on the use of Capital Receipts will be considered as part of the budget process.
  - Un-ring fenced and ring fenced externally funded grants are considered on a case by case basis.
  - Any new borrowing is considered with the implications for the revenue budget position.
- 2.2 Capital projects for approval are:
  - Considered by Portfolio Holders for the service who agree to the services requests for funding.
  - Completed to ensure all implications of the Capital Scheme are included in the 'Business Cases'.
  - Inclusive of Multi Year Schemes with spend profiled accurately across the financial years.