

## Report to Cabinet



Date of Meeting	29 <sup>th</sup> September 2020
Portfolio	Leader of the Council and Cabinet Member for Finance
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Public/Private Document	Public

### **Revenue Budget 2021/22 to 2023/24 and Capital Programme 2021/22 to 2025/26**

#### **Executive Summary**

- 1.1 To provide an update on the Revenue Budget and 2021/22 to 2023/24.
- 1.2 To provide an update on the Council's Medium Term Financial Strategy.
- 1.3 To outline proposed changes to the Council's Capital Programme 2020/21.
- 1.4 To outline the Council's proposed Capital Programme 2021/22 to 2025/26, as a basis for consultation.

#### **Recommendation**

- 2.1 Members are requested to consider and note the updated Revenue Budget position 2021/22 to 2023/24.
- 2.2 Members are requested to consider and note the Council's updated Medium Term Financial Strategy.
- 2.3 Members are asked to consider and approve the proposed changes to the Capital Programme 2020/21.
- 2.4 Members are asked to consider and approve the Capital Programme 2021/22, and provisional programmes for 2022/23 to 2025/26, as a basis for consultation, subject to confirmation of grant funding allocations, as detailed in Appendix 3.

<b>Reason for Recommendation</b>
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- 3.1 Cabinet members are required to recommend a balanced 2021/22 Revenue Budget to Budget Council, and provisional budgets for 2022/23 to 2023/24. The Council is required to set a balanced budget for 2021/22 by 11<sup>th</sup> March 2021.
- 3.2 The Revenue budget, Medium Term Financial Strategy Capital Programme provide key parts of the budget setting process.

<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 11th 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 are used as a part of the determination of the overall budget position. The budget timetable is detailed in Appendix 1.
- 4.1.2 Throughout the year, the council consult with residents, officers and partners on the budget and any savings proposals. It should be noted that the timetable plans for consultation for savings proposals to start the 4th January and concluding on the 17th February. 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 final approved budgets following Budget Council in March.

#### **4.2 Revenue Budget Update 2021/22 to 2023/24**

- 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.
- 4.2.2 Provisional budget assumptions were approved for 2021/22 to 2023/24 at Cabinet 28<sup>th</sup> July 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 An updated position is detailed in Table 1

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

	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<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 development pressure	0.750	0.750	0.750
Adults growth and contracts inflation	1.450	1.909	2.377
Council Tax freeze 2021/22	1.848	1.903	1.957
3% Pay Award 2021/22	0.706	0.692	0.706
Waste smoothing reserve adjustment	(0.350)	(0.350)	(0.350)
Budget pressures funding adjustment	0.000	0.500	0.500
Neighbourhoods Growth removed	(0.279)	(0.360)	(0.419)
Discretionary Fees & Charges	(0.071)	(0.071)	(0.071)
Additional inflation for contractual increases, etc.	0.732	0.746	0.968
Reduction in use of one-off funding	0.000	0.000	4.724
Increments	0.000	0.000	1.000
Accounting Adjustments	(0.005)	(0.075)	(0.159)
	<b>4.781</b>	<b>5.644</b>	<b>11.983</b>
<b>Pre Covid Budget Gap</b>	<b>6.781</b>	<b>7.644</b>	<b>13.983</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>34.407</b>	<b>25.382</b>	<b>21.289</b>
Budget Gap as per Cabinet 28 July 2020	33.417	23.447	12.941
<b>Changes to Budget Assumptions</b>	<b>0.990</b>	<b>1.935</b>	<b>8.348</b>

4.2.4

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.

4.2.5 Table 2 details the changes to budget assumptions since the position reported to Cabinet on 28<sup>th</sup> July 2020.

**Table 2 Major Changes since July Cabinet**

	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Additional inflation for contractual increases, etc.	0.732	0.746	0.968
Adjustments to savings proposals 2020/21	0.134	0.134	0.134
Adult Care - impact of contracts inflation	0.000	0.459	0.927
Budget pressures funding	0.270	0.770	0.770
Reduction in use of one-off funding	0.000	0.000	4.724
Increments	0.000	0.000	1.000
Accounting adjustments	(0.146)	(0.174)	(0.175)
	<b>0.990</b>	<b>1.935</b>	<b>8.348</b>

4.2.6 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 have now been considered on a case by case basis and the budget adjusted as appropriate.

4.2.7 The budget has been adjusted to reflect that a number of savings proposals approved as part of the 2020/21 process have not achieved the level of savings original assumed.

4.2.8 Adult Care budgets have been increased in order to ensure sufficient budget is included for changing demand and market inflation.

4.2.9 The budget pressures fund has been increased in order to ensure that there is adequate budget provision in future years in order to meet anticipated demand.

4.2.10 In the provisional budget for 2022/23 one-off funding has been used to meet the increased cost of providing services, in particular Adult Care, not met by a corresponding estimated increase in government funding. This one-off funding has been removed in 2023/24.

4.2.11 An additional £1m has been provided in 2023/24 in order to fund the estimated cost of increments.

### **4.3 Medium Term Financial Strategy**

4.3.1 The Medium Term Financial Strategy (MTFS) is a five year plan which sets out the Council's commitment to provide services that meet the needs of people locally, and that represent good value for money within the overall

resources available to it. The current MTFS was approved at Budget Council 26<sup>th</sup> February 2020 and is kept under review throughout the budget process.

4.3.2 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.

4.3.3 There is also significant uncertainty over the ongoing impact of Covid-19 on the Council's expenditure and income levels for future years.

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

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. At this stage the impact of these reforms on individual authorities is unknown.

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.

For planning purposes it has been assumed that funding will continue at the current level, and that the impact of the reforms will be neutral.

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

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 and future years. For planning purposes it has been assumed that the funding will continue at the current level.

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

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 and future years. For planning purposes it has been assumed that the funding will continue at the current level.

#### 4.3.7 **Business Rates**

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. 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. It is unclear whether pilot will continue in 2021/22 and future years. For planning purposes, the impact of any reforms have been assumed will be neutral.

#### 4.3.8 **Council Tax**

The government has not yet made an announcement on the Council Tax referendum limit for 2021/22, or on the future of the Adult Social Care precept. For the budget estimates in this paper the referendum limit has been assumed at the current rate of 1.99% maximum increase and that there will be no increase in precept. However the current proposed 2021/22 budget assumes a nil increase for Council Tax.

#### 4.4 **Actions to mitigate the ongoing financial pressures on the Council**

4.4.1 Given the level of uncertainty around the ongoing impact of Covid-19 and the future level of government funding, a number of actions have been identified to mitigate any possible impact on the Council's financial position.

4.4.2 Discussions are ongoing in light of this uncertainty with regards to considering 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 it is proposed to treat 2021/22 as a transitional year. Any new model would be introduced from 2022/23.

4.4.3 The proposed 2% increase in Discretionary Fees and Charges, subject to certain exemptions to be agreed, would reduce the budget gap by c. £70k in 2021/22 and future years – see separate item on the agenda.

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

4.4.5 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 on the Revenue Budget.

4.4.6 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. The details of this proposal are not yet known, but will not provide any additional funding to the Council. They may, however, reduce the need to utilise the Council's reserves in the smoothing model.

4.4.7 It has been indicated in the Covid Government returns that £7m of the Council's reserves will be deployed to smooth the impact of Covid on the Council's financial position. It was also noted that these reserves would have to be replenished.

- 4.4.8 A review of the capital programme 2020/21 to 2023/24 has been undertaken to establish which projects could be delayed, reduced or removed, in order to reduce the impact of borrowing costs on the Council's revenue budget. The results of this review are covered in section 4.5.
- 4.4.9 The Greater Manchester Combined Authority (GMCA) is currently reviewing its reserves in order to agree those that can be returned to districts in order to help alleviate their financial pressures.
- 4.4.10 Work is ongoing to identify recurrent savings in order to achieve a balanced budget for 2021/22 and to ensure that the Council remains a going concern into the future.
- 4.4.11 An updated MTFs 2021/22 to 2025/26 will be taken to Cabinet in February 2021 for recommendation to Budget Council 3rd March 2021.

## **4.5 Capital Programme Review 2020/21**

- 4.5.1 As reported to Cabinet 28<sup>th</sup> July, a review of the current Capital Programme was in progress. The review has focused on prioritising and rephasing schemes based on risk and new categories which look at the substance of the project and not the Directorate leading the project.
- 4.5.2 The new categories are:
- 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 centres – projects which enhance the town centres across the borough.
- 4.5.3 Objectives for this review were twofold to correctly appraise schemes to understand delivery and cashflow for the current year and to realise a revenue saving of £1m per annum through reduction in prudential borrowing repayments over the next three financial years (2021/22 – 2023/24).
- 4.5.4 The starting position is Capital Programme budget for 2020/21 as approved at P2 is £156.4m. This being £83.475m approved as the new programme at February Budget Council and £83.045m rephasing from 2019/20 and a net adjustment of £10.152m for rephasing and grants.

<b>Reason for Movement</b>	<b>2020/21 £'000s</b>	<b>2021/22 £'000s</b>	<b>2022/23 £'000s</b>
Base Budget as per Budget Council Feb 2020	83,475	48,480	23,732
Rephasing Brought Forward from previous years	83,045	-	-
Rephasing Requests P2	(5,447)	5,447	-
Capital Budget Changes	(4,513)	194	194
<b>BUDGET AS AT END OF MAY 2020</b>	<b>156,560</b>	<b>53,927</b>	<b>28,732</b>

4.5.5 Additional rephasing is included in the P4 Financial Update. The rephasing is from Children's Services for schools places planning. This reduces the 2020/21 budget to £135.4m, increases 2021/22 to £73.8m and 2022/23 to £32.7m.

4.5.6 The Capital Programme review has been successful in achieving the required £1m saving, through a reduction in expenditure in the Capital Programme in years 2020/21 – 2023/24 subject to Cabinet approval, for 2021/22 and 2022/23 and moves substantially towards the target in 2023/24. This is demonstrated in the table below:

	<b>2020/21 (£'000)</b>	<b>2021/22 (£'000)</b>	<b>2022/23 (£'000)</b>	<b>2023/24 (£'000)</b>
Revenue saving		1,172	1,037	491
Capital reduction	1,005	750		
Capital rephasing	58,225			

4.5.7 The reductions in capital expenditure has resulted in £1.76m of reductions £1.01m from 2020/21 budgets and £0.75m of reductions from 2021/22 budgets. In addition, £58.2m of re-phasing has been identified, moving budgets from 2020/21 to future years. Later years rephasing is highlighted in 4.6.

4.5.8 Details of the schemes being reduced or re-phased, can be found in Appendix 2. The 2020/21 capital budget will be £76.19m, if these schemes are approved. Any rephasing following this report, will be reported at Cabinet throughout the year with the impact on future years budgets being reported within the Capital Strategy at Council on 3<sup>rd</sup> March 2021.

4.5.9 Due to the success of this process in reviewing the Capital Programme in greater detail, the process will become part of the annual budget setting and monitoring process.

## **4.6 Capital Programme 2021/22 to 2025/26**

- 4.6.1 The Capital Strategy including the 2021/22 – 2025/26 Capital Programme will be presented to Cabinet in February and Council on 3<sup>rd</sup> March 2021. The Strategy is a requirement from Chartered Institute of Public Finance and Accountancy (CIPFA) for all local authorities to demonstrate a high level long term view of capital expenditure, financing and treasury management activity to contribute to the provision of services, an overview of risk in capital terms and the implications of capital expenditure on the future financial sustainability.
- 4.6.2 To address the CIPFA requirements the Strategy will address longer term aspirations for the borough with capital requirements and detail the short to medium term capital spend in a five year programme. The Programme aims to
- 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;
  - Meet Statutory provision;
  - Provide Value for Money.
- 4.6.3 The Capital Programme continues to align with the Council's priorities:
- Place Plan – aligning capital investment to support the borough's economic growth potential and continue to regenerate our town centres.
  - Corporate Plan – ensuring the borough maintains its high standard of quality building and public space.
  - Asset Strategy – aiming to hold fewer but more efficient assets, realising maximum value from the estate whilst safeguarding its staff, customers and other building users.
- 4.6.4 In light of the increasing pressures and rephasing of the programme in 2020/21 to achieve a revenue saving, additional projects to the programme have been minimal in years 2021/22 to 2023/24. Projects that have been added, subject to approval at Council, fall into the operational or match funding. Other schemes have been added in later years which will have an impact on the revenue budget in the longer term past the current MTFs, including £4m for Town Hall Phase 3 refurbishment.
- 4.6.5 Along with the Council's current priorities, the proposed Capital Programme has been developed for 2021/22 to 2025/26, taking into consideration the available resources. The approach for setting the 2021/22 capital budget has followed the steps below:
- Initial budget as provisionally approved at Budget Council on 26<sup>th</sup> February 2020.
  - Review of current capital programme as described at 4.5
  - Consideration of new schemes in the current financial climate
- Review sessions with the Leader of the Council / Cabinet Member for Finance and Assistant Portfolio Holder for Finance, the Director of

Economy and the Director of Neighbourhoods, followed by approval to progress the proposed programme by the Council's Leadership Team.

4.6.6 Appendix 3 details the proposed Capital Programme for 2021/22 and provisional Capital Programmes for 2022/23 to 2025/26 including the rephasing detailed in section 4.5 and appendix 2 which are for consultation as part of the Council's budget setting process, plus the rephasing detailed in the P2 and P4 Finance Update Cabinet papers.

4.6.7 Table 5 below shows the total proposed Capital expenditure for 2021/22 to 2025/26 summarised by Directorate and the funding source. With Table 6 summarising the establishment of the programme from Council in February.

**Table 5 – Summary of Capital Programme and funding source**

<b>Directorate</b>	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>	<b>2023/24 £'000</b>	<b>2024/25 £'000</b>	<b>2025/26 £'000</b>
Adult Care	2,633	2,663	2,633	2,663	2,633
Children's Service	30,876	7,469	7,469	7,469	7,469
Economy	37,612	27,050	29,231	27,800	0
Neighbourhoods	31,540	13,200	14,145	10,658	11,613
Public Health	4,008	360	0	576	100
<b>Total Requirement</b>	<b>106,669</b>	<b>50,712</b>	<b>53,478</b>	<b>49,136</b>	<b>21,815</b>

<b>Funding Source</b>					
Prudential Borrowing	23,966	15,532	17,639	15,274	8,479
External Grant & Contributions	43,030	12,971	12,979	12,131	12,131
Invest to Save	36,022	22,010	22,705	21,576	1,050
Revenue Contribution to Capital Outlay	305	155	155	155	155
Capital Receipts	3,346	44	0	0	0
<b>Total Funding</b>	<b>106,669</b>	<b>50,712</b>	<b>53,478</b>	<b>49,136</b>	<b>21,815</b>

**Table 6 – Buildup of Programme**

<b>Details</b>	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>	<b>2023/24 £'000</b>	<b>2024/25 £'000</b>	<b>2025/26 £'000</b>
Programme Budget Council February 2020	48,480	25,232			
Programme extension to 2025/26			18,552	19,928	17,652
New Schemes	7,053	5,941	22,723	29,208	3,213
Rephasing	50,386	19,539	12,203	0	950
Reductions	750				
<b>Proposed Programme</b>	<b>106,669</b>	<b>50,712</b>	<b>53,478</b>	<b>49,136</b>	<b>21,815</b>

- 4.6.8 The Capital schemes listed in Appendices 3 are categorised as follows:
- *Annual Allocation* - These schemes receive annual allocations either as a result of external funding, or because the capital investment is essential for the Council to maintain current service delivery or to meet statutory responsibilities.
  - *Scheme started in previous years* - These schemes are multi-year schemes that commenced prior to 2021/22.
  - *New Bid* - These are new schemes or schemes requiring additional funding for the 2021/22 capital programme or future years.
- 4.6.9 Borrowing of £23.966m is required to fund expenditure relating to specific schemes in 2021/22 for the programme including the rephasing. The revenue cost of this is approximately £1.9m per annum.

#### **4.7 Alternatives Considered**

- 4.7.1 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 The financial implications for the Revenue Budget are considered in the main body of the report. Table 1 highlights the financial pressures facing the Council in the medium term.
- 5.1.1 Sections 4.2 and 4.3 discuss the pressures and the mitigations to address the 2021/22 gap to ensure a balanced budget is presented to Council on 3<sup>rd</sup> March 2021. This includes the use of reserves, understanding central government funding and potential requirement for savings targets.
- 5.1.2 As the cost of the proposed Capital programme is greater than the capital receipts and external funding available, borrowing is required to fund the difference. This has an impact on the Council's Revenue budget. This is included within the budget estimates and the gap in Table 1.
- 5.1.3 Borrowing requires repayment of both the principle sum borrowed and associated interest over a given number of years. The budgeted cost of borrowing for 2021/22 is £0.318m, increasing to £1.920m in 2022/23.
- 5.1.4 The Capital budget is funded from a number of sources: borrowing, capital receipts, revenue contribution to capital outlay and external funding/contributions. Borrowing has an implication for the Council's revenue budget as the Council has to make provision to repay the cost of borrowing.

- 5.1.5 The Council is able to borrow resources for capital schemes. The revenue implications of this option are that for every £1m of capital expenditure there is approximately £61k per annum of revenue cost to repay borrowing, over a 40 year period. If borrowing is required over a shorter period, the annual cost is greater but the overall cost is less.

## Risk and Policy Implications

### 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 are not likely to be received until 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:
- Monitoring of the 2020/21 budget will provide Cabinet with regular updates on any budget pressures/savings for the Council. Any associated ongoing 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.
  - Covid-19 impact – the further work will be undertaken to understand how the ongoing financial pressures of the Covid-19 outbreak can be managed.
  - Collection Fund – the ongoing impact of any economic slowdown on the collection of Business Rates and Council Tax income.
  - Savings –the level of savings required for 2021/22, 2022/23 and 2023/24 will depend on the level of Government support and the ongoing impact of Covid. A three year budget is to be set in March 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 received by the Council, including the Improved Better Care Fund and Additional Social Care funding, may be lower or 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. The level of demand on the scheme may increase as a result of the economic impact of the Covid-19 outbreak.
- 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.
- Rochdale Riverside – the impact of the economic climate on the Rochdale Riverside development. This could result in financial implications for the Council under contractual arrangements, and on business rates income.

- 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.
- Schemes that are dependent on external funding present a risk that funding may not be received in line with the budget, therefore externally funded capital and revenue schemes cannot start until confirmation of the required funding has been received. Scheme spend will be adjusted to match funding that is received and updates will be provided to Members during the financial year in the finance update reports.

6.1.3 The key assumptions are reviewed and updated throughout the year based upon latest information available.

## **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.

6.2.6 Under the Local Authorities (Functions and Responsibilities) (England) Regulations 2000 the responsibility for approving any plan or strategy for the control of local authority borrowing, investment or Capital Strategy or for determining the minimum revenue provision is a decision of the full Council. The function of the Executive is to prepare and propose the relevant strategy

to the Council. The Council may require the Cabinet to reconsider, amend, modify, revise, vary, withdraw or revoke the strategy.

### 6.3 Personnel Implications

6.3.1 The detailed 2021/22 budget 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).

### 6.4 Equalities Impacts

#### 6.4.1 Workforce Equality Impacts Assessment

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.

#### 6.4.2 Equality/Community Impact Assessments

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.

### Consultation

- 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.

Background Papers	Place of Inspection
8.	
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