

Report to Cabinet



Date of Meeting	27 th July 2021
Portfolio	Cabinet Member for Finance and Corporate
Report Author	Julie Murphy
Public/Private Document	Public

Budget 2022/23 to 2024/25 - Guidelines, Timetable and Budget Update

Executive Summary

1. To recommend the budget guidelines and timetable to be used in preparing the detailed 2022/23 Budget and provisional budgets for 2023/24 and 2024/25.
2. To provide an updated budget position for the Council for 2022/23 to 2024/25.

Recommendation

- 2.1 Cabinet is 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.
- 2.2 Cabinet is asked to note the Revenue Budget update provided in 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 2022/23 Budget and Provisional Budgets for 2023/24 and 2024/25 by September.

Key Points for Consideration

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 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. 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 any 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.
- 4.1.4 The full budget timetable is provided at Appendix 1.

4.2 Revenue Budget update 2022/23 to 2024/25

- 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 2022/23, 2023/24 and 2024/25.
- 4.2.2 Provisional budget assumptions for 2022/23 and 2023/24 were approved at Budget Council 3rd March 2021. The budget assumptions have been reviewed and updated in the light of the ongoing financial implications of the pandemic and other known factors. Future reports will make Cabinet aware of any changes that impact on the budget assumptions.
- 4.2.3 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 provided a one-year funding settlement for 2021/22, and the wider reforms to local government funding were delayed till 2022/23 at the earliest. No further information on the proposed reforms has been released by the government at this stage.
- 4.2.4 There is also significant uncertainty over the ongoing impact of the pandemic on the Council's expenditure and income levels for future years.
- 4.2.5 The updated Budget position for 2022/23 to 2024/25 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.
- 4.2.6 Table 1 summarises the updated Budget position 2022/23 to 2024/35 based on the changes to budget assumptions, and the proposed mitigating actions in order to achieve a balanced budget for 2022/23. Further detail is provided in sections 4.3 to 4.6 of this report.

Table 1 Updated Budget Gap 2022/23 to 2024/25

	2022/23	2023/24	2024/25
	<u>£m</u>	<u>£m</u>	<u>£m</u>
Budget Council March 2021	5.127	13.380	15.548
Changes to Budget Assumptions	2.673	2.672	2.664
Updated Budget Gap	7.800	16.052	18.212
Mitigating Actions	(7.800)	(5.900)	(5.900)
Updated Budget Gap	0.000	10.152	12.312

4.2.7 Since 2010/11 the Council has made ongoing savings of £185.5m from its Revenue Budget. It is proposed that there will be no savings programme for 2022/23. Any short-term budget gaps will be smoothed via the use of reserves.

4.2.8 The 2022/23 budget process will instead examine the medium to long term transformation of services, looking at how services are delivered rather than stopping services.

4.2.9 The Transformation approach will involve:

- The identification of key projects.
- A Member Board to determine direction of travel and to provide oversight and scrutiny.
- An Officer Board to ensure delivery of key projects.
- The exploration of further opportunities from the Capital Programme; Treasury Management; the use of Reserves; the maximization of Collection Fund income; and the use of Artificial Intelligence.

4.2.10 Budget challenge sessions to be held over summer to support the budget for 2023/24 onwards. A savings programme driven from Portfolio Holder discussions will be used to support the 2023/24 Budget onwards.

4.2.11 In addition income generation sessions will be held with each Director with the Leader and Director of Resources, these sessions focusing on maximising income opportunities to support the budget gap from 2023/24 onwards.

4.3 Budget Issues

4.3.1 Council Tax Increase

For planning purposes, a general increase in Council Tax of 1.99% has been assumed for 2022/23 in line with expected referendum limits. A 1.99% increase has been assumed for both 2023/24 and 2024/25.

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 2022/23, 2023/24 and 2024/25.

Any variation in the level of Council Tax increase approved will have an impact on the forecast budget position. The impact of a 1% variation in the assumed Council Tax increase is approximately £0.9m.

In February 2022 Cabinet will recommend the 2022/23 Council Tax to Budget Council for approval.

4.3.2 **Council Tax Base**

A Council Tax base for 2021/22 of 54,637 was approved by Council on 16th December 2020, representing the number of Band D equivalent properties that we collect Council Tax from.

The Council Tax base will be kept under review throughout the budget process, in particular the ongoing impact of the pandemic on: the estimated growth in new properties; the cost of the Local Council Tax Support Scheme; and the estimated collection rate.

The Council Tax base for 2022/23 will be reviewed and formally considered by Cabinet on 15th December 2021.

4.3.3 **Business Rates**

In 2021/22 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 2022/23, although this is unknown at this stage.

Business Rates charges are set by the government and increase in line with Consumer Prices Index (CPI) at September each year. The budget assumes an increase of 1.2% for 2022/23, 1.6% for 2023/24 and 1.7% for 2023/24, in line with the latest CPI estimates from the Office for Budget Responsibility.

The assumptions on Business Rates income will be kept under review throughout the budget process, in particular the ongoing impact of the pandemic on the estimated growth in total rateable values; the estimated level of unoccupied property relief; the estimated contribution to the bad debt provision; and the estimated contribution to the provision for appeals.

The Business Rates base 2022/23 will be reviewed and formally considered by Cabinet on 15th December 2021.

4.3.4 A model has been developed to utilise the Council's reserves to smooth the impact of estimated loss of Council Tax and Business Rates income resulting from the pandemic on the Revenue Budget.

4.3.5 **Manchester Airport Group Dividend**

The Council holds 3.22% of the issued share capital in the Manchester Airport Group. The pandemic 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 2025/26.

A model has been developed to utilise the Council's reserves to smooth the impact of estimated resulting loss of income for the Manchester Airport on the Revenue Budget.

4.3.6 **Local Government Funding Reforms**

A one-off funding settlement was announced for 2020/21 ahead of a multi-year Spending Review in 2021. Major reforms to the local government funding system are expected to be introduced from 2022/23 onwards. These include the resetting of Business Rates baselines, the Fair Funding Review, and the proposed move to 75% Business Rates Retention.

At this stage the impact of these reforms on individual authorities is unknown. The provisional budgets for 2022/23 to 2024/25 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 reviewed as further information on the proposed reforms becomes available.

4.3.7 **Funding for Social Care**

The 2021/22 final settlement included an additional £2m of grant funding for Social Care, and a continuation of all existing Social Care grants. Rochdale's total Social Care grant funding for 2021/22 was £8.985m. No information has been provided by the government on grant allocations for 2022/23 to 2024/25. For planning purposes the budget assumes the same funding level as 2021/22 for 2022/23, with additional Social Care funding of £2m assumed in 2023/24 and 2024/25 for planning purposes.

4.3.8 **Improved Better Care Fund**

Rochdale's 2021/22 Improved Better Care Fund allocation was £11.917m. No information has been provided by the government on grant allocations for 2022/23 to 2024/25. For planning purposes the budget assumes the same funding level as 2021/22.

4.3.9 **Lower Tiers Services Grant**

As part of the 2021/22 Finance Settlement Rochdale received a new Lower Tiers Services Grant of £0.362m. No information has been provided by the

government on grant allocations for 2022/23 to 2024/25. For planning purposes the budget assumes the same funding level as 2021/22

4.3.10 **New Homes Bonus**

In February 2021 the government published a consultation seeking views on the future of the New Homes Bonus from 2022/23 onwards, setting out a variety of options for reforming the New Homes Bonus. The government has yet to publish the results of the consultation. At this stage the budget assumes that from 2022/23 there will be no further New Homes Bonus allocations, with only remaining legacy payments expected to be received in 2022/23.

4.4 **Budget Growth/Pressures**

4.4.1 **Social Care**

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 continuing 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. The budget assumes ongoing Adult Care pressures of £1m. The impact of the National Living Wage and Real Living Wage on Adult Care contracts is also built into the budget.

4.4.2 **Rochdale Riverside**

The budget approved at Budget Council 3rd March 2021 included £0.750m in relation to the estimated shortfall in income from the Rochdale Riverside scheme. This has been increased by a further £0.350m.

4.4.3 **Highways Maintenance Contract**

Cabinet 25th February 2021 approved the option to deliver the whole of the revenue funded Highways Maintenance service in-house, with capital funded works being delivered via procurement compliant frameworks. An additional £0.300m has been added to the budget to cover the ongoing revenue implications of this decision.

4.4.4 **Property Growth Fund**

The budget has been increased by £0.426m to offset the estimated income shortfall in relation to the Property Growth Fund, in order to align income targets with investments

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

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 2022/23 and future

years. The budget has been increased by £0.350m to reflect the shortfall in the expected grant compared to estimated expenditure.

4.4.6 **Homelessness Contract**

The Homelessness contract has been funded from the VAT shelter receipts resulting from the Housing Stock transfer in 2012/13. As this funding stream is gradually reducing, an additional £0.500m has been built into the budget to cover the annual cost of the Homelessness Contract.

4.4.7 **Member Initiatives**

The budget includes £0.400m to support the revenue cost of Member initiatives. These will be subject to separate approval.

4.4.9 **Contingency**

A contingency of £1.0m has been built into the budget to cover any unknown pressures that arise during the budget process.

4.4.10 **Other Minor Budget Adjustments**

- Link4Life Management Fee – a reduction of £0.133m in the Management Fee following a review of staffing structures.
- Business Rates Top-up grant – a £0.156m increase in assumed level of funding for 2022/23 to 2024/25, in line with the 2021/22 Top-up grant following adjustments to the Final Local Government Finance Settlement 2021/22.
- Lead local authority flood grant – a reduction in grant income of £0.015m following the cessation of this government funding.

4.5 **General Budget Assumptions**

4.5.1 **Pay Inflation**

The budget assumes for planning purposes that the 2022/23 pay award will be 1.5%, compared to the 2% increase assumed in the provisional budget approved at Budget Council March 2021. This is in line with the current pay offer for 2021/22, and results in a decrease in the revenue budget requirement of £0.373m in 2022/23.

A 2% increase has been assumed for 2023/24 and 2024/25. 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.

4.5.2 **Increments**

The Council operates a biennial incremental progression policy. An additional £1m is added to the budget to reflect the estimated additional costs in each increment year.

4.5.3 **Superannuation Rates**

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.

4.5.4 Price Inflation

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. The budget includes an additional £0.500m p.a. to cover the estimated annual cost of inflation on contractual arrangements and other significant inflation issues.

4.5.5 Discretionary Fees and Charges

Discretionary Fees and Charges are reviewed on an annual basis. A 2% increase p.a. in Discretionary Fees and Charges has been assumed for 2022/23 to 2024/25. This is subject to agreed exemptions, in line with the approach taken in 2021/22. This will generate additional income of approximately £0.070m p.a.

4.5.6 Greater Manchester Combined Authority (GMCA) Waste Disposal Levy

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.

The Waste Disposal Levy assumed for in the budget is based on the latest projections provided by GMCA. The Waste Disposal levy is estimated for planning purposes to increase by 0.4% in 2022/23, 1.0% in 2023/24 and 1.7% in 2024/25. The Waste Disposal Levy will be subject to the GMCA budget setting process in 2022/23 and subsequent years.

4.5.7 GMCA Passenger Transport Levy

The budget assumes a 1% increase per annum in the underlying Passenger Transport Levy for 2022/23 to 2024/25. The Passenger Transport Levy will be subject to the GMCA budget setting process in 2022/23 and subsequent years.

4.5.8 GMCA Initiatives

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

4.5.9 Integration of Health & Social Care

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).

4.6 Proposed actions to mitigate the ongoing financial impact of the pandemic and other budget pressures

- 4.6.1 A number of actions have been identified in order to help mitigate the estimated ongoing financial impact of the pandemic and the other known budget pressures.
- 4.6.2 A review of the Capital Programme 2021/22 to 2025/26 will be undertaken to establish which projects could be delayed or cancelled in order to reduce the impact of borrowing costs on the Council's revenue budget. It is estimated that this review will generate savings in the revenue budget of £0.500m.
- 4.6.3 The model that has been developed to utilise the Council's reserves to smooth the impact of estimated loss of Council Tax, Business Rates and Manchester Airport income due to the pandemic on the Revenue Budget has been reviewed. It is proposed to delay the repayment of reserves in 2022/23. This would reduce the budget by £3.9m in 2022/23, while still allowing reserves to be replenished to their previous level within 10 years. The smoothing model will be reviewed in the light of the latest information on Council Tax, Business Rates and Manchester Airport income.
- 4.6.4 Following an initial review of Reserve budgets, it is proposed to remove the budget for the contribution to Reserves from Business Rates growth resulting from the GM 100% Retention pilot. This would reduce the budget by £3.4m.
- 4.6.5 A further review of Treasury Management and Reserve budgets will be undertaken, with the aim of generating savings in the revenue budget.

4.7 Capital Programme 2022/23 to 2026/27

- 4.7.1 The Council's Capital Investment and Disposal Strategy was approved at Budget Council on 3rd March 2021.
- 4.7.2 The Strategy addresses the longer term aspirations for the Borough with capital requirements, and details 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.
- 4.7.3 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 to address the climate emergency.
- 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.

4.7.4

The programme will be categorised into themes to understand interdependencies with other schemes and the Medium Term Financial Strategy. The 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 Centre – projects which enhance the Town Centre.

4.7.5

The review of the capital programme 2021/22 will also feed into the Capital Programme 2022/23 to 2026/27.

4.7.6

The budget does not provide for the revenue costs of any increase in Capital Programme spend and therefore schemes will need to be prioritised.

4.7.7

A report to Cabinet on 26th October 2021 will recommend the Capital Programme for 2022/23 to 2026/27 for consultation.

4.8 Education and related budgets

4.8.1

Most education and related budgets are funded through a specific grant, the Dedicated Schools Grant (DSG). Separate systems and procedures relating to DSG funded budgets operate outside of the mainstream budget guidelines.

4.8.2

There are 4 DSG blocks; Schools; High Needs (HNB); Central Schools Service Block (CSSB); and Early Years. Schools, HNB and CSSB are all driven by the October schools census. The 2022/23 final allocations will be received in December 2021.

4.8.3

Schools indicative modelling begins around September/October when the Department for Education (DfE) issues the Authority Proforma Tool (APT) and notifies Local Authorities of any changes to the national funding formula. If there is any significant change to the formula the LA has to consult with schools. The LA reports to Schools Forum in December, irrespective of whether there have been any major changes.

- 4.8.4 On receipt of the final DSG allocation in December, the APT is updated and has to be submitted to the DfE by 21st January. Schools are then notified of their budgets.
- 4.8.5 Any block transfers requested are made at October Schools Forum, with the limit being 0.5% transfer from a single block. Anything above this limit would require the LA to make a disapplication request to the Secretary of State.
- 4.8.6 The CSSB Budget requires forum approval, and is submitted as a proposal at October forum and for decision at December forum. Schools de-delegated of budgets for central services are reported at the same time.
- 4.8.7 Growth funding forms part of the Schools Block, but any requests for additional growth funding need to be approved by forum as this is top-sliced from the Schools Block. This is this usually done at December forum.
- 4.8.8 Early Years funding is lagged, and the Local Authority does not receive the final allocation until July following the year end. The guidance states the Council can centrally retain up to 5% of the Early Years block funding for central services, which is agreed at December forum.

4.9 Budget Principles

- 4.9.1 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 2022/23 to 2024/25 are provided at Appendix 3.
- 4.9.2 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.

4.10 Alternatives Considered

- 4.10.1 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.

Costs and Budget Summary

- 5.1 Financial implications are considered in the main body of the report.

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 is not expected to be known until December 2021.
- 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 detailed below.
- 6.1.3 Ongoing impact of the Covid-19 pandemic – the budget assumptions will be kept under review as more information becomes available on the ongoing impact of the pandemic on Council services.
- 6.1.4 Monitoring of the 2021/22 budget will provide Cabinet with regular updates on any budget pressures and savings for the Council. Any associated ongoing implications will be incorporated into the budget projections for 2022/23 and future years.
- 6.1.5 Government Funding – the level of government funding that the Council will receive in 2022/23 to 2024/25, including the Improved Better Care Fund and Social Care grant, is unknown at this stage. This will be dependent on the Spending Review 2021, the Local Government Finance Settlement 2022/23 and the funding reforms scheduled for 2022/23.
- 6.1.6 Council Tax increase – 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 referendum limit for 2021/22 was a 1.99% increase. It is not known whether the government will allow any further Adult Social Care precept. A 1.99% general increase has been assumed for 2022/23, with no social care precept assumed at this stage. The assumptions included in this report are for planning purposes only, and will be reviewed by Cabinet leading up to a Council Tax recommendation at Budget Council. The impact of a 1% change in the level of Council Tax increase would be approximately £0.9m.
- 6.1.7 Council Tax Collection – the ongoing impact of the pandemic or other economic factors could affect the level of Council Tax collection.
- 6.1.8 Council Tax Base – the estimated growth in new properties could be affected by the ongoing impact of the pandemic or other economic factors.
- 6.1.9 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 £0.6m. The ongoing impact of the pandemic or other economic factors could also affect the level of take up of the scheme.

- 6.1.10 Business Rates – it has been assumed for planning purposes that the Greater Manchester 100% Retention pilot scheme will continue in 2022/23. Once the government's proposals for the Business Rates retention system become clear the financial implications will be reviewed and the budget assumptions updated. The ongoing impact of the pandemic or other economic factors could affect the level of Business Rates income collected, the estimated growth in rateable values, or the estimated number of unoccupied properties.
- 6.1.11 Council Services - the economic climate following the pandemic, other economic issues or general demographic changes could impact on the residents of the borough, leading to an increased cost of, or demand for, Council services.
- 6.1.12 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.
- 6.1.13 Greater Manchester Combined Authority (GMCA) budgets – there is a risk that the ongoing impact of the pandemic could affect the level of levies and other charges to districts.
- 6.1.14 Waste Disposal Levy – the Waste Disposal Levy is calculated by a formula across Greater Manchester, which takes account of recycling levels. If Rochdale did not increase recycling at the same level as other GM Authorities this would impact on the levy, resulting in an increased cost to the Council.
- 6.1.15 Pay Award – the budget currently assumes a 1.5% pay award in 2022/23. An increase in the pay award of an additional 1% would increase the Council's budget by approximately £0.7m.
- 6.1.16 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 £0.6m.
- 6.1.17 Fees and charges income – the impact of any economic slowdown on levels of usage of charged-for Council services could lead to income levels not being achieved.
- 6.1.18 Manchester Airport Group dividend – the amount of dividend received will be dependent on the performance of the Manchester Airport Group. The pandemic has had a significant impact on the Airport, and no dividend is anticipated until 2025/26.
- 6.1.19 Investment income – the impact of low interest rates and implications of any economic factors on the level of dividends/interest received by the Council.

6.1.20 Academies – the impact of any schools converting 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 11th 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.

Consultation

7.1 Consultation will be undertaken throughout the year on various aspects of the budget setting process.

7.1.1 Discretionary Fees and Charges – the proposed fees and charges for 2022/23 will be brought forward for consultation with Cabinet on 26th October 2021 and Corporate Overview and Scrutiny Committee on 16th November 2021. Following consultation the fees and charges for 2022/23 will be recommended by Cabinet on 10th February 2022 for approval at Budget Council on 23rd February 2022.

7.1.2 An updated Revenue Budget 2022/23 to 2024/25 and Medium Term Financial Strategy will be reported to Cabinet on 26th October 2021, and Corporate Overview and Scrutiny Committee on 16th November 2021. The

Revenue Budget 2022/23 and provisional budgets for 2023/24 and 2024/25, and the Council Tax 2022/23, will be recommended by Cabinet on 10th February 2022 for approval at Budget Council on 23rd February 2022.

- 7.1.3 Capital Programme 2022/23 to 2026/27 - the proposed Capital Programme for 2022/23 will be brought forward for consultation with Cabinet on 26th October 2021 and Corporate Overview and Scrutiny Committee on 16th November 2021. Consultation will also be undertaken with Township Committees. Following consultation the Capital Programme 2022/23 to 2026/27 will be recommended by Cabinet on 10th February 2022 for approval at Budget Council on 23rd February 2022.

Background Papers	Place of Inspection
8. None	
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APPENDIX 1**Budget Timetable 2022/23 to 2024/25 – Key Dates**

Date	Meeting/Event	Purpose
2021		
July	Cabinet Corporate O&S	Cabinet 27 July Corporate O&S 14 September 1. Budget Update, Guidelines and Timetable
October/ November	Cabinet Corporate O&S	Cabinet 26 October Corporate O&S 16 November 1. Discretionary Fees & Charges for Consultation 2. Revenue Budget 2022/23 to 2024/25 & MTFS Update 3. Capital Programme 2022/23 to 2026/27 for Consultation
November/ December	Corporate O&S Cabinet Council	Corporate O&S 16 November Cabinet 14 December Council 15 December 1. Council Tax and Business Rates bases 2022/23
December	Announcement	Provisional Local Government Finance Settlement
2022		
January/ February	Announcement	Final Local Government Finance Settlement
February/March	Corporate O&S Cabinet Budget Council	Corporate O&S 8 February Cabinet 10 February Budget Council 23 February (Alternative 2 March) 1. Treasury Management Strategy 2. Medium Term Financial Strategy 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 2022/23 to 2024/25

Area of Budget	2022/23	2023/24	2024/25
<u>Council Tax</u>			
General Increase	1.99%	1.99%	1.99%
Social Care Precept	0.00%	0.00%	0.00%
Total Council Tax Increase	1.99%	1.99%	1.99%
Increase in property numbers	674	543	556
LCTSS (Maximum Discount)	85.0%	85.0%	85.0%
Collection Rate	97.5%	98.0%	98.1%
<u>Business Rates</u>			
Business Rates Multiplier	1.2%	1.6%	1.7%
Rateable Value Growth (£m)	0	0.500	2.000
<u>Other Resources</u>			
Improved Better Care Fund (£m)	11.917	11.917	11.917
Additional Social Care Funding (£m)	8.985	10.985	10.985
Manchester Airport income (£m)	2.348	2.280	2.162
<u>Service Budgets</u>			
Pay Award	1.5%	2.0%	2.0%
Superannuation - Increase (Decrease) in Contribution Rate	0.0%	0.9%	0.9%
Superannuation Contribution Rate	20.5%	21.4%	22.3%
Prices*	0%	0%	0%
Discretionary Fees & Charges**	2%	2%	2%
Underlying Waste Disposal Levy	0.4%	1.0%	1.7%
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 2022/23 to 2024/25. 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 2021/22 budget (net of any vacancy factor) adjusted for pay awards, increments (where appropriate), 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 Heywood, Middleton and Rochdale Clinical Commissioning Group 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 2022/23 to 2026/27. 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.