



## **REPORT of DIRECTOR OF RESOURCES**

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to  
**COUNCIL (EXTRAORDINARY)  
23 FEBRUARY 2021**

### **REVISED 2020 / 21 ESTIMATES, ORIGINAL 2021 / 22 BUDGET ESTIMATES AND COUNCIL TAX 2021 / 22**

#### **1. PURPOSE OF THE REPORT**

- 1.1 To note the Local Government Finance Settlement 2021 / 22 which was announced by the Government on 4 February 2021.
- 1.2 To present to the Council the revised 2020 / 21 and original 2021 / 22 General Fund Revenue Budget estimates for approval as recommended by the Strategy and Resources Committee on 28 January 2021.
- 1.3 To present the options for proposed level of Council Tax increase for 2021 / 22 for approval as recommended by the Strategy and Resources Committee on 28 January 2021.
- 1.4 To present for approval the policy on use of reserves as recommended by the Strategy and Resources Committee on 28 January 2021.

#### **2. RECOMMENDATIONS**

- (i) that Council notes the main details of the Local Government Finance Settlement 2021 / 22 described in section 3.4 of this report;
- (ii) that the following be approved:
  - (a) the Revised 2020 / 21 and Original 2021/22 General Fund Revenue Budget Estimates (**APPENDICES 1, 2 and 3**);
  - (b) an average Band D council tax of £207.40 (excluding parish precepts) (£5 increase) for 2021/22 (**APPENDIX 1**);
  - (c) policies on the designated use of financial reserves (**APPENDIX 4**);
  - (d) maintain the current policy of a minimum general fund balance of £2,600,000;
- (iii) that the Council gives due regard to the Director of Resources' (Section 151 Officer) statement on the robustness of budgets and adequacy of reserves in **APPENDIX 5**.

### 3. SUMMARY OF KEY ISSUES

3.1 The Council no longer receives revenue support grant funding from the Government meaning that the majority of the funding for the Council’s services is from income raised directly by the Authority. The main sources of funding are Council Tax, Fees and Charges and Business Rates.

3.2 The requirement to set a balanced budget has required stringent processes to deliver efficiencies, preserve as far as possible front-line services, retain the ability to generate income and to recognise the increasing demand for services.

3.3 It should be noted that, at the time of writing this report, the National Non-Domestic Rates Return (NNDR1) for 2021 / 22 was not completed and, therefore, the funding figures from Business Rates are likely to change, which will affect the contributions to / (from) balances as shown in **APPENDIX 1**.

#### 3.4 Local Government Finance Settlement 2021 / 22

3.4.1 The 2021 / 22 local government finance settlement was announced on 4 February 2021. The Settlement Funding Assessment is the amount of funding consisting the 50% of the Business Rates Baseline Funding Level uprated by the increase in the small business rates multiplier that is identified by the Government under the current system of 50% Business Rates Retention Scheme and adjusted for the tariff that the authority pays.

	2017/18	2018/19	2019/20	2020/21	2021/22
	£m	£m	£m	£m	£m
<b>Settlement Funding Assessment – Maldon</b>	<b>1.601</b>	<b>1.474</b>	<b>1.508</b>	<b>1.532</b>	<b>1.532</b>
of which:					
Revenue Support Grant	0.169	0	0	0	0
Business Rates Baseline Funding under 50% Business Rates Retention (BRR)	1.432	1.474	1.508	1.532	1.532
Annual % Change	-18.5%	-7.9%	2.3%	1.6%	0.0%
Cumulative % Change	-18.5%	-25.0%	-23.2%	-22.0%	-22.0%

3.4.2 The Government each year also calculates an amount called the ‘Core Spending Power’ for each local authority which is an estimate of the amount of funding available to each authority to spend on their core services. It is made up of estimated Council Tax and Business Rates income, Revenue Support Grant and New Homes Bonus plus a number of government grants (excluding those for education and policing).

**CORE SPENDING POWER**

Please select authority

Maldon

**Illustrative Core Spending Power of Local Government:**

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
	£ millions	£ millions	£ millions	£ millions	£ millions	£ millions	£ millions
Settlement Funding Assessment	2.4	2.0	1.6	1.5	1.5	1.5	1.5
Compensation for under-indexing the business rates multiplier	0.0	0.0	0.0	0.0	0.0	0.1	0.1
Council Tax Requirement excluding parish precepts	4.1	4.3	4.5	4.7	4.8	5.1	5.3
Improved Better Care Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0
New Homes Bonus	0.6	0.8	0.8	0.7	0.8	0.9	0.9
New Homes Bonus returned funding	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Rural Services Delivery Grant	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transition Grant	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adult Social Care Support Grant	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Winter Pressures Grant <sup>1</sup>	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Social Care Support Grant	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Social Care Grant <sup>2</sup>	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Lower Tier Services Grant	0.0	0.0	0.0	0.0	0.0	0.0	0.1
<b>Core Spending Power</b>	<b>7.2</b>	<b>7.1</b>	<b>7.0</b>	<b>6.9</b>	<b>7.3</b>	<b>7.6</b>	<b>7.9</b>
Change since 2015-16 (£ millions)							0.7
Change since 2015-16 (% change)							10%

Source: Local Government Finance Settlement 2021 to 2022 published by MHCLG 04/02/2021

3.4.3 It can be seen from the above illustrative table that, in the Government's view, the total Core Spending Power includes the potential additional Council Tax from the £5 referendum principle for all Districts. The Council did increase its Council Tax by £5 in 2017 / 18, the first year that the Government introduced the £5 into the referendum principle in acceptance and recognition of the financial pressures that district councils have been experiencing, as has done so every year since.

**Key Information for Local Authorities (£m)**

Select local authority by clicking on the box below and using the drop-down button

Maldon

	2016-17	2017-18 <sup>1</sup>	2018-19 <sup>1</sup>	2019-20 <sup>1</sup>	2020-21 <sup>1</sup>	2021-22 <sup>1</sup>
Settlement Funding Assessment	2.0	1.6	1.5	1.5	1.5	1.5
of which:						
Revenue Support Grant	0.6	0.2	0.0	0.0	0.0	0.0
Baseline Funding Level	1.4	1.4	1.5	1.5	1.5	1.5
Tariff/Top-Up <sup>2</sup>	-3.8	-3.6	-3.7	-3.8	-3.9	-3.9
2017-18 Tariff and Top-up reconciliation			0.0			
Safety Net Threshold	1.3	1.3	1.4	1.4	1.4	1.4
Levy Rate	0.5	0.5	0.5	0.5	0.5	0.5

Source: Local Government Finance Settlement 2021 to 2022 published by MHCLG 04/02/2021

3.4.4 For 2021 / 22, government funding consists of the Business Rates Baseline funding, New Homes Bonus and the Rural Services Delivery Grant

3.4.5 The New Homes Bonus (NHB) Scheme was introduced in 2011 / 12 to encourage local authorities to facilitate housing growth. For every additional property built or empty property brought back into use, the government match funds the additional council tax, with an additional amount for affordable homes.

3.4.6 There have been changes to the scheme over the years such as:

- the payments have reduced from six years to four years,
- the introduction of an annual baseline housing growth of 0.4% below which no NHB would be payable;

- from 2020 / 21 the government will no longer pay NHB legacy payments relating to 2020 / 21.

3.4.7 For 2021 / 22 the government has increased the Rural Services Delivery Grant to £85 million and the Council's allocation to £32,339, up £1,521 from 2020 / 21.

3.4.8 Finally, the Council's allocation for the provisional Homelessness Prevention Grant for 2021 / 22 is £142,320. This is in addition to any further allocations that maybe announced for the Flexible Housing Support Grant, and the Homelessness Reduction Grant in future.

### 3.5 **Revised General Fund Revenue Budget Estimates 2020 / 21**

3.5.1 The original 2020 / 21 budget estimates showed a total of £872,000 contribution from the General Fund Balances. The revised estimate shows a contribution of £1,577,000 from the General Fund Balances. This is a reduction in the General Fund Balances of £705,000. This mainly comes from a £759,000 impact due to Covid-19 (net of Government support) less a net £54,000 in non-Covid related underspends.

3.5.2 It is worth pointing out that £133,000 of the gross Covid-19 pressures came from savings unachieved in 2019 / 20 that were still included in the budget. Savings initiatives were unable to identified in the current economic climate to offset these and therefore this pressure has been carried forward into 2021 / 22.

3.5.3 The Council continues to receive additional income from growth above the baseline in local business rates and pooling arrangements within the Essex Region Business Rates Pool. The final benefits from being in the pool will not be known until the year end.

3.5.4 £61,000 has been drawn down from the Local Development Plan (LDP) Reserve, £26,000 from repairs and renewals reserve, and £521,100 from the Revenue Commitments Reserve during the year; these have been built into the revised core budget for 2020 / 21 only.

### 3.6 **Original General Fund Revenue Budget Estimates 2021 / 22**

3.6.1 The proposed 2021 / 22 net operating expenditure budget after adjusting for statutory adjustments, but before any non-service specific funding and use of reserves totals £7.907m and is therefore £1.725m (17.91%) lower than 2020 / 21 (£9.632m).

3.6.2 There are additional growth pressures such as an increase for inflation of £346,000, including:

- a 2% increase on pay budgets,
- net incremental salary grade pressures,
- 1.3% and 0.7% increases for Retail Price Index (RPI) and Consumer Price Index (CPI) indexed expenditure in October 2020,

3.6.3 It needs to be recognised that, since the decision to implement the Future Council model, the environment that the Council operates in has and will continue to change and move on. As such, the savings that were projected from the Future Model implementation whilst being largely achieved will be diluted or eroded in the future as

additional cost pressures are being accommodated without continually replenishing those savings with new savings. The measure for the savings of £1.89m by 2022 / 23 from the Future Council Model is the 2018 / 19 budget, however the economic environment since then has made these targets unachievable and new savings will need to be considered.

3.6.4 Due to a favourable local government settlement, it is estimated that in 2021 / 22 there will be a net zero contribution to General Fund balances.

3.6.5 The Council Tax increase is considered in Section 3.15. Proposals for the usage of earmarked reserves are discussed in more detail in Section 3.16.

3.6.6 2021 / 22 Budgets have initially been built up as follows:

- Embedded New Council Structure;
- Inflation assumptions on existing contracts, (2% for pay), contractual inflation on goods and services based upon CPI or RPI dependent of terms within contracts;
- Reflecting the expected income from fees and charges and grant income;
- Implications of statutory and contractual changes, non-inflation cost pressures;
- Growth, as discussed later in this report.

### 3.7 **Budget Growth, Savings and Income Generation in 2021 / 22**

3.7.1 On 19 November 2020, the Strategy & Resources Committee (S&R) and subsequent Finance Working Group (FWG) considered a report on the budget growth and savings for 2021 / 22. These proposals have been built into the core 2021 / 22 budget after recommendations from the FWG and S&R for approval at this Council meeting. The estimates currently stand at £1.094m for growth.

3.7.2 Furthermore, the FWG and S&R considered non-recurring growth in 2021 / 22 in relation to repairs and renewals of Council assets, which would not form part of the capital programme, totalling £0.128m.

3.7.3 Following a meeting of Finance Lead members from across Essex, which was hosted by the Finance Cabinet Member at Essex County Council, it has been agreed that Local Council Tax Sharing Agreement will continue for the foreseeable future, along with the performance targets. For 2021 / 22 the Council has budgeted the benefit at £124,300. This is down £82,700 from the £207,000 budgeted in the current year due the difficulty in collecting Council Tax in the current economic environment.

### 3.8 **New Homes Bonus (NHB)**

3.8.1 NHB is not ring-fenced, therefore, it can be used by the Council for whatever purpose it wishes. The government has stated that the NHB scheme in its current form will cease and 2020 / 21 will be the last year, as it wants to incentivise and reward local authorities to increase housing growth in a different way. Due to the uncertainty on the future of the NHB, the Council in 2018 / 19 took action to stop its reliance on the whole of the annual NHB allocation to support the General Fund Revenue

expenditure and thus the council tax by using just the legacy payments from previous years. The plan was to phase out wholly any reliance on the NHB to support the council tax. Legacy payments are payable for four years; therefore the income will progressively reduce to zero by 2023 / 24. Helpfully, a further £511,839 has been announced in the provisional local government settlement on top of the legacy payment due of £418,142. This means the amount in 2021 / 22 to support the general fund revenue expenditure is £929,981 (£251,512 in 2020 / 21).

### **3.9 Future Council Model**

3.9.1 The Future Council model identified £739,000 of savings in 2020 / 21. This is made up of salary savings of £400,000 through the new staffing structure and in total £339,000 through non-staff efficiencies, strategy-based reductions and new net revenue streams from commercial projects / activities. These are included in the 2021 / 22 budget but the unachieved savings from 2019 / 20 of £133,000 have now been removed from the 2021 / 22 budget.

### **3.10 Pension Fund Deficit Recovery**

3.10.1 The Pension Fund Triennial Valuation 2019 was concluded and the results at that time showed that the deficit on the Council's element of the overall Fund in respect of assets and liabilities had reduced from £8.181m to £5.318m with the funding level improving from 81.7% to 90.2%. The deficit recovery period has reduced from 15 years to 12 years. The primary employer's contribution rate has increased from 15.9% to 19.9% of pensionable pay from the current financial year. The Council chose to pay the triennial deficits up front so a payment of £1.556m was paid this financial year using the General Fund Reserves / Balance, then making a £0.520m contribution in each of the year's 2021 / 22 and 2022 / 23 be transferred to the Pension Reserve in the earmarked reserves in readiness for the next Triennial Valuation in 2023 / 24 to mitigate the impact of the deficit recovery payment at the time.

### **3.11 Funding for work on Bradwell B (BRB) Power Station and Community Infrastructure Levy (CIL)**

3.11.1 The Council is engaged in work with the BRB Partnership in respect of the Development Consent Order. In order to be so engaged, BRB has funded the Council in 2020 / 21. The Council's involvement in the BRB project therefore will be at nil net cost as income is claimed quarterly against BRB expenditure incurred. The current budget of £0.036m against BRB is an underspend carried forward from the previous funding agreement.

### **3.12 Essex Region Business Rates Pool**

3.12.1 As agreed by the Council in October 2015, the Council joined the Essex Region Business Rates Pool in April 2016. The Pool will continue to operate in 2021 / 22 and the Council will continue to benefit by being in the Pool.

### 3.13 Interest on Investments

3.13.1 Interest from investment income is an integral part of the budget considerations. Bank of England base rate decreased in March 2020 to 0.1%. The 2021 / 22 budget estimate for investment interest income in 2021 / 22 is £133,000 at an average investment balance of £21m during the year at a rate of 0.6%

### 3.14 Council Tax

3.14.1 The Council Tax referendum threshold set by the Secretary of State for 2021 / 22 was announced as part of the Provisional Settlement; and for Maldon, the threshold has been set at 2% increase over 2019 / 20 or £5 whichever is the greater. Any Council proposing increases more than the threshold faces the substantial cost of conducting a local referendum and, if it results in a ‘No’ vote, the rebilling cost as well.

3.14.2 In view of the fact that the Government, in calculating the core spending power for each council, assumes they will have taken the benefit of the £5 increase (see table in paragraph 3.4.2) it is important that the Council considers the option of the £5 increase for 2021 / 22.

<b>Options for Increase in Council Tax from 2020 / 21 to 2021 / 22</b>	<b>Increase on 2020 / 21 Band D Council Tax to £207.40</b>		<b>Additional Income Band D</b>
Tax Base = 24,959.9	<b>0.00%</b>	<b>£5.00</b>	
Band D Council Tax 2021/22	<b>£202.40</b>	<b>£207.40</b>	<b>£5.00</b>
Maldon District Council: Council Tax	<b>£5,051,634</b>	<b>£5,176,517</b>	<b>£124,883</b>

3.14.3 Increasing the council tax by £5 to £207.40 instead of a Council Tax freeze of 0% (£0) to £202.40 would raise an additional income of £124,883 in 2021/22 thus reducing the requirement from General Fund Balances by that amount to support the General Fund net expenditure.

3.14.4 A £5 increase would represent a 2.47% increase on 2020 / 21 Council Tax. Every 1% increase in Council Tax will bring in an additional £50,491.

3.14.5 The Council’s net expenditure budget (excluding parish precepts but after service specific funding and contribution from reserves) for 2021 / 22 is £7,887,143. This is matched by the estimated total resources with the Band D council tax at £207.40 i.e. £5 increase on 2020 / 21 (**APPENDIX 1**).

3.14.6 The tax base to be used for setting the 2021 / 22 Council Tax was agreed by the Council at its meeting on 17 December 2020. The tax base is 24,959.9 “Band D equivalent” properties, after allowing for a non-collection rate of 3.0%. 1.2% of this is due to the effect of Coronavirus. This tax base is now fixed for the purposes of setting the 2021/22 Council Tax.

3.14.7 In terms of the surplus or deficit on the Collection Fund as at 31 March 2020, Maldon District Council's share of the net surplus, which was used to reduce our 2020 / 21 Council Tax, was £35,897, comprising of a surplus distribution on Council Tax of £174,733 and a deficit distribution on Business Rates of £138,836.

- 3.14.8 The Council's estimated share of the 31 March 2021 net deficit is £347,063, which will increase our 2021 / 22 Council Tax, comprising of a deficit distribution on Council Tax of £9,596 and a deficit distribution on Business Rates of £337,467.
- 3.14.9 In accordance with the legislation under the Local Government Finance Act 1992, all Parish Precepts must be charged to the Council's General Fund. The total amount of Parish Precepts is £1,570,952.
- 3.15 Council Tax £5 increase on 2020 / 21 Band D Basic amount to £207.40**
- 3.15.1 The Budget estimates have been constructed on the basis that the Council is proposing to increase council tax by £5.00 which is within the referendum threshold for 2021/22. This represents a prudent approach having regard to the balance of the risks and opportunities facing the Council in future years; in the context of its underlying financial base with subsequent increases to be reviewed each year in the light of emerging risks. The budget for 2021 / 22 is balanced, however, there are some uncertainties still facing local government finance. The move from the 50% Business Rates Retention to 75% Business Rates Retention system is on hold and it is not known when or whether it will be implemented. Any change to the Business Rates retention system will, most likely result in a reset of the Business Rates Baseline, which it is expected will remove the growth that has been achieved since the system was introduced. This would most certainly take away resources from this Council. However, it is not possible to predict what the exact impact would be without knowing the details of the new system. There is also the uncertainty around the ongoing impact of Covid-19. The pandemic has created challenges for financial forecasting, due to the uncertainty involved. Possible impacts are covered in more detail in paragraph 3.18.5.
- 3.15.2 Council Tax increases become part of the overall financial base of the Council. The proposed £5 increase in Council Tax will generate an additional £124,883 of income in 2021 / 22. If this increase was not approved for 2021 / 22 then the gap in future years widens and any necessary Council Tax increase would then be greater.
- 3.16 General Fund Balance and Revenue Reserves**
- 3.16.1 Detailed policy information for each earmarked revenue reserve and anticipated balances is set out in **APPENDIX 4**.
- 3.16.2 Based on the latest risk assessment it is considered that the Council maintains the approved minimum working balance level from £2.6m this will be regularly reviewed in the light of changing circumstances.
- 3.16.3 A summary of the proposed use of reserves is summarised in the table overleaf and is based on a budget projection that includes aspects such as inflation and a number of priority and statutory growth pressures offset by savings identified. The overall aim is to ensure that reserves do not fall below £2.6m and the current projections keep within this target.



<b>Balances Movement (taking into account estimated use in 2020/21)</b>	<b>Revised 2020 / 21</b>	<b>2021 / 22</b>
	<b>£0</b>	<b>£0</b>
Balance brought forward		
General Fund Reserves	5,481	3,904
Earmarked Reserves	4,151	4,003
<b>Total</b>	<b>9,632</b>	<b>7,907</b>
Projected Movement		
General Fund Reserves	-1,577	0
Earmarked Reserves	-148	-436
<b>Total</b>	<b>-1,725</b>	<b>-436</b>
Balance carried forward		
General Fund Reserves	3,904	3,904
Earmarked Reserves	4,003	3,567
<b>Total</b>	<b>7,907</b>	<b>7,471</b>

3.16.4 The New Homes Bonus Reserve (NHB) has been building up from unutilised payments and legacy payments received since 2018 / 19. The balance as at 31/03/21 will be £1,284,437. £793,000 of this will be utilised during 2021 / 22 to fund the proposed growth bids for Local Development Scheme 2020 - 2022 and Local Development Plan Review. Therefore, the NHB reserve balance will be £491,437 as at 31/03/22. The government has announced a consultation on the future of the NHB in 2021 / 22.

3.16.5 In setting budgets and projections for individual years, it is important that the Council is not reliant on the use of reserves to support revenue expenditure thus creating an unsustainable future. Therefore, the use of these reserves is for one-off expenditure and not to fund ongoing revenue costs and should be replenished where required over time.

### 3.17 **Medium Term Financial Strategy (MTFS)**

3.17.1 The MTFS has been reported to the Strategy and Resources Committee and is also being presented to the Council in this meeting for consideration at the same time as the suite of financial reports for 2021 / 22.

### 3.18 **View on Risks**

3.18.1 Risks to the Council's financial position could derive potentially from budget overspend, loss of investment income, contractual / legislative failure, shortfall in forecast business rates growth or challenge and emergency events. Historically, the Council's outturn has been within budget and investment income has been above budget; therefore, this is not seen as a high risk to the Council and it is not necessary to make additional significant provision. However, robust budget management, monitoring and reporting will be a key discipline for all budget managers and ensuring that savings and income levels included in the budget are achieved, will be a key focus.

- 3.18.2 The level of risk posed by contractual or legislative failure and emergency events is difficult to predict, but it would be a low probability with a potentially high impact. However, it is not appropriate to set aside large amounts of reserve against the possibility of this happening and that appropriate bond / Parent Company Guarantee have been built into large contracts.
- 3.18.3 It is important to recognise that with the introduction of the Business Rates Retention, there is a considerable degree of uncertainty in the forecast for business rates growth as much of it depends on external factors including the impact of successful appeals. The Council's own economic development policies can have an impact on business rates growth and therefore it is important that the planning services, economic development services and the business rates service have a co-ordinated approach to inward investment policies. It is important to ensure a high level of growth in the District, as any empty properties create a risk on the level of Business Rates income the Council will receive.
- 3.18.4 The UK left the European Union (EU) transition period on 31 December 2020. Whilst a deal was agreed between the UK and the EU, the impacts are still largely unknown. Officers will continue to monitor the situation to ensure that any developments are picked up as soon as possible.
- 3.18.5 The impact of Coronavirus in 2021 / 22 is difficult to predict as there is still much uncertainty as to when lockdown will be lifted, how long social distancing will be in effect and how fast the vaccinations will be rolled out. Due to the uncertainty, budgets have not changed from 2020 / 21. Table 3 summarises a range of possible impacts on budgeted income from the following services.

**Table 3 – Risks of Income Loss from COVID-19 in 2021 / 22**

Income Stream	Possible Underachievement against Net Budgets			Assumptions
	April Opening £000	July Opening £000	Not Opening £000	
Maldon Splash Park	82,000	69,250	41,000	A lot of set up costs and only 30% of customers permitted
Promenade Park Beach Huts	18,000	31,500	36,000	Only 50% of huts opening
Promenade Park Amusement fairs and circuses	56,500	66,500	76,500	Replaced by socially distanced attractions
Riverside Park Amusement fairs and circuses	2,700	3,700	4,700	Replaced by socially distanced attractions
Other various events			15,500	

- 3.18.6 The impact of Coronavirus is also likely to continue in future years and assumptions have been made regarding what this might be although (again, due to the uncertainty) excluded from the Council's budgets.

**Table 4 – Risks from COVID-19 in Future Years**

Risk Areas	Possible Monetary Impacts			Assumptions
	2021/22 £000	2022/23 £000	2023/24 £000	
Leisure Centre Management Fee	486	414	222	No management fee in 2021 / 22, £72,000 the next year and £264,000 the year after.
Town Centre Car Parking	225	225	225	A sustained reduction of 25% in demand due to changing habits.
Splash Park and Beach Huts	146	0	0	Matches 2020 / 21 in 2021 / 22 then returns to pre-COVID levels.
Income from Other Events	96	0	0	Matches 2020 / 21 in 2021 / 22 then returns to pre-COVID levels.
Council Tax Sharing Agreement	69	69	35	Council tax collections remains at 2020 / 21 forecast levels and starts to recover in 2023 / 24.
<b>Total</b>	<b>1,022</b>	<b>708</b>	<b>482</b>	

3.18.7 The Government has promised to extend the Income Compensation scheme for the first quarter of 2021 / 22 but it is unclear what additional support may be provided by the Government beyond that. We have not budgeted for the above risks as there is too much uncertainty around the UK getting on top of the coronavirus.

3.18.8 However, in the provisional local government settlement the following two grants were announced which we propose to keep aside as a Covid-19 contingency:

- Covid 19 Funding, £306,149;
- Lower Tier Services Grant, £65,264.

3.18.9 Section 25 of the 2003 Local Government Act requires the Director of Resources to make a formal report to the Council on the robustness of the budget and adequacy of reserves (**APPENDIX 5**).

## **4. CONCLUSION**

4.1 After including all items within the financial projections, general fund and earmarked reserves at the start of 2021 / 22 are expected to be £7.907m with all known movements considered. The government has set the referendum threshold for the increase in the average band D council tax in 2021 / 22 for district councils at 2% or £5 whichever is the greater. Due to the unknown impact of future changes to Local Government finance, it is proposed that the Council should take the opportunity to increase its financial base by increasing the average band D council tax by £5, the maximum allowed for by the government before a referendum is required.

## 5. IMPACT ON STRATEGIC THEMES

- 5.1 This report sets out the resources that are and will be available to the Council in 2021 / 22 to meet the outcomes set out in the three strategic themes of Place, Community and Prosperity.

## 6. IMPLICATIONS

- (i) **Impact on Customers** – The budget process ensures that changes in service delivery resulting in budget changes are reviewed by Officers and Members so that any impact can be considered. In 2021 / 22, only essential budget growth has been considered.
- (ii) **Impact on Equalities** – The budget affects all residents in the District, it is not considered that the growth bids for 2021 / 22 individually impact negatively on an individual user group.
- (iii) **Impact on Risk** – The distribution of resources reflected in the revenue and capital budgets is designed to support the Authority's approach to risk management (i.e. to reduce all major corporate risks to a level within approved tolerances through the implementation of approved mitigation plans).
- (iv) **Impact on Resources (financial)** – This report details the impact on financial resources.
- (v) **Impact on Resources (human)** – The budget includes a pay inflationary increase.
- (vi) **Impact on the Environment** – None directly.

Background papers: None.

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