

Resourcing assumptions and future risks

2019/20 was the fourth and final year of a four year funding settlement for the Council, which provided the Council with some certainty over funding levels, but nonetheless resulted in year on year funding reductions. A review of Local Government funding commenced in 2019 but did not conclude, and following a one year budget and a one year Local Government Finance Settlement for 2020/21, a full spending review was expected later in 2020.

COVID-19 has inevitably had a significant impact on Government spending, planning and budget plans, resulting in a further one year provisional settlement for 2021/22. The resourcing figures included in the budget are based on the provisional finance settlement which will be confirmed in February 2021. Traditionally there is little movement between the provisional and final settlements, and any differences will be adjusted through the contingency budget or reserves.

This one year settlement has provided some significant additional one-off funding for COVID related pressures, however the provisional settlement headline of a 4.5% increase in core spending power reflected primarily an assumed increase in Council Tax of 5%. Whilst the Council has the ability to increase Council Tax charged by up to 5%, total Council Tax income is expected to reduce in 2021/22 due to the ongoing impact of COVID19 which has reduced the council tax base and impacted on collection rates.

Before taking account of any additional one-off grants and other funding, the total resources available to the Council for 2021/22 have reduced by £5.5m since February 2020 due to the significant adverse impact of COVID-19 on the Collection Fund. Reduced collection rates on both Council Tax and Business Rates in 2020/21 is forecast to result in a significant deficit on the Collection Fund at 31 March 2021 which needs to be financed over the following three years. In addition, the amount of Council Tax collectible is also forecast to be significantly reduced due increased numbers of Council Tax Support claimants (whose liability for Council Tax is reduced) and an increase in properties awaiting probate which are exempt from Council Tax.

Change in available resources since February 2020	Business Rates	Council Tax	Collection Fund Surplus	New Homes Bonus Grant	Use of reserves	Total
Business Rates Income, Top up and grants	(9)					(9)
Reduction in Council Tax Base		2,613				2,613
2020/21 COVID Collection Fund deficit	1,424	2,382				3,806
2019/20 Collection Fund Surplus			(703)			(703)
New Homes Bonus in excess of forecast				(171)		(171)
Net (increase) / decrease in resources	1,415	4,995	(703)	(171)	0	5,536

Resourcing assumptions and future risks

As set out in section 3 of the main covering report, the Council faced a £23.137m budget gap for 2021/22 before the application of any additional one-off funding. That budget gap of £23.137m was based a 1.99% increase in Council Tax, hence the gap increases if no Council Tax increase is assumed. Council tax increases of 1.99% per annum are factored in throughout the life of the MTFP.

Significant additional one-off resources are available to the Council in 2021/22 through a combination of additional funding from Government to address the financial pressures of COVID, and a substantial return of reserves from the Greater Manchester Combined Authority.

These resources, when combined with an increase in Council Tax, are sufficient to enable the Council to balance the 2021/22 budget, however most are one-off in nature and are not expected to be available in future years.

	£000s
Budget gap before one-off resourcing	23,137
Add back assumed 1.99% Council Tax increase	1,880
Additional funding included in Directorate budgets:	
Local Authority General COVID Support Grant (c/fwd) 2020/21	(5,239)
Local Authority General COVID Support Grant 2021/22	(7,321)
Additional Adult Social Care Grant 2021/22	(2,096)
Sales Fees and Charges losses compensation 2021/22	(178)
Collection Fund losses compensation 2021/22	(1,118)
Lower Tier Services Grant 2021/22	(350)
Revised Gap	8,715
GMCA return of reserves	(4,000)
Gap before Council Tax increase	4,715
1.99% General Council Tax Increase	(1,880)
3% Adult Social Care Precept	(2,835)
Gap	0

Council Tax

After taking account of budget pressures, additional income and savings identified for delivery in 2020/21, the total net budget requirement for the Council in 2021/22 is £194.494m. Before any increase in Council tax levels, the resource available in 2021/22 is £189.779m, leaving a gap of £4.715m.

The current Government expects Council's to increase Council Tax year on year, and this assumption is built into the Local Government Finance Settlement. For 2021/22 there is a 1.99% referendum limit on general Council Tax increases, plus the ability to increase by a further 3% for the Adult Social Care precept. In 2020/21 the Council increased Council Tax by 3.99% in total, 1.99% general increase plus 2% for the Adult Social Care precept.

Before raising tax, the Council takes steps to ensure that Council Tax income and collection is maximised. A review of Single Person Discounts was undertaken in 2016 and 2019, and a further review is underway for 2021. The Council is proactive in monitoring new build properties to ensure the forecast number of properties reflects expected increases during the year.

In previous years there has been a significant surplus on the Collection Fund relating to Council tax because collection rates have been better than previously assumed. This surplus was released in 2019/20 to support the budget over the next 4-5 years. For 2020/21 a deficit is forecast on the Collection Fund due to the impacts on COVID19 on collection, and this deficit needs to be repaid over the next three years.

Council Tax Base

The Council Tax Base reflects the number of properties in the borough, adjusted for all discounts and exemptions, and the assumed collection rate. The tax base determines the amount of income the Council is expected to collect in the upcoming financial year. The Council Tax base for 2021/22 was approved by Executive Cabinet on 27th January 2021. Previously the Council's Medium Term Financial Plan has assumed that the Council Tax Base will increase by an average of 250 properties each year, reflecting expected new build properties and a consistent level of discounts and exemptions.

For 2021/22 the Council Tax Base has reduced significantly when compared to 2020/21. The tax base has been reduced by an increase in exemptions due to probate, and a significant increase in the number of Council Tax Support claimants. Both these changes are considered to be due to the impacts of COVID-19. The increase in exemptions due to probate is hopefully only temporary, but if Council Tax support figures increase further during 2021/22 then there is a risk that the amount of Council Tax income available to the Council will be further reduced.

The assumed collection rate has been reduced by 1% due to collection performance during 2020 being impacted by the COVID-19 pandemic effects on the economy and employment. It is assumed that the impacts will continue to be felt into 2021/22. If medium term collection rates are impacted even further then there is a risk that the levels of Council Tax collected will reduce, resulting in future deficits on the collection fund.

Appendix 4 Resourcing

Available Resources	Business Rates & Grants	Council Tax	Collection Fund Surplus	New Homes Bonus Grant	Use of reserves	Total
February 2020 Budget Report						
Resources with 1.99% Council Tax Increase	(89,753)	(99,069)	(2,500)	(483)	(1,442)	(193,247)
Resources before any Council Tax Increase	(89,753)	(97,137)	(2,500)	(483)	(1,442)	(191,315)
Changes since February 2020						
Business Rates Income, Top up and grants	(9)					(9)
Reduction in Council Tax Base		2,614				2,614
2020/21 COVID Collection Fund deficit	1,424	2,382				3,806
2019/20 Collection Fund Surplus			(703)			(703)
New Homes Bonus in excess of forecast				(171)		(171)
Resourcing position January 2021	(88,338)	(92,141)	(3,203)	(654)	(1,442)	(185,778)
GMCA return of reserves					(4,000)	(4,000)
Resourcing before Council Tax Increase	(88,338)	(92,141)	(3,203)	(654)	(5,442)	(189,778)
1.99% increase in Council Tax		(1,881)				(1,881)
3% Adult Social Care Precept		(2,835)				(2,835)
Resourcing after Council Tax increase and GMCA reserves	(88,338)	(96,857)	(3,203)	(654)	(5,442)	(194,494)

Use of Reserves £5,442k

In 2021/22 there are a small number of investments (which were agreed in 2020/21 as part of the budget) which will be financed from the targeted use of reserves. This targeted use of £1,442k of reserves is an investment in services, agreed last year, which is intended to bring forward developments and allow time for actions to be taken to stabilise budgets.

An additional £4,000k is being returned from the Greater Manchester Combined Authority reserves to support the districts in 2021/22. This funding is to be used to support the 2021/22 budget due to the significant cost and income loss pressures facing the Council as a result of the COVID-19 pandemic.

New Homes Bonus £654k

Changes were made to the New Homes Bonus grant two years ago, introducing a national baseline for housing growth and reducing the period over which the grant is paid to four years from 2018/19. These changes have reduced the amount of grant the Council receives. The level of grant expected in 21/22 is greater than originally anticipated but the funding is for one year only. The future of New Homes Bonus is expected to become clearer later in 2021.

Collection Fund Surplus £3,203k

As a billing authority, the Council is required to maintain a separate 'Collection Fund' for all transactions relating to income from business rates and Council Tax. The Collection Fund was in surplus up to the end of 2019/20 due to Council Tax collection rates being better than originally forecast. Surplus accrued up to the end of 2018/19 was already assumed in the MTFP, the increase in surplus in 2019/20 has increased this figure for 2021/22. A significant deficit is forecast for 2020/21 due to the impacts of COVID-19.

Business Rates, Top Up Grant and Business Rates Reliefs Reimbursement Grants £88,338k

The Council collects Business Rates for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform Business Rate set nationally by Central Government. The Council retains a proportion of the total collectible rates due. Since 2017/18, the Council has been part of the 100% retention pilot for Greater Manchester which means that the Council retains 99% of total collectible rates, with 1% distributed to the Greater Manchester Fire and Rescue Authority. The Council no longer receives any Revenue Support Grant or Public Health Grant from Central Government as a result.

The Business Rates regime, includes a number of reliefs such as Small Business Rate Relief, Charitable Occupation Relief and a new Retail Discount Relief from 2019/20. Where mandatory reliefs are awarded by the Council, the loss in business rates revenues is reimbursed by Government through grant. The Council also receives a 'Top-Up Grant' for the difference between the level of business rates it is able to collect and the level that Government assesses the Council needs as part of the finance.

The total forecast income from Business Rates and related grants reflects the business rates baseline and top up grant figures in the provision local government finance settlement. Any Business Rates income in excess of forecasts will be taken to reserves for future investment. If Business Rates income falls below forecasts, the deficit in year will need to be repaid from reserves in 2021/22.