

# **ARUN DISTRICT COUNCIL BUDGET 2021/22**

## **REPORT BY THE GROUP HEAD OF CORPORATE SUPPORT**

### **1.0 Introduction**

- 1.1 The Covid-19 pandemic which hit at the end of the 2019/20 has had significant and far reaching consequences for the 2020/21 expected outturn and the budget for 2021/22. The wider reforms of local government funding (the Fair Funding Review) have been further delayed (until 2022/23 at the earliest).
- 1.2 The 2021/22 provisional local government finance settlement was issued on 17 December 2020 and introduced a significant number of changes to government funding, which are covered in detail in the report. The consultation period finishes on 16 January and the final settlement is anticipated late January or early February 2021.
- 1.3 This report sets out the Capital, Housing Revenue and General Fund Revenue budget for 2021/22. These budgets have been prepared taking account of the following:
- The Medium Term Financial Strategy 2021/22 to 2025/26 considered at Cabinet on 21 September 2020.
  - Housing Revenue Account Business Plan update 2020 considered at Cabinet on 11 January 2021.
- 1.4 The Local Government Act 2003 requires the Chief Financial Officer to report on the robustness of the estimates made for the purposes of calculating Council Tax and housing rent levels, and the adequacy of the proposed financial balances. I am satisfied that the estimates, as presented in the draft budget, are sufficiently robust and that the reserve balances proposed for 2021/22 are adequate. However, there is a significant risk in the medium term for the General Fund when the Council's Funding Resilience reserve is anticipated to be depleted. In addition, the HRA Business Plan and future years budgets need to be closely monitored to ensure that the stock acquisition programme and enhanced repairs and improvements programme remain affordable.

### **2.0 Local Government Finance Settlement and Council Tax**

- 2.1 The provisional settlement for 2021/22 introduced a number of significant funding changes including the Lower Tier Services Grant, of £677k which is designed to ensure that no authority receives a reduction in CSP (Core Spending Power). This grant is heavily weighted towards district councils, like Arun, that are losing funding due to the changes in the New Homes Bonus (NHB). It is likely to be a one off grant that will be rolled up in the Better Funding Formula potentially from 2022/23.

2.2 The NHB was introduced in 2011/12. The aim of the grant was to create an incentive which rewards local authorities that deliver sustainable housing growth in their areas. The NHB is shared between Arun (80%) and WSCC (20%). The scheme has undergone major reviews and changes having started off with 6 years of payments, which was reduced to 4 years and now only guarantees legacy payments.

2.3 The NHB for 2021/22 is £1.040m and is based on year 8 and 9 legacy payments (reduction of £1.255m). The one off £30k NHB for 2021/22 is for the affordable homes premium. The Council did not qualify for any other one-off NHB because growth in properties (263 band D equivalent or 0.35%) was below the baseline or deadweight adjustment for growth deemed to have happened anyway set at 0.4 percent of tax base for 2021/22. The level of NHB is summarised in the table below and, again the withdrawal of this funding stream constitutes a significant depletion of the Council's finances:

NHB Payment relating to:	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
2011/12	509	509	509	509	509	509	0	0	0	0	0
2012/13		556	556	556	556	556	0	0	0	0	0
2013/14			1,000	1,000	1,000	1,000	1,000	0	0	0	0
2014/15				484	484	484	484	0	0	0	0
2015/16					539	539	539	539	0	0	0
2016/17						926	926	926	926	0	0
2017/18							728	728	728	728	0
2018/19								540	540	540	540
2019/20									470	470	470
2020/21										557	0
2021/22*											30
<b>Total</b>	<b>509</b>	<b>1,065</b>	<b>2,065</b>	<b>2,549</b>	<b>3,088</b>	<b>4,014</b>	<b>3,677</b>	<b>2,733</b>	<b>2,664</b>	<b>2,295</b>	<b>1,040</b>

2.4 The New Homes Bonus, which is anticipated to be zero by 2023/24 is summarised and projected in the chart below:



- 2.5 The settlement also announced the allocations for tranche 5 of the Covid-19 support grant of £831k.
- 2.6 The negative RSG of £430k (payment to the Government) anticipated from 2019/20 continues to be funded by Government
- 2.7 The Business Rate Retention scheme was introduced in April 2013. The scheme focuses on promoting economic growth through the local retention of business rates. The scheme has also transferred a considerable risk to the council by linking MHCLG support directly to the local economy. This is a strong incentive for the Council to ensure that the business ratings list is fully inclusive and to encourage a buoyant local economy. It is also important to note that any significant negative changes in the value of the ratings list will directly reduce the level of funding received in future, such as valuation appeals which can be backdated.
- 2.8 The Council has benefitted from, comparatively, large increases in its business rates base due to the substantial growth in the area. There has been a delay, due to Covid-19, in the introduction of the new system, which has significantly benefited the Council.
- 2.9 It should be noted that the Retained Business Rates budget for 2021/22 has been adjusted for a £7.865m earmarked reserve contribution in relation to a s31 grants received in 2020/21. This is to enable better comparison between budgets. The technical reason for this adjustment is the phasing of Government support for the loss of income due to additional business rate reliefs. In response to the COVID-19 pandemic the Government awarded new rate reliefs for the retail, leisure and hospitality sectors. These reliefs resulted in a significant reduction in business rate income and the Government compensated local authorities for this loss with grant payments. These grant payments are being made in the current financial year (2020/21) but the corresponding loss of income won't impact upon Arun's General Fund until 2021/22 when the collection fund deficit for 2020/21 is distributed. For Arun the grant payments are estimated to be £7.865m and it is recommended that this sum is put into a reserve in the current year and released in 2021/22 to offset the corresponding loss of business rate income. Once again it is worth noting that the proposed Business Rate reset will have significant adverse implications for future years.
- 2.10 The business rates pool consisting of West Sussex County Council, Adur, Arun and Horsham will not be continued into 2021/22 because of the increased risk due to the covid-19 pandemic.
- 2.11 The provisional allocation and methodology for the Local Council Tax Support (LCTS) grant was published on 18 December. The grant is based on the total number of working-age claimants. This grant is non-ringfenced.
- 2.12 The settlement also introduced a Local Tax Income Guarantee scheme. The Council may be able to claim some funding in 2020/21 under the scheme but the amount won't be known until the Accounts are closed as it will be influenced by changes in Council Tax and Business Rate liability between now and the end of the financial year.

2.13 Non ringfenced grant income is summarised in the table below:

<b>Non-Ringfenced Grant Income</b>			
	<b>Budget 2020/21</b>	<b>Budget 2021/22</b>	<b>Change</b>
	<b>£`000</b>	<b>£`000</b>	<b>£`000</b>
<b>Retained Business Rates</b> including s31 grant from earmarked reserve*	<b>6,028</b>	<b>5,866</b>	<b>(162)</b>
<b>New Homes Bonus:</b>	<b>2,295</b>	<b>1,040</b>	<b>(1,255)</b>
<b>Other non-ringfenced grants:</b>			
Lower Tier Services Grant	0	677	677
Covid-19 Tranche 5	0	831	831
Local Council Tax Support (LCTS) Grant	0	209	209
Housing Benefits Administration Grant	360	373	13
Localising Council Tax Support Administration Grant	168	143	(25)
Business rates collection allowance	185	183	(2)
<b>Total Other Non-ringfenced grants:</b>	<b>713</b>	<b>2,416</b>	<b>1,703</b>
<b>Total non-ringfenced grant income</b>	<b>9,036</b>	<b>9,322</b>	<b>286</b>

\*restated: including s31 grants, Tariff and Levy and earmarked reserve contributions

2.14 An earmarked reserve contribution of £442K has also been included in the budget for 2021/22 to help smooth out the impact of the phasing of certain other elements of the collection fund deficit over 3 years (the phasing is a statutory requirement). A transfer of £1.326m to earmarked reserves will be actioned in 2020/21 to fund the contribution in 2021/22 and subsequent years.

2.15 Council Tax Income – Arun excluding Parish Councils is summarised below:

Actual 2019/20	Arun excluding Parish Councils	<b>Budget 2020/21</b>	<b>Budget 2021/22</b>	<b>Change</b>
61,281	Tax base *	62,244	62,628	384
£181.62	Band D Tax	£186.57	£191.52	£4.95
	Percentage increase			2.65%
£11,130,000	Council Tax Income (excluding parishes)	£11,613,000	£11,995,000	£382,000

\*the tax base represents the number of Band D equivalent dwellings in the district adjusted for exemptions, discounts, council tax reduction and the collection rate percentage

The Council Tax income of £11.995m for Arun (excluding Parish/town Councils) referred to in the General Fund Summary (appendix 1) is based on an Arun Band D Council Tax of £191.52, which represents an increase of £4.95 or 2.65% (£4.95 or

2.73% 2020/21). Arun's tax base for 2020/21 shows an increase of 384 from 2020/21 (963 previous year). This is mainly due to the completion of new dwellings in the District. The government's calculation of the Council's spending power is based on a £5 increase in band D Council Tax.

### 3.0 Budget Assumptions

- 3.1 The budget for 2021/22 assumes a pay freeze for basic pay above £24k and a 1% pay award for pay below this level. As in previous years, no provision has been made for price increases in goods, services and contracts except where there is clear evidence of the need for it.
- 3.2 With regard to fees and charges, increases have been applied either in accordance with statutory provisions, or, where the Council has discretion, by inflation, having regard to specific service circumstances. No allowance has been made in service budgets for any continuing impact of covid-19 on income in 2021/22. The government has announced that the sales, fees and charges compensation scheme would continue into the first quarter of 2021/22. However, there is no detail on how this would work in practice in relation to profiling of income and the 5% deductible.
- 3.3 HRA rents have been set at 1.5% (CPI plus 1%). Garage rents have been set at 5%.

### 4.0 General Fund Revenue Budget

- 4.1 A summary of the General Fund Revenue budget showing 2020/21 Original Budget and 2021/22 proposed budget, summarised by Service Portfolio is shown in **Appendix 1**. A summary of the projected movement on General Fund Reserve is shown in the table below:

<b>General Fund Reserve Movement</b>	<b>Original Budget</b>	<b>Current Budget</b>	<b>2021/22 Budget</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Net Budget Requirement</b>	26,238	27,155	25,733
<b>Financed by:</b>			
Government Grants and Retained Business Rates	(9,036)	(9,315)	(9,113)
Council Tax (including collection fund surplus/deficit)	(16,585)	(16,585)	(16,620)
<b>Taken From / (Added to) Balances</b>	<b>617</b>	<b>1,255</b>	<b>0</b>
<b>General Fund Balance 1 April</b>	<b>7,076</b>	<b>7,076</b>	<b>6,668</b>
Supplementary Estimates		(638)	
Current Budget Variation Estimated Outturn 2020/21*		847	
Original Budget addition to / (draw down from) General Fund	(617)	(617)	0
<b>Total (Taken From) / Added to Balances</b>	<b>(617)</b>	<b>(408)</b>	<b>0</b>
<b>General Fund Balance 31 March</b>	<b>6,459</b>	<b>6,668</b>	<b>6,668</b>

\* November 2020

- 4.2 The Covid-19 pandemic has caused a significant shift in the way the Council has had to utilise its resources during 2020/21. The continuing changes to the Covid-19 restrictions (made necessary by the spread of the virus) has made additional costs and loss of income extremely difficult to forecast. The most significant budget pressures for 2020/21 relate to the Leisure operator, expenditure on homelessness and rough sleeping and the loss of income. The timing of the announcements for government support has added to the level of uncertainty. The SFC (sales, fees and charges) compensation scheme has made a significant contribution to the Council's budget position as it covers 75% of any losses after a 5% deductible. However, the scheme does not cover loss of rents (£1.2m budget 2020/21).
- 4.3 The original budget for 2020/21 assumed a drawdown of £617k from General Fund Reserve. Full Council has approved supplementary estimates totalling £638k (table 4.4 below). Offsetting this is a favourable variation, as at November 2020, of (£847k) (providing this continues). However, the budget position is anticipated to worsen over the winter as further covid-19 restrictions are imposed. There are also supplementary estimates totalling £362k due to be considered by Full Council in January 2021, comprised of £184k for the Sunken Garden scheme in Bognor Regis (full cost £500k) and £178k for support for the Leisure operator for the fourth quarter. The centres have been subject to a number of closures during the year and social distancing rules has made their business model which relies on a high turnover unworkable. The Council has made a bid to the National Leisure Recovery Fund, which covers losses from December to March 2021. The Council may also be entitled to some funding under the Local Tax compensation scheme, announced with the Settlement, but this figure won't be known until the Accounts are finalised. These changes result in an anticipated General Fund balance of around £6.7m at the end of 2020/21, subject to the positive current budget variation continuing. The General Fund balance is anticipated to remain at this level until the end of 2021/22 (£4m minimum balance).
- 4.4 The table below summarises the supplementary estimates. These will be offset by the current budget variation as shown in table 4.1

<b>Reconciliation of Original to Current Budget Reserve Movement November 2020</b>	<b>Original Budget £'000</b>	<b>Current Budget £'000</b>	<b>Change £'000</b>
Taken from / (Added to) Balances	617	1,255	638
Leisure Contract Covid-19 Support Full Council 15/7/2020		406	
Leisure Contract Covid-19 Support Full Council 26/11/2020		192	
Planning Appeals Full Council 16/09/2020		<u>40</u>	
<b>Total Estimated Supplementary Approvals to end of November 2020</b>			<b>638</b>

- 4.5 The Council is anticipating the receipt of significant one-off s106 sums for maintenance in perpetuity in respect of a number of sites. However, the receipt of these sums will also lead to the requirement for additional revenue expenditure in respect of maintaining the relevant sites. These sums are not included in the budget for 2021/22

or the estimated outturn for 2020/21 as the timing of the receipts is not certain. These receipts will be used for the future development / maintenance of the Council's assets.

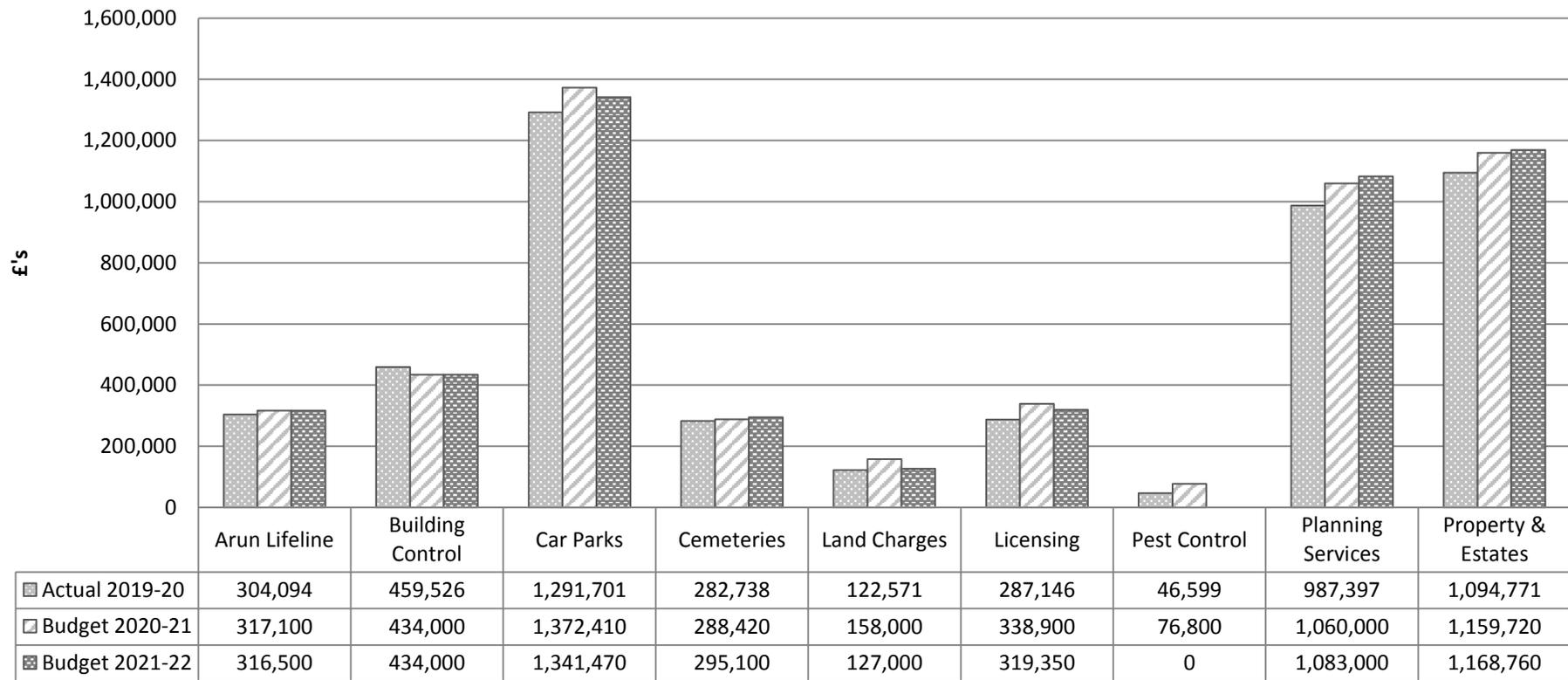
4.6 A summary of headline changes is given in the table below:

<b>General Fund Budget 2021/22</b>	<b>Changes +/- &gt; £ 80k</b>	<b>£`000</b>
Pay award (additional 0.75% from 2020/21)		98
Pay - increments (reduction)		(73)
Establishment savings (FTE post changes)		(122)
Better Care Fund (net)		(120)
Major Contracts inflation (including property growth)		154
Change in Local Plan Expenditure		127
Housing Benefit Increase in Rent Allowances (net)		172
Decrease in Interest and Investment Income		207
Decrease in fees and charges		120
Net Reduction in Contingency items		(336)
Reduction in Pension deficit contribution (second year)		(97)
Reduction in New Homes Bonus		1,255
Change in Retained Business Rates (including reserve contributions)		(245)
Lower Tier Services Grant		(677)
Covid 19 support grant - tranche 5		(831)
Local Council Tax Support Grant		(209)
Other changes +/-<£80k		(40)
<b>Net change in budgeted reserve movement</b>		<b>(617)</b>

- 4.7 The budget for 2020/21 was based on a pay award of 2% for all staff. The actual pay award of 2.75% has resulted in an additional £98k budget growth. It should be noted that there is a pay freeze anticipated for 2021/22 for basic salaries above £24k per annum, with a 1% pay award for pay below this level (anticipated cost £27k)
- 4.8 There are currently a significant number of vacancies which are budgeted at the bottom of grade resulting in a (£73k) budget reduction.
- 4.9 The reduction in the establishment of (£122k) is comprised of Revenues and Benefits (£78k); Planning (£19k) and Technical Services (£25k). The establishment and budget has also been increased by a total of £91k for Littlehampton Community Wardens. The community wardens initiative is scheduled to commence in March 2021 and run for 18 months. The cost of the project is funded by Littlehampton Town Council (£90k) and the Safer Arun Partnership (SAP) (£90) with Arun hosting the project and contributing £20k (£10k per annum).
- 4.10 Two posts have been added to the permanent establishment, which were previously agency staff funded from the Better Care Fund (BCF) to achieve better value for money. The remainder of the BCF has been utilised to fund existing establishment delivering adaptations, resulting in an overall saving of (£120k).

- 4.11 Major contracts are anticipated to increase by £154k (comprised of £84k inflation and £70k for an increase in the number of properties).
- 4.12 The budget for 2020/21 contained £194k for Local Plan review work. The budget for 2021/22 contains £321k for Local Plan review work, an increase of £127k. The total cost of the work is estimated to be around £959k (to 2023/24).
- 4.13 The continuing roll out of Universal Credit has resulted in lower recoveries from ongoing benefit as claimants transfer to the Department for Work and Pensions (DWP). There is also a continuing trend for the use of accommodation with additional services, for which the Council cannot claim subsidy. These factors have resulted in a £172k increase in the Rent Allowances budget
- 4.14 The reduction in interest and investment income £207k is mainly due to the collapse of interest rates and the gradual dropping out of longer term investments that have been made at slightly higher rates.
- 4.15 The General Fund budgeted pension deficit contribution has reduced by (£97k) (for the annual lump sum payment for past service costs). This is the second year of a three year phased reduction which resulted from the triennial valuation of the fund.
- 4.16 The increase in Government funding is summarised in table 2.13 with further detail in section 2.
- 4.17 The Contingencies and Special Items budget is assessed each year as a provision for known possible service changes that have not been sufficiently developed to fully cost into the budget. The budget contains a £538k for potential additional covid-19 related losses.
- 4.18 Income from fees, charges and rents are included within net cost of service. In total this amounts to overall financing of £5.085m (£5.205m 2020/21), a decrease of £120k. When comparing the two years it is important to note that the Pest control Service is planned to be outsourced from April 2021 with no income accruing to the Council from that date (£77k budget 2020/21), though with a corresponding reduction in expenditure. Income is a key risk area to the budget as it is predominantly externally influenced, without a direct link to service cost and each source is unique. It is anticipated that all discretionary fees and charges will be increased by at least the rate of inflation unless there is good reason not to in order for the Council to become more self-sufficient. However, the income does not reflect any continuing Covid-19 reductions as these will be mitigated by the governments SFC compensation scheme for the first quarter of 2021/22 (subject to the details of the scheme). The graph below shows income by source and value and demonstrates trend. The income estimates included in 2021/22 appear reasonable

## Income 2021-22



## 5.0 Earmarked Reserves

Earmarked Reserves are amounts of money specifically identified for operational purposes and held alongside the General Fund for drawdown as required. The total value of earmarked reserves at the end of 2019/20 financial year was £15.768m (£15.394m previous year), with approved in-year virements from reserves of £4.720m plus the Business Rate and Council Tax virements to earmarked reserve virements (paragraph ) of £9.191m during 2020/21. The carry forward balance into 2021/22 will therefore be a minimum of £20.239m, depending upon the amount of budget variation during 2020/21. It should be noted that the increase is mainly in relation to the S.31 grant which was received in 2020/21 which is required to cover the Collection Fund loss in 2021/22. Budget expenditure relating to these reserves is isolated from the cost of service for General Fund financing purposes. Earmarked reserves are drawn down into the budget as required through the virement approval process.

## 6.0 Risk analysis

- 6.1 Corporate and Operational risk registers have been reviewed for financial implications as part of the budget process on the criteria of probability of occurrence and materiality of impact upon balances.
- 6.2 There continues to be huge uncertainty over the impact of the Covid-19 pandemic on the Councils income and expenditure. This includes the Leisure operator as mentioned in the report and Homelessness (6.9). This will have to continue to be monitored closely in 2021/22.
- 6.3 Income: the budget includes £5.085m (£5.205m previous year) from fees, charges and rents; these have been set on the basis of achievement of the level of predicted income and previous outturn, including known changes in environment. However, no account has been taken of the effect of the Covid-19 pandemic. This risk is mitigated by the SFC compensation scheme. However, there are additional risks like a poor summer resulting in lower car park income.
- 6.4 The budget contains an assumption of a pay freeze for staff earning £24k, with a 1% pay award for staff earning below this sum. Any increase above this level will place additional strain on the Council's budgets.
- 6.5 The future of the NHB is extremely uncertain.
- 6.6 The reset of the retained business rates baseline has been postponed again. This could effectively wipe out all or a proportion of the past gains through growth, built up since the inception of the scheme. The significant adverse effect of a full baseline reset is mentioned in 2.8 above. However, the magnitude of the change will be subject to potential damping.
- 6.7 No further significant risks have been identified relating to 2020/21. However, some lesser risks are inherent within the overall budget. These are discussed below.
- 6.8 The vacancy management factor has been kept at £500k.

6.9 The Homelessness Reduction Act, in addition to a general increase in homelessness, has had a significant impact on nightly paid accommodation since 2018/19. The budget has not been increased to allow for additional covid-19 related expenditure and there is the risk that demand continues to stay at or exceed current levels.

## 7.0 Housing Revenue Account Budget

7.1 A summary of the Housing Revenue Account (HRA) budget, including Major Repairs Reserve, is shown at Appendix 2.

7.2 The 2021/22 budget reflects the priorities of the HRA Business Plan 2020 update. The HRA Business Plan identifies how the Council intends to deliver its strategic target of 250 new affordable homes over a ten year period. The additional properties will help improve the quality, supply and affordability of accommodation available to the residents on the Council's waiting list in urgent need of accommodation.

7.3 A budget of £15.000m was approved in 2018/19 for the acquisition/new build programme, with a further £9.341m being approved in 2020/21. This level of budgetary provision will allow the necessary amount of flexibility in terms of planning the programme of new affordable homes.

7.4 However, it should be noted that each new scheme will be subject to a full financial appraisal before it can proceed, and contractual commitments made. This is to ensure that the relevant schemes are affordable in terms of maintaining the minimum recommended level of HRA balance of £2m. The issue of affordability is critical especially in the light of the declining level of right-to-buy receipts which could lead to Arun meeting up to 100%, rather than 70%, of the cost of some of the new schemes.

7.5 For 2021/22 HRA rents will be increased by 1.5% (CPI plus 1.0%) in accordance with the provisions of the rent standard. Garage rents will be increased by 5%.

## 8.0 Capital, Asset Management and other projects Budget

8.1 A summary of the Capital, Asset Management and other projects budget is shown at Appendix 3.

Full council will be asked to approve the capital strategy on 13 March 2021 (after consideration by Audit and Governance Committee on 25 February 2021). The capital strategy forms the policy framework for capital investment decision over the next three years informing the detailed annual capital budgets over this period. The strategy aims to balance capital expenditure needs and expectations with the scarcity of available resources

8.2 The new capital programme for 2021/22, together with the proposed method of financing, is set out in the table below.

<b>Capital Programme 2021/22</b>	<b>£'000</b>
<b>General Fund:</b>	
Capital/Project Programme 2021/22	827
Asset Management	1,001
Disabled Facilities Grants	1,400
<b>Total General Fund</b>	<b>3,228</b>
<b>Housing Revenue Account:</b>	
Improvements	4,632
Stock Development	100
<b>Total Housing Revenue Account</b>	<b>4,732</b>
<b>Total Programme</b>	<b>7,960</b>
<b>Financed by:</b>	
Capital Grants	1,400
Capital Receipts	117
Charge to General Fund (RCCO)	1,711
Charge to Housing Revenue Account	4,732
<b>Total Financing</b>	<b>7,960</b>

- 8.3 The capital budget for 2021/22 and future years is limited by the funding that is available. The Medium Term Financial Strategy (MTFS), approved by Cabinet on 21 September 2020 identified the requirement to allow for business-critical IT systems and infrastructure systems that fall out of maintenance/support and become life expired to be replaced. The capital budget for 2021/22 includes £120k (£580k previous year) for business critical IT. The funds that the Council has identified are clearly insufficient to cover all its capital expenditure requirements. The condition of the Council's General Fund assets was reviewed during 2019/20 and the schemes were ranked in order to establish a 5 year programme which would ensure that the Council's assets are maintained in an appropriate condition (prioritising expenditure on grounds of health and safety, service reliability etc.). The second year of the prioritised programme is summarised in table 8.4.
- 8.4 The capital budget for 2021/22 identifies £827k for high priority projects which are summarised below:

<b>Capital/Project Programme 2021/22 detail</b>			
	<b>2021/22</b>	2022/23	2023/24
	<b>£'000</b>	£'000	£'000
Fitzleat Car Park	<b>266</b>	49	327
Public Conveniences	<b>150</b>	165	20
Car Park Resurfacing	<b>165</b>	150	200
Play Areas	<b>100</b>	255	100
Essential IT Infrastructure	<b>120</b>	315	200
Chipper	<b>26</b>	0	0
<b>Total</b>	<b>827</b>	<b>934</b>	<b>847</b>

8.5 It should be noted that the the review of the Council's general fund assests in 2019/20 revealed that they require significant funding to ensure that they are maintained at an acceptable standard. This will require the use of capital receipts and s106 contributions.

## 9.0 Capital Receipts

9.1 Capital receipts are an important source of funding for the Council's capital programme. There are two categories of capital receipts: "1 for 1 replacement" receipts and general receipts. "1 for 1 replacement" receipts are those accrued under the terms of Arun's agreement with the Government to retain the additional receipts generated by the relaxation of the Right to Buy discount rules. Under the terms of this agreement these receipts can only be used for the provision of new social housing and Arun must match every £30 of receipts used with £70 of its own funding. A further condition of the agreement is that receipts must be spent within three years, failing which they must be returned to the Government plus interest at 4% above base rate. There are very few restrictions relating to the use of general receipts. On the whole these can be used for any capital purpose and there are no time constraints relating to their use.

9.2 The Council's available capital receipts totalled £2.815m at 31 March 2020 (£2.791m previous year). The total is comprised of £1.812m "1 for 1 replacement" receipts and £1.003m general receipts. The retained right-to- buy receipts ("1 for 1" receipts) can only be spent on the provision of new social housing, failing which they must be returned to the Government. One of the approved priorities of the Council's Housing Revenue Account Business Plan is a significant new development programme and the implementation and phasing of this programme will be a key factor in determining whether or not the Council spends its unused receipts within the required time scale. These receipts held, together with any new receipts accruing during 2020/21 and 2021/22 (net of amounts paid to the Government under pooling), will be used to support the Council's capital programme. The "1 for 1 replacement" receipts will be used towards funding the HRA acquisition/new build programme. General capital receipts can be applied for any capital purpose.

## 10.0 Conclusion

10.1 The General Fund revenue budget and Capital budgets are set within the medium term financial strategy. However, the budget for 2021/22 is subject to a significant level of uncertainty caused by the Covid-19 pandemic. The Council has significant reserves to ensure financial resilience, however, balances are anticipated to reduce significantly in the medium term. The Council's Corporate Management Team (CMT) are working with members to identify efficiencies and income generating ideas, which will continue to be worked on during 2021/22.

## 11.0 Recommendations:

11.1 Cabinet is requested to note that the Group Head of Corporate Support, in consultation with the Deputy Leader of the Council and Cabinet Member for Corporate Support, has approved a Council Tax base of 62,628 for 2021/22.

11.2 Cabinet is requested to recommend to Full Council that:

- i. The General Fund Revenue budget as set out in **Appendix 1** is approved.
- ii. Arun's band D council tax for 2021/22 is set at £191.52, an increase of 2.65%.
- iii. Arun's Council Tax Requirement for 2021/22, based on a Band D Council Tax of £191.52, is set at £11,994,514 plus parish precepts as demanded, to be transferred to the General Fund in accordance with statutory requirements.
- iv. The HRA budget as set out in **Appendix 2** is approved.
- v. The HRA rents for 2021/22 are increased by 1.5% (CPI plus 1%) in accordance with the provisions of the new rent standard.
- vi. HRA garage rents are increased by 5% to give a standard charge of £12.93 per week (excluding VAT), and heating and water/sewerage charges increased on a scheme by scheme basis, with a view to balancing costs with income.
- vii. The Capital budget as set out in **Appendix 3** is approved.