



Prosperous Communities

Tuesday, 28 January 2020

Subject: Prosperous Communities Committee Budget 2020/21

Report by:

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Purpose / Summary:

The report sets out details of the Committee's draft revenue budget for the period of 2020/21 and estimates to 2024/25.

RECOMMENDATION(S):

That Members recommend the draft Prosperous Communities budget 2020/21 and revenue estimates to 2024/25 to Corporate Policy and Resources Committee for the purpose of budget setting 2020/21 and for inclusion in the Medium Term Financial Plan 2020/21 to 2024/25.

IMPLICATIONS

Legal:

The Council has a responsibility to set a balanced and legitimate budget and Council Tax requirement in compliance with statutory deadlines.

Local Authorities (Standing Orders) (England) (Amendment) Regs 2014 (SI 165) requires that once the budget is approved the minutes of the proceedings must record the names of the persons who cast a vote for the decision, against the decision or abstained.

(N.B.) Where there are legal implications the report MUST be seen by the MO

Financial : FIN/160/20/SL

The 2020/21 base budgets and variance to the 2019/20 base budget are explained in the body of this report.

After taking a robust approach to the estimations within the budget for this Committee the total cost of services for 2020/21 will be £4.626m (£4.122m 2019/20).

This has resulted in base budget increases of £1.032m, and additional income of £0.528m, resulting in a net movement of £0.504m.

Included within the movement of £0.504m is £0.541m relating to Secondary Employer Pension Contribution payments (Pension Deficit contribution)

Previously this budget has been held in one budget line within Corporate Policy & Resources. From 2020/21 the budget has been allocated across all services based on staffing levels (FTE) in order to more accurately reflect the total cost of each service (see 1.12 within the report for more detail).

In addition, £0.087m of budgets to support service investment projects have been included which are to be funded from Earmarked Reserves.

The overall impact is therefore a decrease of £0.124m, excluding allocation of Pension Deficit and use of Earmarked Reserves, further details of which are contained within the report at section 2.

Summary of Movement from 19/20	£m
Expenditure Budget Increase	1.032
Income Budget Increase	(0.528)
Net Increase in Expenditure	0.504
Less Use of Earmarked Reserves	0.087
Less Allocation of Pension Deficit	0.541
Net Decrease in Expenditure	(0.124)

Staffing: None arising because of this report.

Equality and Diversity including Human Rights :

The Equality Act 2010 places a responsibility on Councils to assess their budget options before taking decisions on areas that could result in discrimination. Where appropriate assessments have been undertaken by the relevant service area.

Data Protection Implications : None

Climate Related Risks and Opportunities : None

Section 17 Crime and Disorder Considerations : None

Health Implications: None

Title and Location of any Background Papers used in the preparation of this report:

The Chartered Institute of Public Finance and Accountancy – The Prudential Code for Capital Finance in Local Authorities (2018 Edition)

The Corporate Plan

The Capital Investment Strategy

The Fees and Charges Policy

The Asset Management Plan

The Acquisitions and Disposal Policy

Investment Policy – Land and Buildings

All documents are held within Financial Services at the Guildhall, Marshalls Yard, Gainsborough.

Wherever possible please provide a hyperlink to the background paper/s
If a document is confidential and not for public viewing it should not be listed.

Risk Assessment : N/A

Call in and Urgency:

Is the decision one which Rule 14.7 of the Scrutiny Procedure Rules apply?

i.e. is the report exempt from being called in due to urgency (in consultation with C&I chairman) **Yes** **No**

Key Decision:

A matter which affects two or more wards, or has significant financial implications **Yes** **No**

Introduction

- 1.1 This report sets out the Prosperous Communities Committee base budget position for 2020/21 – 2024/25, incorporating the medium term financial planning principals;
 - The overarching principal is the commitment to achieve affordable investments over the longer term.
 - To pursue all available external funding options and opportunities for leverage of external resources.
 - Value for money investment over full life cycle.
 - Robust financial implications and appraisals are included within all Business Cases and Invest to Save scheme proposals, and schemes are costed on a whole life basis.
 - The development of partnerships, including the pursuit of shared services, joint ventures and community arrangements, where appropriate, to achieve the Council's investment aspirations and value for money.
 - Monitoring and evaluation of approved schemes will form part of Progress and Delivery project monitoring reporting.
 - Encourage community engagement by informing on priorities and consultation on proposals.
- 1.2 The Committee are required to propose the 2020/21 budget only to Corporate Policy and Resources Committee for setting the 2020/21 budget.
- 1.3 The process for the preparation of this budget has included the following;
 - Meetings with Budget Managers to ensure resources align to the delivery of Corporate Priorities and to review budgets, identifying ongoing pressures/savings and horizon scanning for future issues, including political, economic or legislative implications.
 - Business Planning reviews have been undertaken to identify further income generation opportunities and budget reduction proposals, which can be delivered to ensure a sustainable budget.
 - A robust Fees and Charges review, which resulted in an increase in income budgets of £17.6k. Full Details of proposed fees and charges were presented to Prosperous Communities Committee on the 22 October 2019.

- Regular updates have been provided to the Management Team who have also reviewed, challenged and proposed inclusion of the pressures and savings incorporated into this budget which have not already been approved by the Corporate Policy and Resources Committee. These are in addition to the assumptions included within the budget i.e. pay award levels, inflation on utilities, Business Rates (NNDR) growth etc.
- Regular meetings have been held with the Chairs and Vice Chairs of Committees to ensure they are fully engaged in the process.
- Inclusion of the revenue implications of the DRAFT Capital Programme 2020/21 – 2024/25.
- Consultation with Parish Councils, residents and business ratepayers has been undertaken.
- The review of Earmarked Reserves and approved additional resources being funded from these reserves and/or external grant income.
- Consideration of other Strategies i.e. Car Parking Strategy, Housing Strategy etc.

1.4 This Budget Preparation process has achieved a High Assurance rating from our Internal Auditors in September 2018.

1.5 Where additional expenditure and unavoidable costs have been identified, Business Units try to accommodate these extra costs by working more efficiently, generating extra income or reducing base budgets in non-priority areas. These items of additional expenditure and unavoidable costs, together with budget reductions are described below and have been built in to the base budgets.

1.6 The Prosperous Communities base budgets have been developed from the forecast budgets presented to Council in March 2019.

Service budgets have been aligned to the strategic focus for each of the Clusters outlined within the Corporate Plan 2019-2023, namely Our People, Our Place and Our Council.

To aid comparison capital charges and central support recharges have been omitted to present only revenue related controllable costs.

1.7 The Income and Expenditure Budget of the Committee is shown at Appendix A.

1.8 The overall net Budget per Cluster (Our People, Our Place and Our Council) is attached at Appendix B.

- 1.9 The Business Units income and expenditure budgets are included at Appendix C.
- 1.10 The budget consultation report is attached at Appendix D for information.
- 1.11 No allowance has been made for price increases within general budgets for 2020/21 other than contractual obligations. Pay budgets for 2020/21 have been increased by 2% as per the latest employers offer, and employer's superannuation in line with that provided by the Actuary.
- 1.12 Secondary Pension Contribution – the Lincolnshire Pension Fund's Actuary (Hymans Robertson LLP) carries out a tri-annual review of the pension scheme to establish the overall deficit and minimum employer contributions required by the Fund.

The results of the latest review were issued November 2019 and provided employer contribution rates for the years 2020/21 to 2022/23.

The Primary Pension Contribution is a percentage of pay (17.2% 2020/21 to 2022/23). The Secondary Pension Contribution (Pension Deficit Contribution) is a set annual amount, paid as a lump sum monthly to the Pension Fund.

Previously, the budget for the lump sum has been held against one budget line within Corporate Policy and Resources. With effect from 2020/21, this budget has been allocated across all services based on FTE's in order to more accurately reflect the total cost of each service for management reporting.

The overall movement in the Secondary Pension Contribution is;

	Year	£m payable	£m increase
	2019/20	0.863	
Actuarial Review	2020/21	0.940	0.077
	2021/22	1.028	0.088
Nov 19	2022/23	1.119	0.091

£0.541m (57.6%) of the 2020/21 amount payable is attributable to services within Prosperous Communities committee, allocated to services on the basis FTE.

2. Significant Variations

When compared to the 2019/20 base budget the 2020/21 base budget shows a budget decrease of £0.124m (£0.149m 2019/20). The major variances to the 2019/20 base budget are detailed below;

- 2.1 **Green Waste Charging** – Additional income of £60k has been built into the MTFP from 20/21 based on the subscription base realised during the first two years of delivering the service. Maintaining the current charge

of £35 per annum was approved by this Committee as part of the review of fees and charges 22nd October 2019.

- 2.2 **Leisure Management Contract** – the successful procurement of a 15-year contract for the provision of Leisure Management has resulted in a £125.8k increase in income for 2020/21.
- 2.3 **Crematorium** – the Crematorium is estimated to generate net income of £115.8k in the first full year of operation based on the business case. The actual costs and income generated will be monitored upon the opening of the facility.
- 2.4 **Trade Waste Service** – income has been increased by £22.5k for 20/21 to reflect a 2-year contract secured during 19/20, for the period 19/20 to 20/21.
- 2.5 **Grounds Maintenance** – Budget has been increased by £54.4k. The current Grounds Maintenance contract has been extended to 31/01/21 to allow the Council to carry out an options appraisal in light of increasing costs and the possible addition of the crematorium landscaping.
- 2.6 **Town Centre Markets** – a contract for Town Centre markets events has been extended for 2 years (20/21 and 21/22) at a cost of £38k pa.
- 2.7 Approved changes to the establishment during the year have resulted in a net increase in budget of £90k.
- 2.8 Remaining increase in budget of £17.7k consists of several small budgetary increases across services.
- 2.9 Other significant variances within individual Business Units are the result of budget movements within the Committee, and do not impact on the budget movement for the Committee overall.

3. Fees and Charges

The Corporate Policy and Resources Committee held on 7th November 2019 considered the Fees and Charges recommended by this Committee.

4. Budget Consultation

A number of events were held with Parish Councils, businesses and the wider community during August 2019. To undertake this work it we used multiple routes to consult with our stakeholders and following on from feedback of previous years we made the consultation more interactive. The methods used were three events, an online survey and a paper survey, which were supported by a video.

Topics covered included;

Level of Council Tax
Service investment priorities
New Homes Bonus allocation

The process has provided constructive feedback on budget proposals.
The full report is attached at Appendix D for information.

5. Recommendations

That Members recommend the draft Prosperous Communities budget 2020/21 and revenue estimates to 2024/25 to Corporate Policy and Resources Committee for the inclusion in the Medium Term Financial Plan 2020/21 – 2024/25.