



**Corporate Policy and  
Resources Committee**

**Thursday, 11 February  
2021**

**Subject: Corporate Policy and Resources Committee Draft Budget  
2021/22 and estimates to 2025/26**

Report by:

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Purpose / Summary:

The report sets out details of the overall Draft Revenue Budget 2021/22 including that of this Committee and those recommended by the Prosperous Communities Committee for the period 2021/22, and estimates to 2025/26 to be included in the Medium Term Financial Plan.

**RECOMMENDATION(S):**

- a) That Members accept the Corporate Policy and Resources Committee budget 2021/22 and **recommend to Council** for inclusion in the overall Council budget 2021/22.
- b) That Members accept the Prosperous Communities Committee Budget 2021/22 and **recommend to Council** for inclusion in the overall Council budget for 2021/22.
- c) That Members approve any minor changes be delegated to the Chief Finance Officer in consultation with the Chairman of the Corporate Policy and Resources Committee.
- d) That Members **recommend to Council** the 2022/23 to 2025/26 estimates for both this Committee and those of Prosperous Communities Committee for inclusion in the Medium Term Financial Plan 2021/22 to 2025/26.

## 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.

### **Financial : FIN/130/21/B/SL**

The 2021/22 base budget and variance to the 2020/21 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 2021/22 will be £5.633m (£4.902m 2020/21).

This has resulted in base budget increases of £0.157m, and an income reduction of £0.575m, resulting in an overall increase £0.731m.

Included within the movement of £0.731m is £0.032m relating to Secondary Employer Pension Contribution payments (Pension Deficit contribution).

In addition, there are £0.031m of budgets relating to Earmarked Reserves to support one off project resources in 2021/22 (£0.074m in 2020/21). This is a decrease of £0.044m from 2020/21 to 2021/22.

Services within this Committee have also contributed to Earmarked Reserves £0.173m in 2021/22 for asset replacement programmes (£0.175m in 2020/21). This is a decrease of £0.002m from 2020/21 to 2021/22.

Excluding pension deficit and earmarked reserves, there is an increase of £0.743m on the base budgets for this Committee, further details of which are contained within the report at section 2.

**Staffing:** Salary budgets reflect the approved organisational establishment for this Committee. Rates applied include the 2.75% pay award agreed for 2020/21, with a 0% increase for 2021/22 as per the Spending Review Announcement in November 2020. An estimated increase of 2% pa has been applied from 2022/23 onwards.

### **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 arising as a result of this report.

**Climate Related Risks and Opportunities :**

The Council intends to create an Earmarked Reserve within its overall 2021/22 budget to support investment in environmental and carbon reduction initiatives and the mitigation of climate change financial risk.

**Section 17 Crime and Disorder Considerations :**

Some fees and charges are set to discourage anti-social behaviour i.e. the bulky waste service and impact on fly tipping.

CCTV service charges are set to encourage take up of the service to increase public safety in the district and reduce anti-social behaviour.

Fixed Penalty Notices are fees set by the Government to enable Local Authorities to take action against anti-social behaviour.

**Health Implications:** None arising as a result of this report.

**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, Marshall's Yard, Gainsborough.

**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

X

**Key Decision:**

A matter which affects two or more wards, or has significant financial implications

Yes

X

No

## Introduction

1.1 This report sets out the Corporate Policy and Resources Committee base budget position for 2021/22 – 2025/26, incorporating the medium term financial planning principals;

- To focus on achieving outcomes
- to drive a robust and sustainable financial position
- to support growth and service delivery, utilising the Council's resources
- to ensure financial decision making is based on robust, risk assessed business cases that clearly match our ambitions

1.2 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 £24.6k across both Committees. Full Details of proposed fees and charges were presented to this Committee on the 10<sup>th</sup> December 2020.
- 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 2021/22 – 2025/26.
- 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.
- 1.3 This Budget Preparation process has achieved a High Assurance rating from our Internal Auditors in September 2018.
- 1.4 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 into the base budgets.
- 1.5 The budgets are based on prudent pre-Covid-19 activity, to enable any future impacts of the pandemic to be monitored against our base budgets and reported to Government, as we do in the current financial year.
- 1.6 **The Corporate Policy and Resources base budgets (Appendix 1 – 2)** have been developed from the forecast budgets presented to Council in March 2020.

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 Corporate Policy and Resources Business Unit budgets (Appendix 3)** provide a more detailed analysis.
- 1.8 No allowance has been made for price increases within general budgets for 2021/22 other than contractual obligations. Pay budgets for 2021/22 have been frozen at 2020/21 rates, following the Government Spending Review announcement on the 25<sup>th</sup> November 2020, and employer's superannuation increased in line with that provided by the Actuary.
- 1.9 **Secondary Pension Contribution (Pension Deficit)** – 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.

The overall movement in the Secondary Pension Contribution is;

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

£0.43m (41.9%) of the 2021/22 amount payable is attributable to services within Corporate Policy and Resources Committee, allocated to services on the basis of staffing levels (FTE).

## 2. Significant Variations

When compared to the 2020/21 base budget, the 2021/22 base budget shows a budget increase of £743k, excluding use of Earmarked Reserves and Pension Contribution payments. The major variances to the 2020/21 base budget are detailed below;

### 2.1 Corporate Management-Finance –

We have received notification that Covid-19 expenditure support grant of £510k and Covid-19 loss of income through sales, fees and charges support grant of £165k (estimate) is payable for 2021/22.

The expenditure budget and income loss budget are held centrally and are reflected in the Committee budgets, these are offset by government grant income within funding budgets held outside of this Committee (Covid-19 grants). There is no impact on the bottom line for the Council.

Additional contract costs relate to external audit fees - £8k, and bank charges - £9.6k.

### 2.2 Investment Properties –

Investment property rental income has been reduced by £203k, being the notional net rent income of the remaining £7m approved capital budget, which we can no longer fund from borrowing has been removed from the Capital Programme. Interest payable budgets have been reduced by the corresponding amount as it is expected that no new acquisitions will be made, resulting in zero net impact on the bottom line.

The base budget for rental income has been increased by £14.2k to reflect the current portfolio and tenants.

### **2.3 Housing Benefit Payments –**

Rent allowance recovered budget has been reduced by £116.3k. This is primarily due to the transfer of service users to universal credit resulting from a change in circumstances. Universal Credit is administered by the Department for Work and Pensions (DWP), and as we are therefore not administering housing benefit to those individuals there will be no overpayments, and therefore recovery of overpayments will reduce accordingly.

### **2.4 Local Tax Collection -**

Renewal of the NNDR shared service (WLDC, North Kesteven District Council and City of Lincoln Council) contract has resulted in an increase in costs of £11.8k.

There has been a reduction in court summonses income budget of £18k following change in court costs and reduction in court case volumes (this is positive as it means less people going to court so more income into collection fund).

Budget of £25k for credit card charges has been moved to the receiving service, Local Tax Collection, from Customer Services, to show the true cost of service.

### **2.5 Housing Benefit Admin –**

Housing Benefit administration grant is expected to reduce by £30.4k.

### **2.6 Customer Services -**

The budget for credit card charges has been allocated out to services to reflect the costs within individual departments. This has resulted in a reduction on the customer services budget of £46k, but has no overall impact in the budget.

### **2.7 Commercial Properties –**

Commercial property rental income has been reviewed to reflect current tenancies and expected contractual increases. The rental income budget has been increased by £33.5k.

### **2.8 Establishment –**

From 2021/22, a vacancy factor of 2% of total establishment salary budgets has been built into the base budgets. The 2% vacancy factor of £184.4k is held within Corporate Management-Finance and will be included in the budget monitoring of staffing costs during 2021/22.

In addition, approved changes to the establishment during the year for services within Corporate Policy and Resources Committee have resulted in a net decrease in budget of £60.6k.



- 2.9 Remaining decrease in expenditure budgets of £15.4k consists of several small budgetary increases across services.
- 2.10 Other significant variances within individual Business Units are the result of budget movements within the Committee, and do not impact on the overall Committee budget.

### **3. Prosperous Communities Base Budget (Appendix 4 – 6)**

- 3.1 The Prosperous Communities Committee considered their draft report at their meeting on 26<sup>th</sup> January 2021. The Business Unit Budgets are attached at **Appendix 6**.

When compared to the 2020/21 base budget the 2021/22 base budget shows a budget increase of £114.6k, excluding use of Earmarked Reserves and Pension Contribution payments. The major variances to the 2020/21 base budget are detailed below:

#### **3.2 Green Waste Charging –**

Additional income of £63k has been built into the MTFP from 2021/22 based on current subscriptions to the service. Maintaining the current charge of £35 per annum was approved by this Committee as part of the review of fees and charges on 10<sup>th</sup> December 2020.

#### **3.3 Leisure Management Contract –**

The leisure management fee has reduced by £15.8k in line with the final contract.

#### **3.4 Development Management –**

Planning fee income has been re-profiled to reflect the Local Plan cycle, with a reduction in budgeted income for 2021/22 of £49.5k.

#### **3.5 Trade Waste Service –**

Income has been decreased by £22.5k for 2021/22 to reflect the end of a 2-year contract secured during 2019/20, for the period 2019/20 to 2020/21. Work is underway to secure service provision for the individual customers who were covered by the previous overarching contract.

#### **3.6 Community Licences –**

Income has been increased by £19.3k to reflect cyclical increases in demand on licence fee income.

#### **3.7 Waste Management –**

Fuel expenditure has been increased by £14.7k to reflect current consumption and pricing.

### 3.8 **Building Control –**

Income has been increased by £16.3k to reflect anticipated demand, and future opportunities for income generation.

### 3.9 **Industrial Estates –**

Rental income budgets have been increased by £9.9k based on forecast occupation of the units.

### 3.10 **Town Centre Markets –**

The budget reflects a full year of stallage fee income (£36.3k). However, the decision to re-introduce full rental charges for traders has been deferred to March 2021 by Prosperous Communities Committee. Any budgetary pressure arising from the deferral will be offset by Covid-19 grant in support of high street recovery.

3.11 Approved changes to the establishment during the year have resulted in a net increase in budget of £143.9k.

3.12 Remaining decrease in expenditure budgets of £29.2k consists of several small budgetary increases across services.

3.13 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.

## 4. **Budget Consultation**

Due to restrictions around avoiding public gatherings due to the Covid-19 pandemic, face-to-face events were not held this year. Instead, an online video, online and paper surveys and written submissions were put in place,

The objectives of the engagement were to:

- Raise awareness of the financial challenges
- Raise awareness of the diversity of services the Council provides
- Identify what areas of the Corporate Plan and the Business Plan should be prioritised.

The budget consultation report is attached at Appendix 7 for information.