



**Prosperous Communities
Committee**

Tuesday, 25 January 2022

Subject: Prosperous Communities Committee Budget 2022/2023

Report by:	Assistant Director, Finance, Business and Property Services (S151)
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Purpose / Summary:	The report sets out details of the Committee's draft revenue budget for the period of 2022/2023, and estimates to 2026/2027.

RECOMMENDATION(S):

1. That Members' recommend the Prosperous Communities Budget 2022/2023 and revenue estimates to 2026/2027 to Corporate Policy and Resources Committee for the purpose of budget setting 2022/2023 and for inclusion in the Medium Term Financial Plan 2022/2023 to 2026/2027 (as amended by any decisions taken on this agenda).

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/158/22/SL

The 2022/2023 base budgets and variance to the 2021/2022 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 2022/2023 will be £4.851m (£4.515m 2021/22).

This has resulted in base budget increases of £0.891m, and additional income of £0.555m, resulting in a net movement of £0.336m.

Included within the movement of £0.336m is £0.049m relating to an increase in Secondary Employer Pension Contribution payments (Pension Deficit contribution), to reflect the results of the Actuarial Review carried out in November 2019.

In addition, there are £0.271m of budgets relating to Earmarked Reserves to support one off project resources in 2022/2023 (£0.229m in 2021/2022). This is an increase of £0.042m from 2021/2022 to 2022/2023.

Services within this Committee have also contributed to Earmarked Reserves £0.085m in 2022/2023 for asset replacement programmes (£0.085m in 2021/2022). There is no movement from 2021/2022 to 2022/2023.

Details of the use of Earmarked Reserves in 2022/2023 are included within this report at **Appendix 4**.

Excluding pension deficit and earmarked reserves, **there is an increase of £0.246m** on the base budgets for this committee, further details of which are contained within the report at section 2.

Staffing:

Salary budgets for 2021/2022 were set based on an estimated 0% pay award, as per the Spending Review Announcement in November 2020.

The actual pay award for the year is yet to be confirmed, with the latest employer offer being 1.75%. This offer has not been accepted by the Unions and they are currently balloting members for industrial action.

The salary costs included in this report are based on this increase being applied for the year 2021/2022, with a further 2% increase estimated pa from 2022/2023.

The proposed Council budget for 2022/2023 also includes a 2% Vacancy Factor of £0.235m (£0.183m 2021/2022) which has been applied to salary budgets for posts which are on our organisational establishment (basic pay, superannuation and national insurance).

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 created an Earmarked Reserve within its overall 2021/2022 budget to support investment in environmental and carbon reduction initiatives and the mitigation of climate change financial risk.

Section 17 Crime and Disorder Considerations :

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: N/A

Risk Assessment: The 2022/2023 Budget Risk Assessment will be presented to the Corporate Policy and Resources Committee.

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 2022/2023 and estimates for 2023/2024 to 2026/2027, 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

The Committee are asked to consider the content of this report and recommend the 2022/2023 budget and revenue estimates to 2026/2027 to Corporate Policy and Resources Committee, for the purpose of budget setting 2022/2023 and for inclusion in the Medium Term Financial Plan 2022/2023 to 2026/2027.

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 £1.6k for services within this Committee. Full Details of proposed fees and charges were presented to Prosperous Communities Committee on the 2nd November 2021.
- Regular updates have been provided to the Management Team who have also reviewed, challenged and proposed inclusion of the pressures 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 2022/2023 – 2026/2027.
 - Consultation with Parish and Town 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 in to the base budgets.
- 1.5 The budgets are based on prudent post-Covid activity, and reflect the anticipated service resource requirements and income generation as we move forward.
- 1.6 The Prosperous Communities base budgets have been developed from the forecast budgets presented to Council in March 2021.
- 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 1**.
- 1.8 The overall net Budget per Cluster (Our People, Our Place and Our Council) is attached at **Appendix 2**.
- 1.9 The Business Units income and expenditure budgets are included at **Appendix 3**.
- 1.10 No allowance has been made for price increases within general budgets for 2022/2023 other than contractual obligations. Pay budgets for 2022/2023 have been increased by an estimated pay award of 2%, and employer's superannuation increased in line with that provided by the

Actuary. National Insurance rates have been increased in line with the rates published by HMRC for 2022/2023.

1.11 Secondary Pension Contribution – the Lincolnshire Pension Fund’s Actuary 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 2020/2021 to 2022/2023. The next tri-annual review is due in November 2022 for the years 2023/2024 to 2025/2026.

The Actuary was Hymans Robertson LLP as at the November 2019 review. The Actuary appointed by the Pension Fund from 2020/2021 is Barnett Waddingham.

The Primary Pension Contribution is a percentage of pay (17.2% 2020/2021 to 2022/2023). The Secondary Pension Contribution (Pension Deficit Contribution) is a set annual amount, paid as a lump sum monthly to the Pension Fund.

The Funds’ Pension Funding Strategy has a target of a 100% funded scheme on the ongoing participation basis within 20 years. As at the valuation carried out on the 31 March 2019, there was a 70% likelihood of achieving this target (an increase from 66% on the previous valuation 31 March 2016).

This target may be revised at the Actuarial Review due in November 2022.

The overall movement in the Secondary Pension Contribution is:

	Year	£m payable	£m increase
	2019/20	0.863	
Actuarial Review Nov 19	2020/21	0.940	0.077
	2021/22	1.028	0.088
	2022/23	1.119	0.091
Estimate for MTFP	2023/24	1.220	0.101
	2024/25	1.330	0.110
	2025/26	1.450	0.120
	2026/27	1.580	0.130

£0.636m (56.8%) of the 2022/2023 amount payable is attributable to services within Prosperous Communities committee, allocated to services on the basis FTE.

2. Significant Variations

When compared to the 2021/2022 base budget, the 2022/2023 proposed budget shows an increase of £0.246m, excluding use of Earmarked Reserves and Pension Contribution payments. The major variances to the 2021/2022 base budget are detailed below;

- 2.1 **Green Waste Charging** – Additional net income of £0.102m has been built into the MTFP from 2022/2023. A report was presented to this committee on the 2nd November 2021 to propose the annual subscription fee of £39 for the 2 years 2022/2023 and 2023/2024. The increase in income is offset by additional costs attributable to the service held within Corporate Policy and Resources committee.
- 2.2 **Crematorium** – the net income generated by the service has increased by £0.046m to reflect the anticipated level of demand and service operational costs.
- 2.3 **Development Management** – planning fee income has been re-profiled to reflect the Local Plan cycle, with an increase in budgeted income for 2022/2023 of £0.045m.
- 2.4 **Markets** – the two-year contract with Marshalls Yard to co-ordinate events is due to end 31 March 2022, a reduction in expenditure of £0.038m.
- 2.5 **Street Cleansing** – budgeted income has increased by £0.020m for reclaimed shopping trolley charges made to supermarkets. This is for 2022/2023 only pending a review during 2022/2023, which will consider future years.
- 2.6 **Waste Management** – fuel expenditure budgets have been increased by £0.026m to reflect forecast consumption due to new locations and forecast pricing based on current trends and market predictions.
- 2.7 **Community Safety** – CCTV income has been reduced by £0.026m to reflect a realistic level of income generation from providing the service to external customers. This pressure has been offset by the Commercial Contingency budget held within the Corporate Policy and Resources committee, and there is nil impact across both committees.
- 2.8 **Other Council Properties-Housing** – rental income has been reduced by £0.026m due to the transfer of housing stock to P3 during 2021/2022.
- 2.9 **Grounds Maintenance** – the expenditure budgets within this committee for Grounds Maintenance have reduced by £0.020m. There is a corresponding increase in expenditure within Corporate Policy and Resources committee, and there is nil impact across both committees.

The contract is currently being finalised and a reduction in overall costs is anticipated. However, this has not been built into the future year budgets at this stage as the final figures are to be confirmed.

- 2.10 Approved changes to the establishment during the year have resulted in a net increase in budget of £0.442m.

The significant movements within the establishment budgets are:

- £0.166m approved Planning and Regeneration structure
 - £0.115m impact of estimated 2% pay award
 - £0.089m impact of estimated 1.75% pay award 2021/2022
 - £0.041m increase in National Insurance rates
 - £0.028m increase in resourcing at the Crematorium, offset by increased income
 - (£0.033m) approved Homes, Health and Wellbeing structure
 - (£0.046m) approved Waste Management structure
- 2.12 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 11th November 2021 considered the Fees and Charges recommended by this Committee and recommended them to Council for approval.

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 can found via the following link:

<https://democracy.west-lindsey.gov.uk/ieListDocuments.aspx?CId=142&MId=2919&Ver=4>

5. Recommendations

That Members recommend the draft Prosperous Communities budget 2022/2023 and revenue estimates to 2026/2027 to Corporate Policy and Resources Committee for the inclusion in the Medium Term Financial Plan 2022/2023 – 2026/2027.