



**Corporate Policy and
Resources Committee**

**Thursday, 10 February
2022**

**Subject: Corporate Policy and Resources Committee Draft Budget
2022/2023 and estimates to 2026/2027**

Report by:

Assistant Director, Finance, Business and
Property Services (S151)

Contact Officer:

Sue Leversedge
Business Support Team Leader

sue.leversedge@west-lindsey.gov.uk

Purpose / Summary:

The report sets out details of the overall Draft Revenue Budget 2022/2023 including that of this Committee and those recommended by the Prosperous Communities Committee for the period 2022/2023, and estimates to 2026/2027 to be included in the Medium Term Financial Plan.

RECOMMENDATION(S):

- a) That Members approve use of Earmarked Reserves for 2022/2023 and 2023/2024 to provide financial support to SLM Leisure, funded from the Covid Support Reserve as detailed at **section 4**.
- b) That Members accept the Corporate Policy and Resources Committee budget 2022/2023 and **recommend to Council** for inclusion in the overall Council budget 2022/2023.
- c) That Members accept the Prosperous Communities Committee Budget 2022/2023 and **recommend to Council** for inclusion in the overall Council budget for 2022/2023.
- d) 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.

e) That Members **recommend to Council** the 2023/2024 to 2026/2027 estimates for both this Committee and those of Prosperous Communities Committee 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/159/22/CPR/SL

The 2022/2023 base budget 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 £5.53m (£5.73m 2021/2022).

This has resulted in base budget decreases of £2.569m, and an income reduction of £2.368m, resulting in an overall decrease £0.201m.

Included within the movement of £0.201m is £0.042m relating to Secondary Employer Pension Contribution payments (Pension Deficit contribution).

In addition, there are £0.319m of budgets relating to Earmarked Reserves to support one off project resources in 2022/2023 (£0.118m in 2021/2022). This is an increase of £0.201m from 2021/2022 to 2022/2023.

Services within this Committee have also contributed to Earmarked Reserves £0.092m in 2022/2023 for asset replacement programmes (£0.088m in 2021/2022). This is an increase of £0.004m from 2021/2022 to 2022/2023.

Details of the use of Earmarked Reserves in 2022/2023 are included within this report at Appendix 7.

Excluding pension deficit and earmarked reserves, there is a decrease of £0.44m 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 negotiations are ongoing.

The salary costs included in this report assume 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:

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 Strategic Asset Management Plan

Investment Policy – Land and Buildings

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

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

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 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

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 £0.021m across both Committees. Full Details of proposed fees and charges were presented to this Committee on the 11th 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 Corporate Policy and Resources base budgets (Appendix 1 and 2)** 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 to 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 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.
- 1.9 **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.

Within the period of the MTFP, from 2023/2024 onwards, a 1% increase has been applied to the Primary Pension Contribution every 3 years, and the Secondary Pension contribution has been increased by 9% pa.

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

£0.483m (43.2%) of the 2022/2023 amount payable is attributable to services within Corporate Policy and Resources Committee, allocated to services based on staffing levels (FTE).

2. Significant Variations

When compared to the 2021/2022 base budget, the 2022/2023 base budget shows a budget decrease of £0.44m, excluding use of Earmarked Reserves and Pension Contribution payments. The major variances to the 2021/2022 base budget are detailed below;

2.1 **Corporate Management-Finance –**

In 2021/2022 the Council received Covid-19 expenditure support grant of £0.51m and Covid-19 loss of income through sales, fees and charges support grant of £0.165m. No further grants are due in 2022/2023.

The expenditure budget and income loss budget were held centrally and reflected in the Committee budgets, these were 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.

2.2 **Investment Properties –**

Investment property rental income has been increased by £0.039m to reflect contractual rent increases across the current portfolio and tenants.

2.3 **Housing Benefit Admin –**

Housing Benefit administration grant is to increase by £0.035m, as confirmed in the provisional allocation letter from the Department for Works and Pensions (DWP) dated 17 December 2021.

2.4 **Housing Benefit Payments –**

Rent allowance recovered budget has been reduced by £0.059m. 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 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.

2.5 **Enterprise Resource Planning – Ongoing Licence and System Maintenance Costs**

The ongoing costs of software support costs (SAAS – Software As A Service) have resulted in an increase in base budgets of £0.071m.

The savings attributed to efficiencies of £0.046m have already been built into the base budget and current software costs of the legacy system of £0.026m will be realised once the system is fully implemented and existing costs reduced.

2.6 **Grounds Maintenance –** the expenditure budgets within this committee for Grounds Maintenance have increased by £0.020m. There is a corresponding decrease in expenditure within Prosperous Communities 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.

- 2.7 Approved changes to the establishment during the year have resulted in a net increase in budget of £0.174m.

The significant movements within the establishment budgets are:

- £0.064m impact of estimated 1.75% pay award 2021/2022
- £0.085m impact of estimated 2% pay award for 2022/2023
- £0.029m increase in National Insurance rates for 2022/2023

- 2.8 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. Prosperous Communities Base Budget (Appendix 4 – 6)

The Prosperous Communities Committee considered their draft report at their meeting on 25th January 2022. The Business Unit Budgets are attached at **Appendix 6**.

When compared to the 2021/2022 base budget, the 2022/2023 base budget shows an increase of £0.245m, excluding use of Earmarked Reserves and Pension Contribution payments. The major variances to the 2021/2022 base budget are detailed below:

- 3.1 **Green Waste Charging** – Additional net income of £0.102m has been built into the MTFP from 2022/2023. (A report was approved by this committee on the 2nd November 2021 to set 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.)
- 3.2 **Crematorium** – the net income generated by the service has increased by £0.046m to reflect the anticipated level of demand and service operational costs.
- 3.3 **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.
- 3.4 **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.
- 3.5 **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.

- 3.6 **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.
- 3.7 **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.
- 3.8 **Other Council Properties-Housing** – income has been reduced by £0.026m due to the transfer of housing stock to P3 during 2021/2022.
- 3.9 **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.

- 3.10 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:

- £0.089m impact of estimated 1.75% pay award 2021/2022
- £0.166m approved Planning and Regeneration structure
- £0.115m impact of estimated 2% pay award 2022/2023
- £0.041m increase in National Insurance rates 2022/2023
- £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

- 3.11 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. Use of Earmarked Reserves – Support to SLM Leisure

Members are asked to approve the use of Covid Support Earmarked Reserve to provide financial support to SLM Leisure;

- 2022/2023 £0.122m (100% of management fee payable)
- 2023/2024 £0.074m (50% of management fee payable)

5. 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>

6. Recommendations

- 6.1 That Members approve use of Earmarked Reserves for 2022/2023 and 2023/2024 to provide financial support to SLM Leisure, funded from the Covid Support Reserve as detailed at **section 4**.
- 6.2 That Members accept the Corporate Policy and Resources Committee budget 2022/2023 and **recommend to Council** for inclusion in the overall Council budget 2022/2023 with any minor changes delegated to the Chief Financial Officer.
- 6.3 That Members accept the Prosperous Communities Committee Budget 2022/2023 and **recommend to Council** for inclusion in the overall Council budget for 2022/2023.
- 6.4 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.
- 6.5 That Members **recommend to Council** the 2023/2024 to 2026/2027 estimates for both this Committee and those of Prosperous Communities Committee for inclusion in the Medium Term Financial Plan 2022/2023 to 2026/2027 (as amended by any decisions taken on this agenda).