



Corporate Policy and
Resources Committee

Thursday, 9 February 2023

**Subject: Corporate Policy and Resources Committee Draft Budget
2023/2024 and estimates to 2027/2028.**

Report by:

Director of Corporate Services

Contact Officer:

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Purpose / Summary:

The report sets out the draft Revenue Budget 2023/2024 including that of this Committee and those recommended by the Prosperous Communities Committee for the period 2023/2024. It also includes estimates to 2027/2028 to be included in the Medium Term Financial Plan.

RECOMMENDATION(S):

- a) That Members accept the Corporate Policy and Resources Committee budget 2023/2024 and **recommend to Council** for inclusion in the overall Council budget 2023/2024.
- b) That Members accept the Prosperous Communities Committee Budget 2023/2024 and **recommend to Council** for inclusion in the overall Council budget for 2023/2024.
- 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 2024/2025 to 2027/2028 estimates for both this Committee and those of Prosperous Communities

Committee for inclusion in the Medium Term Financial Plan 2023/2024 to 2027/2028 (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/138/23/CPR/SL

The 2023/2024 base budget and variance to the 2022/2023 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 2023/2024 will be £7.156m (£5.53m 2022/2023).

This has resulted in base budget increases in expenditure of £1.245m, and income reduction of £0.381m, resulting in a **net base budget increase of £1.626m.**

There are £0.488m of expenditure budgets which are funded from Earmarked Reserves to support one off project resources in 2023/2024 (£0.270m in 2022/2023). This is an increase of £0.218m from 2022/2023 to 2023/2024.

Services within this Committee have also contributed to Earmarked Reserves £0.107m in 2023/2024 for asset replacement programmes (£0.092m in 2022/2023). This is an increase of £0.015m from 2022/2023 to 2023/2024.

Excluding the use of earmarked reserves, there is an increase of £1.423m on the base budgets for this committee, further details of which are contained within the report at section 2.

The proposed budgets within this report contribute towards an overall balanced position for 2023/2024, with a small surplus being returned to the General Fund.

Staffing:

Salary budgets for 2022/2023 were set based on an estimated 2% pay award, however, the final pay award provided a set consistent cash award against each scale point for NJC Local Government staff. In actual terms this equated to an average increase of 6%.

The salary costs included in this report are based on a further estimated 2% increase each year from 2023/2024.

Ongoing pay award negotiations indicate there is a risk that the 2023/2024 pay award may be higher than the 2% applied. To mitigate this risk, a contingency budget has been set aside.

The proposed Council budget for 2023/2024 also includes a 2% Vacancy Factor of £0.226m, 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 :

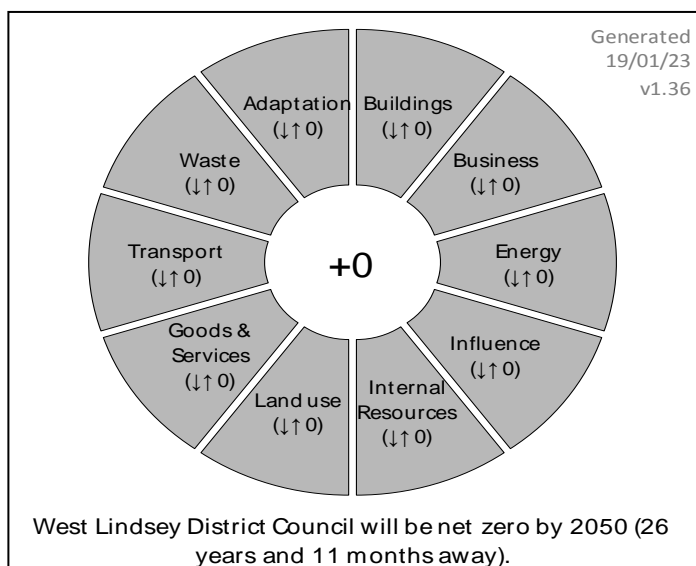
The Equality Act 2010 places a responsibility on Councils to assess their budget options before taking decisions on areas that could result in discrimination. Where appropriate assessments have been undertaken by the relevant service area.

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.

There are no significant climate related risks or opportunities within the controllable service budgets contained within this report, but there may be within the wider Medium Term Financial Strategy, which is the subject of a separate report to Committee.



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 (2021 Edition)

The Corporate Plan

The Capital Investment Strategy

The Fees and Charges Policy

The Strategic 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.

Risk Assessment :

The Local Government Act 2003 requires the Chief Finance Officer to report on the adequacy of reserves and provisions and the robustness of budget estimates as part of the annual budget setting process.

An analysis of possible budget risks and comment on the level of reserves are included at Appendix B of the Medium Term Financial Plan.

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

No

Introduction

1.1 This report sets out the Corporate Policy and Resources Committee base budget position for 2023/2024 and estimates for 2024/2025 to 2027/2028, 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, income gains and losses. As well as horizon scanning for future issues, including political, economic or legislative implications.
- A robust Fees and Charges review, which resulted in an increase in income budgets of £0.007m across both Committees. Full Details of proposed fees and charges were presented to this Committee on the 10th of November 2022.
- 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 2023/2024 – 2027/2028.
- 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 In the first instance where pressures or income losses are forecast, the Budget Manger will look to reduce the impact by identifying savings or increases in income budgets within their budget areas to offset or reduce the impact of the pressure on the Medium Term Financial Plan.

1.5 **The Corporate Policy and Resources Base Budgets (Appendix 1 and 2)** have been developed from the forecast budgets presented to Council in March 2022.

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.

1.6 **The Corporate Policy and Resources Business Unit Budgets (Appendix 3)** provide a more detailed analysis for each Business Unit.

1.7 **The Corporate Policy and Resources movement from the 2022/2023 base budget to the proposed 2023/2024 base budget** is included at **Appendix 4**.

1.8 **Assumptions/Inflationary Increases**

Increases have been applied to the following budget areas:

	2023/24
Pay Award	2.00%
Vacancy Factor	2.00%
Supplies & Services	10.00%
Electric	100.00%
Gas	200.00%
Water	6.00%
Sewerage	6.00%
Fees & Charges	6.00%
Fuel	15.00%

Inflation of 10% has been applied to supplies and services budgets to reflect contractual obligations or known increases in these areas. These budgets have been reviewed on a line-by-line basis, and inflation has not been applied where not deemed necessary.

KEY:

↑ Positive impact on MTFP (i.e. increased income, or reduction in pressure)

↓ Negative impact on MTFP (i.e. decrease in income, or increase in pressure)

2. SIGNIFICANT VARIATIONS

↓ £1.423M

When compared to the 2022/2023 base budget, the 2023/2024 base budget shows an increase of £1.423m, excluding use of and contribution to Earmarked Reserves. The significant variances to the 2022/2023 base budget are detailed below:

2.1 Inflation

↓ £0.329M

The inflationary increases applied (see paragraph 1.8) have resulted in an increase in base budgets for 2023/2024 of £0.329m.

Category	Inflation 2023/24 £
Supplies and Services	185,100
Buildings	125,000
Transport	13,800
Employees	5,300
	329,200

2.2 Fees and Charges

↑ £0.001M

The Corporate Policy and Resources Committee meeting held on the 10th of November 2022 considered the proposed Fees and Charges and recommended them to Council for approval. The review resulted in an increase in income budgets of £0.001m for services within this Committee against the previous estimate for 2023/2024.

2.3 Grounds Maintenance

↑ £0.023M

The expenditure budgets within this committee for Grounds Maintenance have reduced by £0.023m. The reduced costs are due to the economies of scale, as Glendale Countryside Services secured all tendered lots in the Lincolnshire framework – North Kesteven, East Lindsey, West Lindsey, Rest of Lincolnshire. Glendale also have secure compounds in or close to each of the districts reducing travelling time and fuel costs and many employees are from the local areas. In addition, as the framework is open to parish/town councils Glendale is also undertaking grounds maintenance for Torksey and Northorpe Parish Councils and Gainsborough Town Council.

The current contract is in place for 4 years (12.01.22 to 31.01.26), and the total reduction in budgets across both Committees is £0.078m.

2.4 **Audit**

↓ £0.069M

External Audit - Public Sector Audit Appointments (PSAA) announced in October 2022 the outcome of their procurement for audit services from 2023/2024. In summary they have offered contracts to six suppliers. They are to retain the services of three existing suppliers, Grant Thornton, Mazars and Ernst & Young, welcome former supplier KPMG back to the market, and are to be entering into contracts with two new suppliers, Bishop Fleming and Azets Audit Services.

The bid prices that were received in this procurement reflect a significant increase compared to previous procurement in 2017. At this stage, their advice is to anticipate a major re-set of total fees for 2023/2024 involving an increase of 150% on the total fees for 2022/2023. The actual total fees will depend on the amount of work required. For West Lindsey District Council, this is an increase in budget of £0.069m.

They appreciate that the extent of this increase in audit fees will pose a significant funding challenge for local bodies already facing a daunting range of financial pressures and they have raised this with the Department for Levelling Up, Housing and Communities (DLUHC) for consideration.

2.5 **Corporate Finance**

↓ £0.366M

2.5.1 **Insurance** – The cost of the insurance premium contracts have increased by £0.024m following a new contract tender exercise. The contract has been awarded to multiple suppliers to cover the different elements of insurance cover required, and is effective for three years from the 31st of May 2022, with an option to extend for a further two years.

2.5.2 **Pay Award Contingency** - The salary costs included in this report are based on an estimated 2% increase each year from 2023/2024. Ongoing pay award negotiations indicate there is a risk that the 2023/2024 pay award may be higher than the 2% applied. To mitigate this risk, a contingency budget of £0.2m has been set aside, which allows for a further 2% increase (total 4%).

2.5.3 **Commercial Contingency** - A Commercial Contingency budget was built into the base budget from 2019/2020 onwards, to mitigate several commercial risks, including investment properties and demand led service generated income. This budget has been restored to the original value of £0.2m, with an increase of £0.027m in 2023/2024 only.

2.5.4 **Business Planning Budget** – the budget to support projects within business plans has been increased to £0.2m, with an increase of £0.114m in 2023/2024 only. This budget was created to allow for a quick response in releasing revenue budgets to support services in the delivery of their approved business plan when the value required is below £0.050m.

2.6 **Investment Properties**

 £0.088M

Investment property rental income has been increased by £0.088m to reflect contractual rent increases across the current portfolio and tenants.

The gross yield against acquisition costs is forecast at 7.19%.

2.7 **Housing Benefit Admin**

 £0.011M

Housing Benefit administration grant is expected to decrease by £0.011m, as confirmed in the provisional allocation letter from the Department for Works and Pensions (DWP) dated 21 December 2022.

2.8 **Housing Benefit Payments**

 £0.068M

Net Housing Subsidy has reduced by £0.068m. In the main this is due to costs incurred above what we can claim back from the DWP for Emergency accommodation charges (B&B) plus a 60% loss of subsidy on Housing Benefit overpayments. This pressure is also partly connected to PDP (Payment Deductions Project) overpayments recovered, as we only receive 40% subsidy on overpaid Housing Benefits which creates a big gap between benefits paid out and what we can claim back from the DWP in subsidy each year.

2.9 **Establishment**

 £0.635M

Approved changes to the establishment during the year have resulted in a net increase in budget of £0.635m.

The significant movements within the establishment budgets are:

- £0.206 impact of average 6% pay award for 2022/2023
- £0.090m impact of estimated 2% pay award for 2023/2024
- £0.338m reallocation of Director (34% of 4 Directors) and Assistant Director (17% of 2 Assistant Directors) salary budgets from the Prosperous Communities committee.

These budgets were previously allocated across service budgets, however from 2023/2024 they are to be held in one place within Corporate Policy and Resources committee to simplify the monitoring of these budgets during the year. Actual costs will be allocated across the services within each Director/Assistant Directors responsibility at year end to show the total cost of providing that service.

There is a corresponding budget reduction on the Prosperous Communities' service budgets, and this change does not impact on the overall budget position across both Committees.

- 2.10 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 5 – 8)

The Prosperous Communities Committee considered their draft report at their meeting on the 31st of January 2023. The Business Unit Budgets are attached at **Appendix 7**.

↓ £0.161M

When compared to the 2022/2023 base budget, the 2023/2024 base budget shows an increase of £0.161m, excluding the use of and contribution to Earmarked Reserves. The significant variances to the 2022/2023 base budget are detailed below:

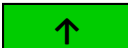
3.1 Inflation

↓ £0.279M

The inflationary increases applied (see paragraph 1.8) have resulted in an increase in base budgets for 2023/2024 of £0.279m.


Category	Inflation 2023/24 £
Buildings	127,800
Transport	100,500
Supplies and Services	43,900
Employees	7,200
	279,400

3.2 Fees and Charges

 £0.016M

The Corporate Policy and Resources Committee meeting held on the 10th of November 2022 considered the Fees and Charges recommended by this Committee and recommended them to Council for approval. The review resulted in an increase in income budgets of £0.006m for services within this Committee against the previous estimate for 2023/2024. This is an increase of £0.016m against the 2022/2023 base budget.

3.3 Grounds Maintenance

 £0.055M

The expenditure budgets within this committee for Grounds Maintenance have reduced by £0.055m. The reduced costs are due to the economies of scale, as Glendale Countryside Services secured all tendered lots in the Lincolnshire framework – North Kesteven, East Lindsey, West Lindsey, Rest of Lincolnshire. Glendale also have secure compounds in or close to each of the districts reducing travelling time and fuel costs and many employees are from the local areas. In addition, as the framework is open to parish/town councils Glendale is also undertaking grounds maintenance for Torksey and Northorpe Parish Councils and Gainsborough Town Council. The current contract is in place for 4 years (12.01.22 to 31.01.26), and the total reduction in budgets across all services is £0.078m.

3.4 Commercial Waste Service

 £0.020M

Commercial income has increased by £0.02m to reflect customer numbers and forecast service charges for 2023/2024.

3.5 Crematorium

 £0.048M

The net cost of the service has increased by £0.048m to reflect the anticipated level of demand and service operational costs.

The revised business plan for the Crematorium (covering the years 2022/2023 to 2026/2027) was approved by Corporate Policy and Resources Committee on the 28th of July 2022.

3.6 Development Management

 £0.061M

Planning fee income has been re-profiled to reflect the Local Plan cycle, with an increase in budgeted income for 2023/2024 of £0.045m. Miscellaneous income has also increased by £0.016m.

3.7 Leisure

↑	0.025M
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The leisure management contract income budget has increased by £0.025m in 2023/2024 to reflect the contractual agreement.

3.8 Markets

↑	0.026M
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Expenditure budgets have reduced for a project delivery budget which was for 2022/2023 only.

3.9 Neighbourhood Planning

↑	0.054M
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The Neighbourhood Planning Grant, which offsets the employee costs within the service, was previously held within the Government Grants area of Corporate Policy and Resources budgets. The grant has been allocated to the service from 2023/2024 in compliance with grant accounting guidance.

3.10 Parking Services

↓	£0.039M
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3.10.1 Car Parking Permits - The switch to increased home based working during and following the pandemic saw a drastic reduction in the sale of car parking permits. The reduction in parking permit sales is not expected to increase to pre-pandemic levels. The continued reduction in demand is forecast to create a £0.049m pressure on the MTFP from 2023/2024.

3.10.2 The cancellation of the lease of a section of Tesco Car Park in Gainsborough has resulted in a saving of £0.01m pa.

3.11 Property – Industrial Estates.

↑	£0.013M
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All industrial units are fully occupied with lease agreement in place. The forecast income budget for 2023/2024 has increased by £0.013m.

3.12 Safer Communities – CCTV

↓	£0.016M
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3.12.1 CCTV commercial income - has been reduced by £0.008m to reflect the current service agreements which are in place. Two customers have cancelled the service during the year (leaving four agreements in place), as lower cost alternatives are available.

3.12.2 CCTV repairs and maintenance contract - has increased by £0.008m following a new contract tender exercise. The contract is in place for 5 years (from 2022/2023 to 2026/2027).

3.13 Establishment

↓ £0.053M

Approved changes to the establishment during the year have resulted in a net increase in budget of £0.053m.

The significant movements within the establishment budgets are:

- £0.257m impact of average 6% pay award for 2022/2023
- £0.134m impact of estimated 2% pay award for 2023/2024
- (£0.338m) reallocation of Director (34% of 4 Directors) and Assistant Director (17% of 2 Assistant Directors) salary budgets into the Corporate Policy and Resources committee.

These budgets were previously allocated across service budgets, however from 2023/2024 they are to be held in one place within Corporate Policy and Resources committee to simplify the monitoring of these budgets during the year. Actual costs will be allocated across the services within each Director/Assistant Directors responsibility at year end to show the total cost of providing that service.

There is a corresponding pressure on the Corporate Policy and Resources' service budgets, and this change does not impact on the overall budget position across both Committees.

3.14 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

To undertake the Budget Consultation, we used multiple routes to consult with our stakeholders.

The consultation was undertaken using an online survey, a paper survey, through stalls within the Markets at Market towns and face to face events within the district.

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.
- Provide some feedback following the recent Council motion to consider supporting residents in this time of increased inflation.

This consultation took place between the 15th of August and the 3rd of October 2022 and had 680 responses in total. The responses came through a mixture of routes which included 342 through electronic means, 205 through postal means and 133 through events. This is the biggest response we have seen to our budget consultation, other than during the first lockdown in 2020 when 708 respondents took part.

5. Recommendations

- 5.1 That Members accept the Corporate Policy and Resources Committee budget 2023/2024 and **recommend to Council** for inclusion in the overall Council budget 2023/2024 with any minor changes delegated to the Chief Financial Officer.
- 5.2 That Members accept the Prosperous Communities Committee Budget 2023/2024 and **recommend to Council** for inclusion in the overall Council budget for 2023/2024.
- 5.3 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.
- 5.4 That Members **recommend to Council** the 2024/2025 to 2027/2028 estimates for both this Committee and those of Prosperous Communities Committee for inclusion in the Medium Term Financial Plan 2023/2024 to 2027/2028 (as amended by any decisions taken on this agenda).