

South Lakeland District Council

Overview and Scrutiny Committee

Friday 4 February 2022

2022/23 to 2026/27 Draft Budget

Portfolio:	Finance and Assets Portfolio Holder
Report from:	Section 151 Officer
Report Author:	Helen Smith, Finance Lead Specialist (Section 151 Officer) Claire Read, Finance Specialist and Deputy Section 151
Wards:	(All Wards)
Forward Plan:	The draft budget forms part of the Budget and Policy Framework Decision included in the Forward Plan as published on 8 November 2021, the decision due to be taken on 22 February 2022.

Links to Council Plan Priorities: This report sets out the latest draft Budget to enable the consideration of how the Council's priorities will be delivered. Setting a sound framework for budget preparation assists in the delivery of all corporate outcomes. This draft budget has been developed within the context of the Medium Term Financial Plan (MTFP) and supports all Council Plan priorities (working across boundaries; delivering a balanced community; a fairer South Lakeland; and addressing the climate emergency) through ensuring financial resources to deliver each priority.

1.0 Expected Outcome and Measures of Success

1.1 This report presents the **2022/23 Five Year Draft Budget**. The expected outcome is that Council will be in a position to deliver the priorities set out in the Council Plan within its resources. This will enable the statutory requirement to agree a balanced budget and to set the appropriate Council Tax level for 2022/23. Cabinet on 14th December 2021 approved the re-profiling of the 2021/22 – 2025/26 capital budgets which form part of the draft capital programme.

The local government finance settlement was announced in late December and, as expected, delayed the reduction in income expected as part of reform of local government funding until at least April 2023.

The successful implementation of staffing changes as part of Customer Connect have permanently delivered savings of over £1.5m. However, subsequently we have seen one-off costs around Covid-19 and Local Government Reorganisation, short-term, demand-driven pressures and inflation, particularly on fuel, which have created significant new pressures and gaps in the budget. The latest draft budget presents a balanced budget for 2022/23 with significant deficits from 1 April 2023. Options are being developed to balance future budget deficits.

The final proposed revenue budget and capital programme, including any further amendments, will be taken through Cabinet on 9th February 2022 and then be put forward for approval by Council on 22nd February 2022.

2.0 Recommendation

2.1 It is recommended that Overview and Scrutiny Committee:-

- (1) Note that the development of the Budget is an iterative process between now and Council on the 22nd February 2022. The assumptions, proposals and calculations included within it will be subject to change as more information from internal and external sources is provided and decisions around the final proposals can be made;**
- (2) Consider the proposals contained in this report and Appendices 3 to 9 to achieve a balanced budget from April 2022;**
- (3) Consider the proposals for Fees and Charges from April 2022 set out in Appendix 9;**
- (4) Note the expected balanced budget for 2022/23 and projected deficits starting at £2.2m in 2023/24 rising to circa £2.8m by 2026/27;**
- (5) Agrees any comments to be taken forward for consideration at the Cabinet meeting on 9th February 2022.**

3.0 Background and Proposals

- 3.1. The Council, at its meeting on 27 July 2021 agreed to the proposed Budget Strategy for the current year's budget process as part of the Medium Term Financial Plan (MTFP). The Budget Strategy set out some broad principles which are being used in the preparation of the 2022/23 – 2026/27 Budget.
- 3.2. This report presents a draft position. Work will continue to incorporate further changes into subsequent budget reports, particularly further impacts of Local Government Reorganisation, Covid-19 and the expected income from business rates which will be calculated in the last week of January (after this report is finalised). Officers are also still finalising the expected contributions to and from reserves and spend on Community Housing Fund projects. The final Draft Budget Report will incorporate the consideration of the internal and external consultation received at that time and be presented to the 9th February 2022 Cabinet meeting. Any further amendments would be delegated to the Leader and Portfolio Holder in consultation with the s151 officer prior to the reports consideration at the Council meeting on the 22nd February 2022 when Council will be requested to approve the final Budget, Treasury Management strategy, Procurement Strategy and Council Tax. The budget timetable is presented for information at **Appendix 2**.
- 3.3. Although the Council's services, income, expenditure, assets and liabilities will transfer to the new Westmorland and Furness Council on 1 April 2023 as part of LGR, the draft budgets still include projections for a full 5-years based on the current structure and arrangements. This reflects good practice and the requirement to consider the long term sustainability of local services through long term financial sustainability regardless of the provider of those services and the statutory responsibility to set balanced budgets.

DRAFT GENERAL FUND REVENUE BUDGET

SUMMARY POSITION

- 3.4. The Medium Term Financial Plan provides a summary five year annual position which includes a projection of the overall surplus or deficit on the General Fund Revenue Budget. The assumptions and financial implications are kept constantly under review as circumstances change. A summary of the known changes at this

stage are provided in the table below, the more detailed analysis of expenditure and income is set out in **Appendix 3**.

- 3.5. **Table 1** sets out the summarised estimated annual General Fund Budget requirement across the review period, including the projected deficits. It also shows the savings identified and where the budgets have been reduced.

Table 1: Projected budget deficits

	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Service Expenditure	25,403.3	24,933.2	25,234.2	25,493.3	25,811.7
Service Income	(13,012.8)	(13,107.7)	(13,490.3)	(13,844.1)	(13,845.5)
Net Service Budget (excluding capital charges)	12,390.5	11,825.5	11,743.9	11,649.2	11,966.2
Council Tax	(9,677.6)	(9,962.2)	(10,249.3)	(10,538.8)	(10,830.9)
Business Rates	(3,694.8)	(2,161.2)	(2,302.0)	(1,956.7)	(1,956.7)
Government Grant	(856.5)	(145.7)	0.0	0.0	0.0
Interest Receivable/Payable	736.3	898.4	1,039.5	1,172.7	1,184.1
Minimum Revenue Provision	1,271.3	1,359.5	1,532.7	1,783.1	1,643.5
Other Corporate Items	(177.6)	399.1	410.0	723.2	748.2
(Surplus)/Deficit assuming £5 Band D Council Tax increase from April 2022 onwards	(8.4)	2,213.4	2,174.8	2,832.7	2,754.4

- 3.6. This is not the final iteration of the budget and these annual projections are based on information available at the time of preparation along with the broad set of assumptions detailed in paragraph 3.8 below. The assumptions, proposals and calculations included above and on the attached appendices will be subject to change as more information from internal and external sources is provided, calculations and options are refined and as decisions around the final proposals are made.

Table 2: Changes in budget projections since Draft Budget December 2021

	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Projected (Surplus) / Deficit December 2021	173.1	2,223.8	2,311.7	2,972.3	3,185.9
Taxbase higher than projected	(112.8)	(115.5)	(118.2)	(120.9)	(413.0)
New Homes Bonus	(85.9)	0.0	0.0	0.0	0.0
less NHB to reserves	85.9	0.0	0.0	0.0	0.0
Lower Tier Services Grant	(53.0)	0.0	0.0	0.0	0.0
2022/23 Services Grant	(155.0)	0.0	0.0	0.0	0.0
Homelessness Prevention Grant	(133.4)	0.0	0.0	0.0	0.0
Homelessness Prevention spend	133.4	0.0	0.0	0.0	0.0
Budget Pressures: further pressures identified (income, homelessness accommodation)	37.0	37.0	(27.0)	(27.0)	(27.0)
Budget Growth: further growth requested (Climate Change: CAFS)	50.0	0.0	0.0	0.0	0.0
less use of Business Rate reserve	(50.0)	0.0	0.0	0.0	0.0
Council tax deficit	94.6	0.0	0.0	0.0	0.0
Further Adjustments	7.7	68.1	8.3	8.3	8.5
Projected (Surplus) / Deficit January 2022	(8.4)	2,213.4	2,174.8	2,832.7	2,754.4

- 3.7. The Council has a statutory duty to set a balanced budget. Work is underway to resolve the projected deficits from April 2023 onwards with estimates will be kept under review as part of the preparation of a MTFP for the new Westmorland and

Furness Council to ensure that overall savings plans are sufficient to set balanced budgets. Any additional budget pressures or discretionary, fixed term growth items will need to be funded by savings in existing budgets.

BUDGET STRATEGY ASSUMPTIONS

- 3.8. The draft budget proposals for 2022/23 and onwards include:
- a) Inflation in the base budget in accordance with the Budget Strategy (only where contractually committed or unavoidable). Inflation has been estimated at 2% except where specific contracts require a rate at a known point in time or where specific indices are available (for example electricity and gas).
 - b) Salary budgets have been prepared based on the establishment list considered by Human Resources Committee on 1st February 2022
 - c) From April 2021 onwards the detailed budgets include 2% for inflationary pay awards. The pay award for April 2021 has not yet been settled: unions had rejected an offer of 1.75% and consulted their members on strike action, which was not supported through ballots. The cost of a 1% change in the pay settlement is around £145,000 per year.
 - d) The National Living Wage (NLW) will increase to £9.50 an hour from April 2022. The local government pay settlement for 2022/23, including a 2% inflation uplift would have a minimum hourly rate (excluding apprentices) of £9.59 per hour which is higher than the new NLW levels. Any increases in the National Living Wage above 2% will be a budget pressure in future budget drafts.
 - e) The staffing budgets for all services currently include a vacancy allowance of 4% across all services except for front line delivery services which have been reduced to 2% following a budget pressure identified as part of the 2020/21 budget setting. In theory there are savings when posts are vacant and usually a saving where a new appointment is at the bottom of the pay scale while staff budgets assume existing staff receive an annual increment, as required by the local government terms and conditions (known as the Green Book).
 - f) In December 2020 the member's allowances were set for four years by linking them to the staff pay award. Therefore the same assumptions in 3.8b and 3.8c above have also been used to generate the members allowance budget.
 - g) Estimates for interest payable reflects the current borrowing rates and the proposed new Capital Programme at Appendix 8.
 - h) Capital charges are based on the Capital Programme approved by Council on 14th December 2021. These have no impact on the MTFP projections as they are not charged against Council Tax.

GOVERNMENT FUNDING AND OTHER REVENUE BUDGET UNCERTAINTIES

- 3.9. The figures presented include certain assumptions where work is on-going or where information is not yet available. A key factor going forward will continue to be central government funding. The expected change to 75% business rates retention has now been abandoned and a new funding distribution model from April 2020 has been delayed until at least April 2023.
- 3.10. The Government announced their three-year spending review on 27 October 2021 and a single-year local government finance settlement was published on 16th December 2021. Until the fundamental review of local government funding is completed, the 2021/22 funding has largely been rolled forward with minor amendments. The provisional settlement includes an increase in the Lower Tier Services Grant from £96k to £101k, a new unearmarked grant (2022/23 Services

Grant) of £155k, the continuation of the Rural Services Delivery Grant at £455k and New Homes Bonus of £130k.

3.11. The key remaining uncertainties are:

- a) The calculation of income from business rates is become more complex and the figures for 2022/23 will not be available until after this report is finalised in late January 2022. Due the size of the rate baseline and the complexity of grants a small percentage reduction in rates collectable may have a considerable impact on the income retained and may have a material impact on the surplus or deficit for 2022/23.
- b) From April 2023 the whole system of Government funding could change. The financial model assumes the overall funding from Government through general grants or retained business rates will continue to decline but by a lower rate as has was seen during the multi-year settlement from 2015-2019 (excluding one-off adjustments such as the negative Revenue Support Grant). This reflects the current indications from the Spending Review of modest increases in funding for local government overall (excluding one-off adjustments for Covid-19) but that funding will be targeted at social care.
- c) The existing business rate pool will continue for 2022/23. Due to the level of uncertainty around these arrangements, the funding is built into budgets 1 year in arrears so this can be used to support financial years 2023/24 onwards. Any unallocated balance remains within the NNDR pool reserve, which is earmarked for economic development. It is currently projected that the Council will receive around £876k from the pool in 2022/23 and that all this income will be transferred to the pool reserve.
- d) The potential additional costs related to the implementation of new unitary authorities in Cumbria as a result of Local Government Reorganisation, as detailed in paragraph 3.15 onwards.
- e) Following consultation, the Government will now bring changes to the tax system which mean second homeowners must pay Council Tax if they are not genuine holiday lets. From April 2023, second homeowners will have to prove holiday lets are being rented out for a minimum of 70 days a year to qualify as a business property and potentially qualify for small business rate relief. Holiday let owners will have to provide evidence such as the website or brochure used to advertise the property, letting details and receipts. Properties will also have to be available to be rented out for 140 days a year to qualify for this relief. No adjustments have been made to future projected Council taxbases and business rate bases for this change.

3.12. Overall, there are still uncertainties around the Council's future financial position due to these changes in Government funding.

IMPACT OF COVID-19 AND ASSUMPTIONS

3.13. Although the impact of Covid-19 mainly hit the Council's income and expenditure in the 2020/21 financial year the medium to long-term financial impact is still to be fully understood. The largest single impact on revenue income in 2020/21 was from reductions in car parking income while car parks were closed to visitors during lockdown. The first six months of the 2021/22 financial year saw only a minor drop in car park cash income of £22k (a total of £3.08m was collected, some of which was collected under management agreements) but income was down in Kendal (£172k), Ulverston (£35k) and Kirkby Lonsdale (£50k), offset by increased income in the Lake District National Park. The budgets for 2021/22 onwards include

a contingency for ongoing additional costs of Covid-19 of £697.5 for 2021/22 and reducing to £174.4k for 2024/25. It is suggested that this contingency can be prudently reduced by 50% each year to reflect the lower than expected impact on income in 2021/22 and has been included as a budget saving in **Appendix 6**.

- 3.14. Council approved use of the General Reserve to fund the one-off impact of Covid-19 in the current financial year up to £2.0m. Due to the lower than budgeted use of General Reserve in 2020/21 for Covid-19 costs it has not been necessary to re-build the General Reserve, resulting in a saving for 2021/22 onwards of £316k pa.

IMPACT OF LOCAL GOVERNMENT REORGANISATION AND ASSUMPTIONS

- 3.15. Although the Local Government Reorganisation will abolish this Council from 1 April 2023, all the income, expenditure, assets and liabilities of this Council will transfer to the new Westmorland and Furness Council on that date to be merged with the amounts for Barrow Borough Council, Eden District Council and part of Cumbria County Council.
- 3.16. The Chief Finance Officers of all seven councils within Cumbria are working collectively to both identify future income and expenditure and to propose a methodology for splitting budgets for Cumbria County Council between the two new unitary authorities. Once this is complete, a Medium Term Financial Plan and financial projections can be produced for the two new unitary authorities. For 2022/23 budgets each of the seven authorities will continue to project future budgets based on the current structures and Council Plans. It is expected that protocols will be set out in regulations by the Secretary of State, requiring approval from the Shadow Westmorland and Furness Council before the incurring of spend over certain limits, disposal of assets and controlling new contracts beyond vesting date in order to protect the financial sustainability of the new unitary authorities.
- 3.17. Council in December 2021 approved the request for resources to implement the new authorities, with a request for a contribution from this authority of £1.6m towards projected costs of £18.9m to establish the two new unitary authorities. During 2022/23 there is expected to be a further request for funding for transition and transformation preparation work to be undertaken before vesting day. The current implementation costs also assume no redundancy costs prior to vesting day. While this is likely to be the case for the majority of potential redundancies, accounting principles require employee exit payments to be recognised in full when the exit is agreed with the employee, not when employment ceases and any payment (either redundancy payments to the employee or relating to future pension deficits to the pension fund) is made. This would potentially reduce levels of projected reserves at 31 March 2023 that would be transferred to the new authority.
- 3.18. The Government makes no additional funding available for Councils undergoing LGR. Any additional costs of implementation or transformation must be met either from existing resources or from delivering future savings. All the unitary bids for Cumbria included proposed costs of transformation and projected levels of savings which varied depending on assumptions made about the number and nature of the new authorities.
- 3.19. There are also specific rules for harmonisation of Council taxes for new authorities following LGR. Proposals for this and for the splitting of existing Government funding streams will need to be agreed with the Department of Levelling Up, Housing and Communities (DLUHC) by October 2022.

RECURRING REVENUE BUDGET PRESSURES AND REVIEWS

- 3.20. There are a number of recurring budget pressures and adjustments that have been identified through the budget process. As identified in **Table 1**, these total £911k for

2022/23 and reduce to £221k by 2026/27. The details of these are contained within **Appendix 4**.

- 3.21. The largest revenue budget pressures relates to a request for additional temporary staffing brought about the Local Government Reorganisation requirements and by additional customer service demands in several areas including legal services, support services, welfare, ICT, housing options and development management. The LGR process, involving 3 critical themes of work including People, Place and Enabling Services, also requires significant officer support in numerous work streams within each theme. Cabinet on 7th December agreed these requests, as set out in **Appendix 4**, and Council on 14th December 2021 approved the use of the increased balance on General Reserve arising from 2020/21 outturn amendments identified during audit will be used to fund these costs.
- 3.22. The other large budget pressures are related to inflation increases, particularly relating to fuel. The budget pressures include the net effect of a review of housing benefit income and expenditure where both expenditure and the subsidy budgets need to be reduced to reflect reductions in claimant numbers as new working age claimants will receive Universal Credit rather than housing benefit.

2021/22 GROWTH PROPOSALS

- 3.23. The detail of revenue growth items is included at **Appendix 5**. There are two significant growth requests, one for £75k for 2021/22 and 2022/23 to support Ulverston Community Enterprise (UCE): these figures are currently only indicative until the business plan received from UCE is reviewed. The other growth bid is to continue funding Cumbria Action for Sustainability (CAfS) by £50k for 2022/23.

SAVINGS PROPOSALS

- 3.24. A number of savings proposals and expenditure reductions have been considered as part of the budget exercise and these total £536k in 2022/23 reducing to £38k by 2026/27. The only recurring saving proposed relates to the Community Toilet scheme where payments to Town and Parish Councils cease from the end of the current financial year. One-off savings have been proposed where there have been recurring underspends or where expenditure will not occur during 2022/23 due to the activity required to implement LGR. The proposed reduction in the Covid-19 contingency is also included here. These are detailed in **Appendix 6**. The amount and nature of the savings identified are considered reasonable and deliverable from 2022/23.

REVENUE IMPACT OF CAPITAL REQUESTS

- 3.25. New capital proposals are listed in **Appendix 7**. Currently the only impact of these proposals is the updated minimum revenue provision (MRP) resulting from reprofiling of the capital programme for 2021/22.
- 3.26. Section 4 below gives more details on the current proposals concerning Capital Programme. Once changes to capital programme have been agreed and financing identified the revenue impact will be updated. This could include either costs of borrowing (repayment represented through the Minimum Revenue Provision and interest payable) or through revenue contributions to fund the capital expenditure.

FURTHER SAVINGS AND EFFICIENCIES

- 3.27. Significant savings targets of £740k rising to £1.550m were agreed in July 2018 from the Customer Connect Programme and have been delivered,
- 3.28. Further work will be carried out to identify proposals to meet the additional amounts of saving required, initially for 2023/24 by the Westmorland and Furness Council. This process needs to be flexible according to the challenges and opportunities that

arise to meet the projected deficits, which are very likely in themselves to change as proposals for the operation of the unitary authorities and the split of income and expenditure from Cumbria County Council progress on top of the large uncertainty over Government funding reforms. Updates will be provided in subsequent budget reports.

FEES AND CHARGES

- 3.29. The MTFP assumes that income to be generated from fees and charges will total £10.6m for 2021/22. This figure has been adjusted to reflect the budget pressures from **Appendix 4**, where these relate to fees and charges. Following the increase in car parking fees and charges for 2021/22 no further amendments are proposed.
- 3.30. Lake Administration Committee approved fees and charges relating to Lake Windermere on 21 January 2022 and Licensing Committee considered its fees on 29 November 2021.
- 3.31. Table 3 below summarises the main fees and charges for 2022/23 and the changes proposed. Full details are shown in the draft Fees & Charges book included as **Appendix 9**.

Fees	Budget 2021/22	Budget 2022/23	Budget +/- %	Fee +/- %	Comments
Cemetery Charges	£226,458	£230,987	2%	6%	Fees increased following benchmarking.
Houses in Multiple Occupation	£3,920	£3,998	2%	12%	Reflects move to cost recovery
Immigration Inspections	£600	£612	2%	2%	
Council Tax Summonses (Liability Order)	£182,832	£182,832	0%	0%	Fees can only be set for cost recovery - set by courts
NNDR Summonses (Liability Order)	£22,603	£22,603	0%	0%	Fees can only be set for cost recovery - set by courts
Environmental Search Fee per hour	£134	£137	2%	2%	
Animal Licences	£13,698	£13,972	2%	2%	
Street Trading Licences	£236	£241	2%	2%	
Skin Piercing & misc. Acupuncture, Tattooing and Electrolysis Licence	£1,296	£1,322	2%	2%	
Scrap Metal	£4,000	£4,080	2%	2%	
Premises and Club Certificates	£206,475	£210,604	2%	0%	Set nationally - any changes due to be notified
Gambling Act 2005	£22,108	£22,551	2%	0%	Set nationally - any changes due to be notified
Taxi Licences	£108,390	£110,559	2%	0%	Legislation which governs Hackney Carriage and Private Hire dictates that a consultation process must be followed and fees must be advertised in advance, however due to Covid-19 and capacity it was not possible to do this. Will be reviewed along with all licensing fees and charges this year.
Private Water	£74,287	£75,773	2%	8%	Fee based on actual cost. Increase reflects this
Food Premises Registration Copy of documents/register	£200	£204	2%	0%	Fee recommended by DEFRA
Environmental Permitting Regulations 2010	£14,500	£14,500	0%	0%	Fees set by DEFRA
Planning Application Fees	£524,308	£524,402	0%	0%	Fees set Nationally
Pre Application Advice	£21,097	£21,519	2%	0%	Fees have been benchmarked and there is no justification for an increase
Land Charges	£250,000	£250,000	0%	2%	Fees capped to balance surplus
Building Control Fees	£333,177	£339,840	2%	6%	Fees have been reviewed and will be in-line with commercial and local authority competition
Street Name and Numbering	£15,824	£16,140	2%	2%	

Fees	Budget 2021/22	Budget 2022/23	Budget +/-%	Fee +/- %	Comments
Control of Dogs (Kennelling)	£1,000	£1,000	0%	0%	Recharge equals contract cost. There has been no change in cost therefore no change in fee
Football Pitches	£1,800	£1,836	2%	0%	It is usually community groups that use these pitches and it was felt to increase the prices would create less demand given the situation with Covid-19
Parks and Play Area hire	£49,640	£50,633	2%	0%	Fee determined by commercial negotiation
Play area inspections	£3,712	£3,786	2%	0%	
Allotments	£3,268	£3,325	2%	0%	
Fixed Penalty Charge Notices	£0	£0	0%	0%	Budget bid made for income budget
Street Sweeping	£2,413	£2,461	2%	5%	Increase in costs of delivery leading to increase in fees.
Delivery of Recycling and Waste Bins and Boxes	£16,000	£16,000	0%	10%	
Bulky Waste Collection	£50,000	£50,000	0%	5%	Recharge of external cost only. External cost fixed per contract.
Collection of litter on council owned land after an official event	£0	£0	0%	0%	No budget. This fee is aspirational. Charge to be based on Actual Cost
Lake Permanent Moorings	£489,550	£540,141	10%	2%	The 2021/22 budget includes a one year only budget pressure. The 2022/23 budget is the original 2021/22 budget increased by 2%
Jetty Berths	£131,000	£133,620	2%	2%	
Holiday Moorings and Berths	£13,935	£14,214	2%	5%	Fee increase reflective of increase in demand
Slipway Charges	£11,099	£11,321	2%	6%	Fee increase reflective of increase in demand
Encroachments	£641,322	£654,148	2%	2%	
Storage of Boats	£83,059	£84,720	2%	5%	Fee increase reflective of increase in demand
Other Lake Fees	£65,164	£66,467	2%	2%	
Car Park Fees (excl Permits)	£3,627,050	£3,699,594	2%	0%	
Car Park Permits	£478,420	£487,988	2%	2%	
Car Park Contract Spaces	£10,926	£11,145	2%	2%	
Car Park Fines	£122,721	£122,721	0%	0%	No change in fee as it is a nationally set penalty charge.
Town View Fields Accommodation Charge	£205,701	£209,603	2%	0%	
Kendal Market Hall	£126,230	£130,306	3%	12%	Includes a move to one weekly fee for indoor market tables. Other fees have increased in money terms by 5p. As a result of the low initial value of the fees, the small monetary increases creates such a high percentage increase.
Ambleside Market	£2,580	£2,632	2%	5%	
Kendal Town Hall	£73,011	£97,904	34%	2%	Increase in budget reflects the town hall being open all year in 2022/23
Register of Electors	£447	£456	2%	0%	Statutory fee; no change
Other Legal Fees	£10,000	£10,200	2%	75%	Reflects updated charges for mooring and encroachment agreements as agreed in 2021/22
Section 106 agreements	£11,500	£11,730	2%	21%	Flat fee increased by 43%. No change to fee per obligation
Legal Fees for Property Transactions	£6,000	£6,120	2%	0%	Average increase 22% overall - to recover actual cost of time spent
Grand Total	£8,263,691	£8,470,947	2.51%		

COUNCIL TAX AND COLLECTION FUND

- 3.32. Levels of Council tax increases are heavily influenced by Government policies which assume individual Councils increase their Council tax by the maximum amount permitted by the Government. This maximum has varied between 2% and 3% for the last few years or £5, whichever is the higher. Through this policy the Government has encouraged Councils to move towards financial self-sufficiency through increasing the proportion of income raised by Council tax rather than government grant. The MTFP assumes increases £5 per annum for a Band D equivalent property. Each 1% increase in Council Tax generates an additional £95k of income to the Council.
- 3.33. The £5 increase in Council tax is a planning assumption for budgeting purposes only at this stage. The actual level of Council tax to be charged is a decision by Council as part of the budget approval process in February.
- 3.34. The MTFP assumes an increase in the Council tax base of 250 band D properties annually. This is equivalent to an additional £50k of Council tax each year for this Council. The actual tax base for 2022/23 was calculated in December 2021 at 46,185.2 Band D equivalent properties, an increase of 788.5 properties or 1.75% and above the assumed increase of 250 properties. The increase is a combination of fewer properties receiving exemptions as empty, an increase in premiums on long-term properties and a reduction in discounts relating to the Council Tax Reduction Scheme.
- 3.35. Covid-19 saw increases in applications for the Council Tax Reduction Scheme (CTRS) from working age claimants. There were 2,716 claimants at the end of October 2020 but this has reduced to 2,663 at the end of October 2021. CTRS is treated as a discount which reduces the Council's taxbase: in 2021/22 the reduction was 3,772.7 properties which has reduced to 3,533.5 properties for 2022/23. Cabinet will be requested to approve the CTRS scheme in February 2022: It is not intended to amend the Council's CTRS scheme for 2022/23.
- 3.36. From April 2021 discounts on empty homes were reduced and premiums were increased: the increases in council tax payable on empty homes is intended to encourage the use of homes rather than to increase income.
- 3.37. On 1 December 2020 the Local Authorities (Collection Fund: Surplus and Deficit) (Coronavirus) (England) Regulations 2020 come into force. This required Councils to spread the repayment of collection fund deficits arising in 2020/21 over the next three years rather than the usual period of a year. This recognised the difficulties being faced by Council's in collecting Council Tax and Business rates in 2020/21 as a result of the Covid-19 pandemic and was done to allow Council's breathing space when setting budgets for next year. The budget assumes that the Council will take advantage of this opportunity and has split the estimated deficit for both Council Tax and NNDR in 2020/21 over the next three years. As a result the projected Council Tax deficit to be charged to 2022/23 is £94.6k

4 CAPITAL PROGRAMME

- 4.1 Proposals for new areas of capital expenditure as set out in **Appendix 7** have been considered by CMT in November and form the basis of the resulting proposed capital programme as presented in **Appendix 8**.
- 4.2 It was reported in the Quarter 2, 2021/22 Financial Update Report that certain elements of the capital programme would be underspent in year and would require re-profiling into subsequent years. These are reflected in **Appendix 8** within the updated 2021/22 programme along with other schemes where the need for re-profiling has been highlighted.

4.3 A summary of the proposed capital expenditure up to 2026/27 is shown below:

Table 4: Summary Draft Capital Programme Expenditure

2021/22 Latest	2022/23	2023/24	2024/25	2025/26	Total 2021/22 to 2025/26
£000	£000	£000	£000	£000	£000
14,928.7	15,861.8	9,055.0	7,183.0	2,343.0	14,928.7

4.4 Although the capital programme contains estimates of expenditure for future years, these rely on the income budgets being met (e.g. Capital Receipts, Right to Buy and VAT shelter). All elements of the programme, and particularly those areas with recurring budgets, will be reviewed annually with reference to the actual resources available.

4.5 Community Infrastructure Levy (CIL) has now been included in the capital programme and it's funding, net of the 6-monthly payments to parish councils of their shares of CIL. The governance arrangements over when and how to allocate this and the Infrastructure Delivery Plan were approved by Cabinet on 13 September 2017 and Cabinet approved the use of £75k of CIL to fund Gooseholme Bridge on 1 September 2021.

4.6 A summary of the draft capital programme funding is in the table below. This shows the proposed use of capital resources in support of the capital programme (see **Appendix 8**).

Table 5: Capital Funding 2021/22 to 2026/27

	Balance April 2021 £000	Estimated Income £000	Use in capital programme £000	Projected Balance March 2026 £000
General				
Usable Capital Receipts	(2,020.3)	(1,169.0)	2,611.8	(577.5)
New homes bonus / LIPS****	(1,954.0)	(467.1)	2,421.1	0.0
Earmarked or allocated				
IT replacement reserve	(13.6)	(400.0)	380.3	(33.3)
Major Repairs Reserve	(399.4)	(410.0)	793.6	(15.8)
General Revenue contributions	0.0	(210.1)	210.1	0.0
Other Reserves	(456.6)	(1,350.0)	1,642.7	(163.9)
Cap grants and contributions (inc S106)	(4,184.2)	(11,021.4)	13,330.1	(1,875.6)
Disabled Facilities Grants	(833.8)	(3,073.0)	3,636.8	(270.0)
Community Housing Fund*	(1,821.0)	0.0	543.0	(1,278.0)
Right to Buy receipt**	(5,469.9)	(2,100.0)	6,000.0	(1,569.9)
Community Infrastructure Levy	(2,112.5)	(442.9)	75.0	(2,480.4)
Borrowing				
Funding from borrowing***.	0.0	(17,702.0)	17,702.0	0.0
Sub Total	(19,265.3)	(38,345.5)	49,346.5	(8,264.4)
Funding to be agreed	0.0	0.0	25.0	25.0
Total	(19,265.3)	(38,345.5)	49,371.5	(8,239.4)

4.7 **Table 5** illustrates the pressure of capital funding as unearmarked income has declined and accumulated balances are committed. It is proposed to increase the annual contribution to the Major Repairs Reserve from £50k to £65k to match funding for renewals of play equipment of £65k per annum.

5 RESERVES AND WORKING BALANCE

WORKING BALANCE

- 5.1 The Council's working balance at 1 April 2021 was £1.5m. Working balances are used to help cushion the organisation against uneven cash-flows and avoid unnecessary borrowing. The balance on the working balance should be maintained at £1.5m.

OTHER RESERVES

- 5.2 The Council holds a General Reserve of monies set aside to form a buffer against future financial risks in the medium term and to enable the Council to progress major organisational and transformational changes by providing resources to fund the initial costs of these developments.
- 5.3 Authorities in England and Wales are required to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement. An annual review is carried out to assess risks including:
- pay and pension costs
 - inflationary pressures
 - interest rates
 - Government grant
 - income from fees and charges

The Council considers the impact of holding monies unnecessarily in reserves giving the ongoing impact on local residents and taxpayers. The External Auditor considers the level of reserves each year to ensure the amounts held are sufficient but not excessive. There is no theoretical "correct" level of reserves because the issues that affect an authority's need for reserves will vary over time.

- 5.4 Reserves are also available to support the strategically important projects listed in the capital programme that have yet to be allocated a budget including land acquisition for car parking and employment sites and the depot review. These are subject to further option appraisal and business case development.
- 5.5 The full analysis of reserves, proposed uses, and the risk assessment of reserves will be prepared based on the revised budget proposals for consideration by Cabinet and Council in February 2022.

6 NEXT STEPS

- 6.1 This draft Budget Report will be updated as the last few outstanding issues identified in paragraph 3.11 are resolved. The final local government finance settlement and business rate income will be reflected in the final budget proposals to be presented to Cabinet on 9th February and Council on 22nd February 2022 for approval. Additional reports will be produced if required.

7.0 Appendices Attached to this Report

Appendix No.	Name of Appendix
1	Budget process and strategy
2	Budget Timetable
3	General Fund Revenue Account Forecast 2022/23 - 2025/26
4	Budget Pressures
5	One-off Revenue Growth Proposals
6	Savings Proposals
7	Capital Requests
8	Draft Capital Programme 2021/22 to 2026/27
9	Draft Fees and Charges book

8.0 Consultation and Alternative Options

- 8.1 This report updates the first draft of the 2022/23 Five Year Budget reported to Cabinet and Council in December 2021. The first draft budgets will be subject to a consultation period with consultation responses received reported back to Cabinet on 9th February 2022 with final responses included in the report to Council on 22nd February 2022. The Council's Budget and Policy framework procedure rules states "The consultation period in each instance will ideally be not less than 8 weeks but no longer than 12 weeks."
- 8.2 This report presents alternative options in relation to potential budget pressures and savings, new capital programme bids, one off revenue growth bids and fees and charges. The proposals together aim to meet the Council's statutory duty to set a balanced Budget for 2022/23.

9.0 Implications

Financial, Resources and Procurement

- 9.1.1 The draft Budget aims to safeguard the Council's financial position and ensure a balanced budget for 2022/23 and an improved position in the years that follow.
- 9.1.2 Councils are required to set a balanced budget and the Section 151 is required to submit a report on the robustness of estimates and adequacy of reserves as part of the budget setting process in February 2022. The Section 151 Officer also has an obligation to make a report under Section 114 of the Local Government Finance Act 1988, which dictates that:

"The chief finance officer of a relevant authority shall make a report under this section if it appears to him that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure".

Section 114 notices are very rare and give the Section 151 Officer the power and responsibility to legally suspend spending for a period of time if they judge the Council does not have a balanced budget or the imminent prospect of one. It means that no new expenditure is permitted, with the exception of that funding statutory services, including safeguarding vulnerable people, however existing commitments and contracts will continue to be honoured.

In my opinion as Section 151 Officer the Council is not close to this position but is dependent upon Government not reforming local government finance from 1 April 2022.

Human Resources

- 9.2 This report has no direct impact on the staffing of the Council; individual savings and growth proposals may have direct staffing implications. The establishment for 2022/23 was reported to Human Resources Committee on 1st February 2022.

Legal

- 9.3 The Council is required to approve its budget and set its Council tax before 11th March 2022 immediately prior to the start of the financial year (Local Government Act 1992) This report outlines the Councils proposals and starts the process of consultation on the budget with the final approval of the budget by Council at its meeting on 22 February 2022.

Health and Sustainability Impact Assessment

- 9.4 Have you completed a Health and Sustainability Impact Assessment? No
- 9.5 If you have not completed an Impact Assessment, please explain your reasons: A full Health and Sustainability Impact Assessment will be produced based on the revised budget proposals for consideration by Cabinet and Council in February 2022.
- 9.6 Summary of Health and Sustainability Impacts

		Positive	Neutral	Negative	Unknown
Environment and Health	Greenhouse gases emissions				X
	Air Quality				X
	Biodiversity				X
	Impacts of Climate Change				X
	Reduced or zero requirement for energy, building space, materials or travel				X
	Active Travel				X
Economy and Culture	Inclusive and sustainable development				X
	Jobs and levels of pay				X
	Healthier high streets				X
	Culture, creativity and heritage				X
Housing and Communities	Standard of housing				X
	Access to housing				X
	Crime				X
	Social connectedness				X

Equality and Diversity

- 9.7 Have you completed an Equality Impact Analysis? No
- 9.8 If you have not completed an Impact Analysis, please explain your reasons: A full Health and Sustainability Impact Assessment will be produced based on the revised budget proposals for consideration by Cabinet and Council in February 2022.
- 9.9 Summary of Equality and Diversity impacts

Please indicate: P = Positive impact; 0 = Neutral; N = Negative; Enter "X"					
Age	P		0		N
Disability	P		0		N
Gender reassignment (transgender)	P		0		N
Marriage & civil partnership	P		0		N
Pregnancy & maternity	P		0		N
Race/ethnicity	P		0		N
Religion or belief	P		0		N
Sex/gender	P		0		N
Sexual orientation	P		0		N
Armed forces families	P		0		N
Rurality	P		0		N
Socio-economic disadvantage	P		0		N

Risk Management	Consequence	Controls required
Failure to create a balanced and sustainable budget by February 2022.	Includes: inability to deliver corporate priorities, inappropriate spending, and inappropriate reductions in services.	Identification of sound budget guidelines in an agreed strategy reduces the risk of an unaffordable budget and/or precipitate budget reductions. Monitoring of progress against the budget timetable reduces the need for last-minute budget adjustments.
Insufficient staff capacity to deliver on growth items within capital and revenue budgets	Inability to deliver services to expected levels or additional costs of temporary staff. Potential underspends and potential slippage in expenditure to subsequent years.	Review resources required to ensure growth bids are realistic and deliverable, including other unavoidable staffing pressures

Risk Management	Consequence	Controls required
Revenue budget and Capital Programme may not be integrated and aligned with Council Plan.	Resources not directed to achieving corporate outcomes, leading to inappropriate spending.	Both the revenue budget and the Capital Programme are now embedded in the corporate planning cycle. All revenue budgets and capital programme schemes are linked to Council plan priorities
Reduction in funding from Government is greater than estimated or announced too late for adjustments to be made to budgets	In-year budgetary pressure and potential overspending, jeopardising service delivery.	Close monitoring of Government announcements, potential short-term use of revenue contingency provision and General Reserve followed by review for following year.
The impact of Covid-19 and other unexpected events on the Councils finances is more substantial or lasts longer than projected	Failure to create a balanced and sustainable budget by February 2022	Regular monitoring of announcements, performance, expenditure and income
The implementation of LGR for April 2023 requires greater than predicted use of resources	Failure to create a balanced and sustainable budget by February 2022 for 2022/23	Regular monitoring of announcements, performance, expenditure and income

Contact Officers

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Background Documents Available

Name of Background document	Where it is available
Medium Term Financial Plan approved Council 27 July 2021	https://tinyurl.com/yyuc3s4n
Corporate Financial Update Quarter 1, 2021/22	https://tinyurl.com/ah2su44k
Corporate Financial Update Quarter 2, 2021/22	https://tinyurl.com/2p846j6c
2022/23 to 2026/27 Draft Budget reported to Council 14 December 2021	https://tinyurl.com/yckuxxxz

Tracking Information

Signed off by	Date sent	Date Signed off
Section 151 Officer	21/01/2022	Report of S151 Officer
Monitoring Officer	21/01/2022	26/01/2022
CMT	21/01/2022	

Circulated to	Date sent
Lead Specialist	N/A

Circulated to	Date sent
Human Resources Lead Specialist	25/01/2022
Communications Team	25/01/2022
Leader	N/A
Committee Chairman	N/A
Portfolio Holder	25/01/2022
Ward Councillor(s)	N/A
Committee	04/02/2022
Executive (Cabinet)	09/02/2022
Council	22/02/2022