

ARUN DISTRICT COUNCIL

REPORT TO AND DECISION OF ECONOMY COMMITTEE ON 19 JANUARY 2022

SUBJECT: Committee Revenue and Capital Budgets 2022/2023

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DATE: November 2021

EXTN: 01903 737558

AREA: Corporate Support

EXECUTIVE SUMMARY:

The purpose of the report is for this Committee to consider and recommend its revenue budget for inclusion in the 2022/23 revenue budget, which will be submitted to the Policy and Finance Committee on 10 February 2022. Policy and Finance Committee will consider the overall revenue budget for 2022/23 to make a recommendation to Full Council on 23 February 2022 on the budget to be set and level of Council Tax for the District for 2022/23.

In addition, Committees must consider and recommend their draft capital budget for inclusion in the overall capital programme, which will be submitted to the Policy and Finance Committee on 10 February 2022. Policy and Finance Committee will consider the overall capital programme to make a recommendation to Full Council on 23 February 2022 on the overall capital programme to be set for 2022/23.

RECOMMENDATIONS:

It is recommended that this Committee:

- (a) Agree on the 2022/23 Revenue Budget as illustrated in Appendix A of this report;
- (b) Agree on the 2022/23 list of uncommitted growth items as illustrated in Appendix B of this report;
- (c) Agree on the 2022/23 Capital Programme as illustrated in Appendix C of this report; and
- (d) Agree to recommend to Policy and Finance Committee that the Revenue Budget, list of growth items and Capital Programme for this Committee be included in the overall General Fund Budget when considering the overall budgets on 10 February 2022.

1. BACKGROUND:

2022/23 is the first year of budget preparation under the Committee form of governance introduced on 19 May 2021. Under Committee governance, Service Committees such as this must consider and recommend revenue and capital budgets

for the services they provide to the Committee responsible for budget setting. At Arun, this is the Policy and Finance Committee. The Policy and Finance Committee will then consider an overall budget to recommend to Full Council.

The general background to the 2022/23 budget process was included in the Financial Prospects 2021/22 to 2025/26 report to Policy and Finance Committee on 14 October 2021. The main points to note are:

- Council Tax increases by £5 or 2% per annum which is currently the maximum allowed for similar District Councils;
- There is an inflationary increase in salary costs in 2022/23. The effect of the increase in National Insurance contributions from 2022/23 is included;
- If possible, cash limited sums for goods and services (no inflationary rise) for the period are included, otherwise inflation is provided for;
- The most up to date figure available has been used for the lump sum payable to the pension fund which was reflected in the latest report from the actuary for 2022/23;
- It is assumed all discretionary fees and charges imposed by the Council increase by at least 2.5% for the year;
- Growth items are not included in service committee estimates. They will be considered as a separate list by service committees. Items agreed by service committees will then form part of the final growth list which Policy and Finance Committee will need to consider when it sets the overall budget. It has been made clear to budget officers that growth requests should be minimised and restricted to those with a significant impact on Council priorities or objectives.

Financial forecasting has been difficult due to the COVID 19 pandemic. Budgets have been compiled on the best information available. In addition, where appropriate, central government funding has been applied to mitigate against increased costs and reductions in income.

The draft capital programme for this Committee is detailed at Appendix C and, if agreed, will be submitted to the Policy and Finance Committee for inclusion in the Authority's overall Capital Programme.

2. PROPOSAL(S):

Revenue Budget

The basis of budgeting for 2022/23 assumes that current levels of service remain unchanged. Any proposed increase in the service level, or other significant new area of expenditure, is treated as uncommitted growth. These items are listed at Appendix B and are not included in the budgets. If this Committee agrees this list either in full, or in part, it will be considered by Finance and Policy Committee on 10 February 2022 in the context of the overall General Fund budget.

The budgets are presented in the format recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) for the publication of accounting information.

The information contained in the detailed budgets is as follows:

- Actual 2020/21, as per the Council's published accounts for 2020/21;

- Budget 2021/22 – a reproduction of the budget approved by the Council for 2021/22, adjusted to align with the Committee governance Structure;
- Budget 2022/23 – budgets are prepared at current price, plus inflation where unavoidable. The budgets contain committed growth. This indicates a change to the base level of service arising from policy changes determined by the Council, the effects of the financing of the agreed Capital Programme, or other unavoidable costs, eg arising from statutory commitments. Such growth is included in the budgets.

Uncommitted growth indicates an enhanced level of base service provision. This is not included in the budgets at this stage. The final inclusion in the Authority's overall revenue budget will be subject to consideration by the Policy and Finance Committee and Council.

The proposed uncommitted growth items are summarised with explanatory notes at Appendix B.

The budget is shown at Appendix A.

The significant changes in the revenue budget between 2021/22 and 2022/23 are:

- The 2021/22 pay award is still under negotiation. It is therefore necessary to include two years' pay awards in the employee figures which increases the expected cost in 2022/23.
- There are two new posts in this committee in Economic Regeneration at an estimated net cost of £50k;
- There is a report elsewhere on this agenda concerning grant support for Arun Arts. The £15k recommended is included in the budget papers as it was included in the 2021/22 budget. It was due to cease from 31 March 2022. It has been assumed that Members will approve the continued funding. If not, the budget will be adjusted accordingly.
- For 2022/23, the Revenue Budget has been restated to align the budget with accounting regulations. This change means that revenue maintenance on the Council's property is shown in the Revenue Budget. In previous years, it has been included in the Capital and Asset Management Programme. The change will streamline budget monitoring and accounting practices and reduce queries on budget variances in future.

Capital Budget

The Council's Capital Strategy sets out the framework for capital expenditure. The current Capital Strategy was considered by the Audit and Governance Committee on 25 February 2021 and recommended to Council for adoption on 17 March 2021. The Strategy contains the following regarding capital priorities at paragraph 1.7:

Priority	Type of Projects
Highest Priority	Unavoidable capital expenditure due to an emergency such as one affecting service continuity or business critical infrastructure
	Projects that deliver strategic outcomes as per the Council's vision

Lowest Priority	Projects necessary to deliver statutory, mandatory and legal/contractual obligations
	Projects that give rise to revenue savings or income generation. These can be developed as invest to save projects
	Projects attracting additional external funding
	Projects which improve and repair Council assets and reduce the need for revenue maintenance
	Projects that are not for statutory or mandatory purposes, attract low external support, have little or no payback or result in increases in revenue costs

The draft programme shown at Appendix C includes schemes that have been prioritised as above.

The draft Capital Programme has been scrutinised by Corporate Management Team before being presented to the service committee.

The level of funding for the Capital Programme will be determined at the Policy and Finance Committee on 10 February 2022. It is clear that capital resources will have to be assessed and the proposed programme may need to be adjusted if planned expenditure exceeds expected resources.

Financial forecasting has been difficult due to the COVID 19 pandemic. Budgets have been compiled on the best information available. In addition, where appropriate, central government funding has been applied to mitigate against increased costs and reductions in income.

The total planned Capital Programme for this committee totals £807k and includes:

Scheme	£'000
Leased Property Dilapidations	50
Arcade Roof, Bognor Regis	210
Roof Replacement at Windmill Theatre	190
Changing Places Project	157
Fitzleet Car Park	200
Total	807

Details are shown in Appendix C.

3. OPTIONS:

Not applicable

4. CONSULTATION:		
Has consultation been undertaken with:	YES	NO
Relevant Town/Parish Council		✓
Relevant District Ward Councillors		✓
Other groups/persons (please specify)		✓
5. ARE THERE ANY IMPLICATIONS IN RELATION TO THE FOLLOWING COUNCIL POLICIES: (Explain in more detail at 6 below)	YES	NO
Financial	✓	
Legal	✓	
Human Rights/Equality Impact Assessment		✓
Community Safety including Section 17 of Crime & Disorder Act		✓
Sustainability		✓
Asset Management/Property/Land		✓
Technology		✓
Other (please explain)		✓
6. IMPLICATIONS:		
<u>Financial</u> The financial implications are shown throughout the report. Capital spending is susceptible to overrun, delay and increased costs. It is important that close monitoring of both revenue budgets and the capital programme is in place.		
<u>Legal</u> The Council has a legal duty to ensure its expenditure can be met by its income, inclusive of reserves.		

7. REASON FOR THE DECISION:

To enable the Committee to recommend a revenue and capital budget to Finance and Policy Committee for inclusion in the Council's overall General Fund budget for 2022/23.

8. BACKGROUND PAPERS:

2021/22 Budget Report to Full Council 17 February 2021
 Financial Prospects 2021/22 to 2025/26 Report – Finance and Policy Committee 14 October 2021
 Budget Consultation Report
 Statement of Accounts 2020/21

**Economy Committee
General Fund Revenue Budget 2022/23**

Actual 2020-21 £'000	Description	Budget 2021-22 £'000	Budget 2022-23 £'000
Economy Committee			
Direct Services			
(251)	Sundry Properties including Beach Huts	(663)	(662)
119	Economic Regeneration	241	271
(56)	Land Charges	(26)	(24)
51	Tourism	63	62
(137)	Total for Direct Services:	(385)	(353)
Economy Committee			
Management & Support Services			
686	Administrative Buildings and Facilities Management	633	660
323	Property and Estates Management	431	440
0	Corporate Asset Management	0	1,421
1,009	Total for Management & Support Services:	1,064	2,521
872	Economy Committee Total:	679	2,168

Actual 2020-21 £'000	Description	Budget 2021-22 £'000	Budget 2022-23 £'000
Economy Committee			
Direct Services			
<u>Sundry Properties including Beach Huts (L82, E24 & E30)</u>			
334	Premises	152	148
32	Supplies and Services	17	27
(617)	Other Income	(832)	(837)
(251)	Total for Sundry Properties including Beach Huts:	(663)	(662)
<u>Economic Regeneration (R11)</u>			
171	Employees	151	180
12	Premises	0	0
0	Transport	1	1
498	Supplies and Services	89	90
(252)	Other Income	0	0
(310)	Grants and Contributions	0	0
119	Total for Economic Regeneration:	241	271
<u>Land Charges (D30)</u>			
98	Employees	96	101
5	Supplies and Services	5	5
(159)	Other Income	(127)	(130)
(56)	Total for Land Charges:	(26)	(24)
<u>Tourism (E15)</u>			
39	Employees	39	41
11	Supplies and Services	24	21
0	Third party costs	0	0
1	Other Income	0	0
51	Total for Tourism:	63	62
(137)	Total for Direct Services:	(385)	(353)

Actual 2020-21 £'000	Description	Budget 2021-22 £'000	Budget 2022-23 £'000
Economy Committee (Continued)			
Management & Support Services			
<u>Administrative Buildings and Facilities Management</u>			
<u>(Q60, Q62, Q63, Q64, Q65 & S40)</u>			
138	Employees	134	143
579	Premises	538	552
5	Transport	5	8
98	Supplies and Services	82	84
(134)	Other Income	(126)	(127)
686	Total for Administrative Buildings and Facilities Management:	633	660
<u>Property and Estates Management (N41)</u>			
295	Employees	382	404
8	Transport	9	10
27	Supplies and Services	46	32
(7)	Other Income	(6)	(6)
323	Total for Property and Estates Management:	431	440
<u>Corporate Asset Management (E50 & E51)</u>			
0	Asset Maintenance	0	1,421
0	Total for Corporate Asset Management:	0	1,421
1,009	Total Management & Support Services:	1,064	2,521
872	Economy Committee Total:	679	2,168

**Economy Committee
Budget 2022/23
Growth Items**

Item	£'000	Note
Sussex by the Sea Festival	40	1
Town Centre Events	60	2
Gas contingency	5	3
Electricity contingency	20	3
Additional support for high street recovery	150	4
Vision documents for Bognor Regis and Littlehampton	100	5
Events for Bognor Regis and Littlehampton	150	6
Insurance Valuations – various properties	20	7
Total	545	

Notes

1. At Economy Committee on 12 October 2021, Members resolved to identify funding in the annual budget for three consecutive years to establish the Sussex by the Sea Festival. At present, there is no specific funding for this in the Council's budget so is a growth item.
2. The 2021/22 budget includes £60,000 of funding for Town Centre events in the District as follows:
 - Bognor Regis - £25,000;
 - Littlehampton - £25,000;
 - Arundel - £10,000

A request has been received to make the same funding available for 2022/23. A further report will be submitted to Economy Committee on the conditions of this funding before it is released to the Town Councils. Approval of the funding in principle, will make this an easier process.
3. It is known that energy costs are volatile. A review has been undertaken and the recommendation from this is that a £5,000 allowance be made for gas cost increase to Council buildings and £20,000 for electricity.
4. The amount is requested to offer some interventions and support to the local economy. Specific schemes will be identified. Part of the funding will be used to engage project support.
5. Creation of vision documents for both towns capturing Corporate priority projects agreed in July 2021, plus other known ideas (eg: ideas that came out of invitation for ideas in Bognor Regis in September 20) and other opportunities.
6. Events officer required costing £60k and delivery (summer of 2023) plus operational budget of up to £100k.
7. Insurance valuations may be required to be undertaken by the Council's appointed Brokers. Possible discrepancies have been identified with previous valuation figures which require correction.

**Economy Committee
Capital Programme 2022/23**

Scheme	£'000	Note
Leased Property Dilapidations	50	1
Arcade Roof, Bognor Regis	210	2
Roof Replacement at Windmill Theatre	190	3
Changing Places Project	157	4
Fitzleet Car Park	200	5
Total	807	

Notes

1. The repairs to dilapidations are expected to be significant and classified as capital under accounting regulations. They include works at Western Stables, Fort Road and High street, Bognor Regis.
2. The Arcade Roof requires replacement as water ingress is damaging premises held by tenants.
3. The roof of the theatre is experiencing water ingress and requires replacement.
4. The Council has submitted a bid to the government's Changing Places scheme for Public Conveniences (Environment Committee 23 September 2021). The cost is the Council's maximum contribution should the bid be accepted. The result is expected in early 2022.
5. This is to undertake capital maintenance to the Fitzleet multi-storey car park in Bognor Regis