

ARUN DISTRICT COUNCIL

REPORT TO AND DECISION OF HOUSING AND WELLBEING COMMITTEE ON 24 JANUARY 2022

**SUBJECT: Committee General Fund Revenue and Capital Budgets 2022/23 and
Housing Revenue Account Budgets 2022/23**

REPORT AUTHOR: Carolin Martlew, Interim Group Head of Corporate Support and
Section 151 Officer

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.

This Committee must also consider and recommend its Housing Revenue Account (HRA) 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 rents to be charged for 2022/23.

This Committee must consider and recommend a draft Housing Revenue Account 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 General Fund 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 HRA Revenue Budget set out in Appendix C of this report;
- (d) Recommends HRA rents for 2022/23 are increased by 4.1% (CPI plus 1%) in accordance with the provisions of the rent standard;
- (e) Recommends that HRA garage rents are increased by 5% to give a standard charge of £13.58 per week (excluding VAT) and heating and water/sewerage charges be increased on a scheme by scheme basis, with the aim of balancing costs with income;
- (f) Agree on the General Fund Capital Programme as illustrated in Appendix D of this report;
- (g) Agree on the 2022/23 HRA Capital Programme as illustrated in Appendix E of this report; and
- (h) Agree to recommend to Policy and Finance Committee that the General Fund Revenue Budget, list of growth items, General Fund Capital Programme, HRA Revenue Budget and HRA Capital Programme be included in the overall General Fund Budget when considering the overall budgets on 10 February 2022.

1. BACKGROUND:

General Fund

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

Housing Revenue Account

The general background to the HRA was reported to the Committee on 2 December 2021 in the Housing Revenue Account Business Plan 2021/22 – Annual Update report. Members may wish to refer to this report when considering the budget.

The draft HRA Revenue Budget 2022/23 is shown at Appendix C.

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

- **PROPOSAL(S):**

General Fund

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 General Fund revenue 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.

Housing Revenue Account

Revenue Budget

The Revenue Budget is shown at Appendix C. The budget has been prepared using the most up to date information available. A housing rent increase of 4.1% has been assumed for 2022/23. In addition, a garage rent increase of 5% for 2022/23 has been assumed giving an average rent of £13.58 per week (excluding VAT).

The draft HRA budget for 2022/23 shows an expected deficit of £1.396m, leaving a balance carried forward at 31 March 2023 of £3.525m.

The 2022/23 budget reflects the priorities of the HRA Business Plan 2021 update. The HRA Business Plan identifies how the Council intends to deliver its strategic target of 250 new affordable homes over a ten year period. The additional properties will help improve the quality, supply and affordability of accommodation available to the residents on the Council's waiting list in urgent need of accommodation.

A budget of £15.000m was approved in 2018/19 for the acquisition/new build programme, with a further £9.341m being approved in 2020/21. This level of budgetary provision will allow the necessary amount of flexibility in terms of planning the programme of new affordable homes. Another £6m is planned to be spent over a period of 3 years from 2022/23 on Sheltered accommodation. This is proposed to be funded from external borrowings. The financing cost of this borrowing has been included in the draft 2022/23 budget.

However, it should be noted that each new scheme will be subject to a full financial appraisal and Member approval before it can proceed, and contractual commitments made. This is to ensure that the relevant schemes are affordable in terms of maintaining the minimum recommended level of HRA balance of £2m. The issue of affordability is critical especially in the light of the declining level of right-to-buy receipts which could lead to Arun meeting up to 100%, rather than 70%, of the cost of some of the new schemes.

The replacement of Housing management system commenced in 2021/22 with an initial cost estimated at £600k. This is now estimated at £1.058m over the period of its

implementation and a 4-year contract. An additional £182k has been provided in the budget for 2022/23 with a further provision required in 2023/24.

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
	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
Lowest Priority	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 Appendices D and E 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 General Fund Capital Programme for this committee totals £987k and includes:

Scheme	£'000
Arun Leisure Centre Wet Change Facilities	987
Total	987

Details are shown at Appendix D. The project is to be part funded from Section 106 Planning Agreements income totalling £667k. The estimated profile of receipt of the income is:

Year of Receipt	£'000
Already Received	42
2022/23	253
Future Years	372
Total	667

Members are advised that S106 income is dependent on delivery of significant housing projects and can be susceptible to slippage. There is no guarantee of the income being received when anticipated. Assuming this Committee agrees this scheme to progress, it will be shown in the report to Policy and Finance Committee as funded from borrowing. The S106 monies will be applied to reducing debt when received. This will leave £320k to fund which will be determined as part of Finance and Policy Committee consideration of the Capital Programme. A further report is required to Policy and Finance Committee examining funding before the scheme progresses.

The total planned Capital Programme for the HRA totals £8,351k and is shown in detail at Appendix E.

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:

Financial

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.

The financing of capital expenditure is the responsibility of Policy and Finance Committee. A further report is required to Policy and Finance Committee examining funding before the scheme progresses.

Legal

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 for General Fund and HRA 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

Housing Revenue Account Business Plan 2021/22 - Annual Update – Housing and Wellbeing Committee 2 December 2021

**Housing and Wellbeing Committee
General Fund Revenue Budget 2022/23**

Actual 2020-21 £'000	Description	Budget 2021-22 £'000	Budget 2022-23 £'000
Housing & Wellbeing Committee			
(89)	Arun Lifeline	(101)	(85)
181	Community Safety/Development	415	369
136	Activities for the Elderly	160	154
1,261	Homelessness & Housing Advice	1,062	1,094
56	Housing Strategy & RSLs	34	36
117	Leisure & Culture	(829)	(905)
3,387	Revenues & Benefits	2,281	2,311
154	Voluntary Sector	216	222
5,203	Total for Housing & Wellbeing Committee:	3,238	3,197

Actual 2020-21 £'000	Description	Budget 2021-22 £'000	Budget 2022-23 £'000
Housing & Wellbeing Committee			
<u>Arun Lifeline (G23)</u>			
113	Employees	116	122
10	Transport	11	11
36	Supplies and Services	33	38
50	Third Party Costs	56	50
(298)	Other Income	(317)	(306)
(89)	Total for Arun Lifeline:	(101)	(85)
<u>Community Safety/Development (K11 & K14)</u>			
279	Employees	404	368
11	Premises	3	4
4	Transport	13	12
68	Supplies and Services	42	32
(50)	Grants and Contributions	(47)	(47)
(131)	Other Income	0	0
181	Total for Community Safety/Development:	415	369
<u>Activities for the Elderly (G32 & G33)</u>			
0	Employees	3	3
3	Premises	1	1
1	Supplies and Services	32	32
132	Third party costs	124	118
136	Total for Day Centres:	160	154
<u>Homelessness & Housing Advice (G16 & G19)</u>			
785	Employees	713	757
32	Premises	35	53
5	Transport	10	7
2,351	Supplies and Services	1,649	1,672
21	Third party costs	15	20
(1,933)	Other Income	(1,360)	(1,415)
1,261	Total for Homelessness & Housing Advice:	1,062	1,094

Actual 2020-21 £'000	Description	Budget 2021-22 £'000	Budget 2022-23 £'000
Housing & Wellbeing Committee (Continued)			
<u>Housing Strategy & RSLs (J03 & J04)</u>			
50	Employees	34	36
306	Supplies and Services	0	0
(300)	Grants and Contributions	0	0
56	Total for Housing Strategy & RSLs:	34	36
<u>Leisure and Culture (L10, L20, L25, L44, L60, L70 & L74)</u>			
4	Employees	14	14
145	Premises	21	22
(1)	Transport	0	0
387	Supplies and Services	10	13
365	Third party costs	131	132
(704)	Other Income	(1,005)	(1,086)
(79)	Grants and Contributions	0	0
117	Total for Leisure, Culture & Foreshores:	(829)	(905)
<u>Revenues & Benefits (R16 to R23)</u>			
1,476	Employees	1,520	1,564
6	Transport	13	10
504	Supplies and Services	526	505
37,023	Transfer payments	34,514	33,834
(35,622)	Grants and Contributions	(34,292)	(33,602)
3,387	Total for Revenues & Benefits:	2,281	2,311
<u>Voluntary Sector (K10, K16 to K18, M06 & M23)</u>			
326	Employees	32	33
1	Premises	0	0
2	Transport	0	0
256	Supplies and Services	184	189
(430)	Grants and Contributions	0	0
154	Total for Voluntary Sector:	216	222
5,203	Total for Housing & Wellbeing Committee:	3,238	3,197

**Housing and Wellbeing Committee
General Fund Revenue Budget 2022/23
Growth Items**

Item	£'000	Note
Community Warden Project	100	1
Arun Inspires - Artwork	15	2
Total	115	

Notes

1. The existing Community Warden Project ends in September 2022. Officers are liaising with the partner bodies to review and potentially extend the project. If agreement can be reached, the Council's contribution is expected to be £100,000 in 2022/23 and £270,000 in future years.
2. The current Arun Inspires project ends in 2022. A proposal has been received from Artsworld requesting core funding of £15,000 in 2022/23 and £30,000 for the following three years. Artsworld will seek match funding should the Council provide funding.

**Housing and Wellbeing Committee
Housing Revenue Account Revenue Budget 2022/23**

Housing Revenue Account Budget Summary

Actual 2020-21 £'000	Description	Budget 2021-22 £'000	Budget 2022-23 £'000
	Expenditure		
5,144	Supervision and management	5,199	5,534
4,525	Repairs and maintenance	3,887	5,181
1,860	Financing of capital expenditure	4,732	5,851
5,043	Net loan charges	5,162	2,785
16,572	Total Expenditure:	18,980	19,351
	Income		
(15,982)	Rents (dwellings, garages, hostels, other property)	(16,391)	(17,286)
(521)	Charges for services and facilities	(632)	(641)
45	Interest on Balance Payable / (Receivable)	10	(28)
(16,458)	Total Income:	(17,013)	(17,955)
114	HRA (surplus) / deficit	1,967	1,396
	Housing Revenue Account Reserves		
(8,948)	Balance brought forward	(8,834)	(4,921)
114	HRA (surplus) / deficit	1,967	1,396
	Capital Slippage in year	1,363	
	Estimated variation in 2021/22 out turn	583	
(8,834)	Balance carried forward	(4,921)	(3,525)

**Housing and Wellbeing Committee
General Fund Capital Programme 2022/23**

Scheme	£'000	Note
Arun Leisure Centre Wet Change Facilities	987	1
Total	987	

Notes

1. This is a project to remodel the swimming changing rooms at the Arun Leisure Centre to improve accessibility, capacity and customer experience. The changing rooms require investment to bring them up to the standard of a modern leisure centre which are largely comprised of the original plant, finishes and fittings dating back to 1994. A costed design proposal and plan has been completed (November 2021).
The scheme will initially be funded from internal borrowing against cash balances. A number of S106 agreements are in place for the refurbishment of the changing rooms and, with approval, will be used to offset some of the borrowing cost when they become available.

**Housing and Wellbeing Committee
Housing Revenue Account Capital Programme 2022/23**

Actual 2020-21 £'000	Description	Budget 2021-22 £'000	Budget 2022-23 £'000
<u>Housing Revenue Account Capital</u>			
Housing IT			
2	Housing IT	0	0
37	Civica Implementation	0	285
39	Total Expenditure	0	285
Public Housing Services			
4,677	Stock Development	100	100
141	Reroofing Programme	250	950
15	Roofline	150	150
32	Lift Replacement Programme	50	50
62	Kitchen & Bathroom Replacement Programme	769	950
236	Kitchen & Bathroom Replacement Programme - Voids	250	250
0	Commercial Boiler Room Improvements	100	100
394	Domestic Heating Programme	525	651
0	Buggy Stores	30	30
196	Fire Compliance	300	0
75	Structural	90	140
632	Windows & Doors	1,650	1,575
0	Rewiring	118	70
184	Aids & Adaptations	350	450
6,644	Total Expenditure	4,732	5,466
Registered Social Landlords			
300	Westergate Scheme	0	0
300	Total Expenditure	0	0
Sheltered Accommodation			
0	Sheltered Accommodation	0	2,600
0	Total Expenditure	0	2,600
6,983	Total:	4,732	8,351