

ARUN DISTRICT COUNCIL

REPORT TO AND DECISION OF POLICY AND FINANCE COMMITTEE ON 10 FEBRUARY 2022

SUBJECT: Committee Revenue and Capital Budgets 2022/2023

REPORT AUTHOR: Carolin Martlew, Interim Group Head of Corporate Support and Section 151 Officer
DATE: January 2022
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 General Fund revenue budget, which will be considered by this Committee later on this agenda. In addition, this Committee will consider the overall revenue budget for 2022/23 to make a recommendation to Full Council on 23 February 2022 on the overall budget to be set, level of Council Tax for the District, Housing Revenue account budget and rent levels for 2022/23.

In addition, Committees must consider and recommend their draft capital budget for inclusion in the overall capital programme, which will be considered by this Committee later on this agenda. Policy and Finance Committee will consider the overall capital programme to make a recommendation to Full Council on 23 February 2022 on the programme (HRA and General Fund) 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 to recommend that the Revenue Budget and list of growth items for this Committee be included in the overall General Fund Budget when considering the overall budgets to recommend to Full Council.

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 have considered and recommended 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. Although the function of this committee is strategic in nature, it has some services allocated so the budgets for these require consideration in the same manner before being included in the overall budget.

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.

There is no draft capital programme for this Committee.

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 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 Committee system has required a change in the format of the budget. On-going revenue budgets that had not been fully developed were previously included in a corporate contingency budget before being vired to the relevant service. It should be noted that these are not shown in the original budget. The format of the budget had been changed under the Committee structure so that growth bid items mentioned above, once agreed, will be included under the relevant committee's budget for inclusion in the strategic budget summary to be submitted to Full 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 inclusion of a Climate Change Officer in 2022/23. An appointment was made in 2021/22 and the funding for this was shown in the contingency budget in 2021/22;
- 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.

At its meeting of 14 October 2021, this Committee considered a report on Carbon Reduction Strategy. One recommendation approved in this report was:

To endorse inclusion of £200,000 in the 2022/23 budget to support carbon reduction projects. The budget for 2022/23 should only contain projects that can be delivered in 2022/23. This sum is intended for pump priming of energy efficiency projects (including potential invest to save project) and it is the intention that any unspent sums will be made available in future years.

This is included in the growth bids at Appendix B. A report on this matter is included elsewhere on this agenda.

Previous years' budgets have also included a contingency budget to allow the s151 Officer to approve virements to enable essential or statutory unforeseen budget pressures to be met. This contingency budget is essential to enable the efficient running of the Council as virement cannot be approved from uncertain sources until after the end of the financial year. This sum is not always required and results in an inflated base budget.

An earmarked reserve of £100k has been established for this purpose in 2021/22. Virement from this reserve will be reported as part of the budget monitoring process.

Contributions to reserves are recommended in the overall budget report which is later on this agenda.

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.

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 to Finance and Policy Committee for inclusion in the Council's overall General Fund budget for 2022/23.

8. BACKGROUND PAPERS:

Detailed budget working papers 2022/23

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

**Policy and Finance Committee
General Fund Revenue Budget 2022/23**

Actual 2020-21 £'000	Description	Budget 2021-22 £'000	Budget 2022-23 £'000
Policy and Finance			
1,566	Corporate Management	1,563	1,661
6	Climate Change	0	54
1,573	Committee Total:	1,563	1,716
Actual 2020-21 £'000	Description	Budget 2021-22 £'000	Budget 2022-23 £'000
Policy and Finance			
<u>Corporate Management (N35 & N60 to N72)</u>			
1,537	Employees	1,536	1,632
0	Transport	10	10
29	Supplies and Services	17	20
1,566	Total for Corporate Management:	1,563	1,661
<u>Climate Change (N80)</u>			
6	Employees	0	54
0	Supplies and Services	0	0
6	Total for Climate Change:	0	54
1,573	Committee Total:	1,563	1,716

**Policy and Finance Committee
Revenue Budget 2022/23
Growth Items**

Item	£'000	Note
Levelling Up Fund Project Management	220	1
Carbon Reduction Strategy	200	2
Total	420	

Notes

1. The Levelling Up Fund grant award of £19m is a significant undertaking for the Council. At its meeting of 9 December 2021, Policy and Finance Committee recommended £220,000 budget provision be made to engage specialist staff to successfully manage and deliver the project.

2. At its meeting of 14 October 2021, this Committee considered a report on Carbon Reduction Strategy. One recommendation approved in this report was:

To endorse inclusion of £200,000 in the 2022/23 budget to support carbon reduction projects. The budget for 2022/23 should only contain projects that can be delivered in 2022/23. This sum is intended for pump priming of energy efficiency projects (including potential invest to save project) and it is the intention that any unspent sums will be made available in future years.

A report on this matter is included elsewhere on this agenda.