

POLICY & FINANCE COMMITTEE

21 FEBRUARY 2022

2022/23 PROPOSED GENERAL FUND REVENUE BUDGET

1.0 Purpose of Report

- 1.1 To enable the Policy & Finance Committee to consider the spending proposals in the council's proposed 2022/23 General Fund revenue budget.
- 1.2 To enable the Committee to make recommendations on the 2022/23 General Fund revenue budget to Full Council for its meeting on 8 March 2022.

2.0 Background Information

- 2.1 This report sets out details of the council's proposed General Fund revenue budget for the 2022/23 financial year. The budget proposals were formulated in accordance with the framework set out in the council's Constitution, and builds on the draft 2022/23 GF revenue budget reports presented to each functional Committee last month. The GF revenue budget has been prepared in accordance with the council's budget setting strategy for 2022/23 which was approved by this Committee on 24 June 2021.
- 2.2 The 2022/23 General Fund revenue budget has accordingly been derived from the 2022/23 base budget within the 2021/22 - 2024/25 (2021/25) Medium Term Financial Plan (MTFP) approved by Full Council on 9 March 2021. This has been adjusted for changes which have been approved by either SLT or this Committee since 9 March 2021; changes in inflation and other assumptions; and growth and efficiencies proposed by services.

3.0 Financial Summary

- 3.1 The council's proposed 2022/23 General Fund (GF) revenue budget is shown in further detail in **Appendices A1** and **A2** to this report. The current overall position is summarised below:

Line in Appendix A1		2022/23 (£)
5	Total service budgets	17,033,710
10	Total other operating income & expenditure	1,473,270
15	Total financing and investment income & expenditure	(300,790)
25 & 26	Less capital reversals	(2,670,280)
	Total Expenditure	15,535,910
16 to 20	Other government grants	(568,380)
22 & 23	Non-Domestic Rates (NDR) (Business Rates)	(6,403,440)
27 to 29	Contributions to or (from) Usable Reserves	(632,290)
32	Net call on Council Tax	7,931,800
33 & 34	Council Tax Adjustments	(285,740)
35	Amount to collect through Council Tax	7,646,060

- 3.2 As the total service budgets (line 5 of **Appendix A1**) include capital costs, the table below breaks down the total service budgets for each Committee by the amounts which relate to capital costs and which relate to cash budgets:

Line in Appendix A1	Committee	2022/23 base budget (March 2021) (£)	2022/23 base budget (February 2022) (£)	Variance (£)
Without Capital costs	Economic Development (ED)	1,411,975	1,630,630	218,655
	Homes & Communities (H&C)	2,107,270	2,066,200	(41,070)
	Leisure & Environment (L&E)	4,349,980	4,949,010	599,030
	Policy & Finance (P&F)	5,555,840	5,717,590	161,750
	Cash Service Budgets	13,425,065	14,363,430	938,365
Capital costs	Economic Development (ED)	588,900	643,120	54,220
	Homes & Communities (H&C)	251,000	166,980	(84,020)
	Leisure & Environment (L&E)	1,023,400	1,394,710	371,310
	Policy & Finance (P&F)	396,600	465,470	68,870
25 & 26	Capital Service Budgets	2,259,900	2,670,280	410,380
1	Economic Development (ED)	2,000,875	2,273,750	272,875
2	Homes & Communities (H&C)	2,358,270	2,233,180	(125,090)
3	Leisure & Environment (L&E)	5,373,380	6,343,720	970,340
4	Policy & Finance (P&F)	5,952,440	6,183,060	230,620
5	Total Service Budgets	15,684,965	17,033,710	1,348,745

3.3 The table below shows how the 2022/23 base budget approved by Full Council on 9 March 2021, has been adjusted for changes which have been approved by either SLT or this Committee since 9 March 2021; changes in inflation and other assumptions; and growth and efficiencies proposed by services.

3.4 Information regarding the variances between the 2022/23 base budgets approved by Full Council in March 2021 and the current proposed 2022/23 base budgets can be found in **Appendices C1-C4**.

Committee	2022/23 base budget (March 2021) (£)	Approved changes	Assumption changes	Growth	Efficiencies	2022/23 base budget (February 2022) (£)	Variance (£)
ED	1,411,975	167,730	20,995	242,840	(212,910)	1,630,630	218,655
H&C	2,107,270	46,180	(144,580)	57,330	0	2,066,200	(41,070)
L&E	4,349,980	71,070	152,180	382,600	(6,820)	4,949,010	599,030
P&F	5,555,840	27,870	174,360	159,310	(199,790)	5,717,590	161,750
Non-Capital	13,425,065	312,850	202,955	842,080	(419,520)	14,363,430	938,365

4.0 Development of Proposed 2022/23 General Fund Revenue Budget

4.1 The development of the proposed 2022/23 General Fund budget was set out in the Budget Strategy document that was presented to Policy and Finance Committee 24 June 2021. This set out the strategy for the year which was to build upon the notional 2022/23 budget as

compiled in the preparation of the MTFP for the 2021/22 to 2024/25 which was approved by Council on 9 March 2021.

- 4.2 This report therefore sets out how the changes that have been considered by Members throughout the current financial year (through reports to operational committees with approval from Policy and Finance Committee), changes in assumptions around inflation together with forecasted growth and efficiencies have affected that position in order to generate the proposed budget in this report.
- 4.3 This budget has been considered by each of the operational committees during the January cycle of meetings and hence recommended on from each of them based on the anticipated resources needed to deliver their relevant areas of the Councils approved Community Plan.
- 4.4 The proposed 2022/23 General Fund revenue budget collates various types of information, such as the:
- a) level of government grant receivable;
 - b) expected level of council tax and business rates income;
 - c) expected level of other income, such as from fees and charges;
 - d) expected level of spend on employees; and
 - e) expected use of reserves.
- 4.5 The sub-sections in this part of the report summarise these and other areas of importance.

Local Government Finance Settlement: Settlement Funding Assessment (SFA)

- 4.6 The annual Local Government Finance Settlement provides councils with the amount of government grant and other information crucial for setting the next financial year's budget. The provisional settlement was announced on 16 December 2021, and the final settlement was announced on 08 February 2022.
- 4.7 The Settlement Funding Assessment (SFA) which the government will give councils next year is a combination of Revenue Support Grant (RSG) and the council's local share of redistributed business rates.
- 4.8 The government will pay Newark and Sherwood £3.765m in SFA for 2022/23. This amount has effectively been the same since 2020/21 with inflationary increases in RSG. The table below breaks down the council's SFA for the four financial years between 2019/20 and 2022/23. This shows an increase in government funding of 1.7% over that period.

	2019/20 (£)	2020/21 (£)	2021/22 (£)	2022/23 (£)
Revenue Support Grant (RSG)	82,785	84,134	84,599	87,743
Baseline Funding Level (BFL)	3,618,775	3,677,736	3,677,736	3,677,736
Settlement Funding Assessment (SFA)	3,701,560	3,761,870	3,762,335	3,765,479

- 4.9 The freeze in the 2022/23 SFA is because of delays to government's reform of the local government finance system. The government's planned reforms are mainly to increase the

proportion of business rates retained locally; and to make fairer the government's annual funding allocations for local authorities. The government previously intended for these reforms to take effect from 2020/21, though now intends for these reforms to take effect from 2023/24. In light of another one year delay, the government have rolled forward the 2021/22 settlement for 2022/23. This is through both the Fair Funding Review and the reset and review of the Business Rates baselines.

- 4.10 In addition to the council's BFL payment from the government, the council may also receive business rates from the Nottinghamshire Business Rates Pool and retain a proportion of locally generated business rates. Further details can be found in paragraph 4.42.

Proposed 2022/23 Council Tax

- 4.11 Chapter IVA (Limitation of Council Tax and Precepts) of the *Local Government Finance Act 1992* requires billing authorities to hold referenda if their relevant basic amount of council tax for a financial year is in excess of a set of principles determined by the Secretary of State.
- 4.12 An authority's relevant basic amount of council tax is its average band D council tax excluding local precepts. The relevant basic amount of council tax for Newark & Sherwood District Council (NSDC) includes the levy that Internal Drainage Boards charge the Council.
- 4.13 Since 2016/17, shire district councils have been able to increase council tax by the greater of the core principle or £5.00 without holding referenda. For 2018/19 and 2019/20, the core principle was 3%; and for all other years, 2%.
- 4.14 The proposed core principle for 2022/23 is 2%. The government's proposed council tax referendum principle for shire district councils therefore permits increases in the council's 2022/23 relevant basic amount of council tax of up to (and including) the greater of 1.99% or £5.00 without holding a referendum.
- 4.15 The assumed council tax increase within these budget papers is an increase in the band D equivalent of 1.94%, or £3.53 per year based on the band D average. As 74% of the properties in Newark and Sherwood are in bands A to C, the increase for these properties will be less than £3.53 per year.
- 4.16 The council tax base (being the number of band D equivalent properties within the district) assumes a 3.01% increase on 2021/22, to account for both a change in methodology and increase in number of properties within the District.

Proposed 2022/23 Budget – General Principles

- 4.17 The appropriate bases agreed in the Budget Strategy and used in the preparation of the budget are:

a)	Employees	<p>Some of the main assumptions used to budget for employee costs for 2022/23 are:</p> <ul style="list-style-type: none"> - a 2% annual increase in basic pay, in addition to an assumed 2% increase for 2021/22;
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		<ul style="list-style-type: none"> - a 1.25% increase in the council's rate of National Insurance (NI) contributions; - an increase in pay point for employees not at the post's highest pay point; and - a 4.0% vacancy rate. <p>4.0% of the council's total salary budget, or £659,930, has been budgeted to be saved from posts that remain vacant for a period of time before being filled.</p>
b)	Employer's Superannuation	<p>Pension-related costs have been budgeted for in line with the actuarial review which took place as at 31 March 2019 for the three years between 2020/21 and 2022/23.</p> <p>The council's budgeted pension-related costs have increased, because its total 2022/23 basic pay budgets have increased. The council's primary rate (charged as a proportion of basic salary at employee level) is 17.5%.</p> <p>The council's secondary rate (Appendix A1, line 7) (a fixed contribution to past service costs) for 2022/23 is notionally the same as for 2021/22. The reason the cost is notional is because the council has already paid its secondary rate costs for 2022/23. The council received a discount for paying its secondary rate costs for the three years between 2020/21 and 2022/23 in 2020/21.</p>
c)	General Inflation	<p>Most income budgets and non-pay expenditure budgets have been uplifted by 3%. Specific budgets have had larger increases on where applicable. Some costs, such as insurance and utilities, are expected to increase by more than 2%; and others, such as fixed-price goods and services, are expected to increase by less than 2%.</p>
d)	Average Interest Rate re External Debt	<p>The council's General Fund borrowing will be in accordance with the Prudential Code for Capital Finance in Local Authorities. The cost of borrowing will depend on the rates available at the time that funding is required.</p>
e)	Capital Charges	<p>The proposed budgets for each Committee (Appendix A1, lines 1-4) includes the notional costs of assets used in delivering services, so that the council can reflect the true cost of delivering services.</p> <p>Statute, however, requires these capital charges be reversed out (Appendix A1, lines 25 & 26) and replaced with the cost to the council taxpayer of the underlying capital decisions that have yet to be financed (Minimum Revenue Provision (MRP)) (Appendix A1, line 11). Legislation determines that council taxpayers cannot be charged for the notional costs of assets used.</p>
f)	Capital Financing Charges	<p>The council's General Fund (GF) revenue budget is charged when the council borrows to fund the purchase or creation of non-</p>

	current assets. These charges will be in line with the council's Minimum Revenue Provision (MRP) policy for 2022/23 to be approved by Council on 8 March 2022.
	MRP is a charge to the taxpayer, calculated by apportioning the value borrowed for assets over their expected useful lives.

Total Expenditure after Reversal of Capital Charges (Appendix A1)

- 4.18 Total council expenditure budgets in 2022/23 are £597,695 more than in 2021/22, after capital charges have been reversed (Appendix A1, lines 25 & 26).

Line		2022/23 base budget (March 2021) (£)	2022/23 base budget (February 2022) (£)	Variance (£)
5	Total service budgets	15,684,965	17,033,710	1,348,745
10	Total other operating income & expenditure	1,467,290	1,473,270	5,980
15	Total financing and investment income & expenditure	45,860	(300,790)	(346,650)
25 & 26	Reversal of Capital Charges	(2,259,900)	(2,670,280)	(410,380)
	TOTAL	14,938,215	15,535,910	597,695

- 4.19 The table below details the council's net budget requirement for 2022/23, broken down by gross expenditure and gross income:

Line		2022/23 gross expenditure (£)	2022/23 gross income (£)	2022/23 net expenditure (£)
	Total service budgets (Appendix A2)	47,155,390	(30,121,680)	17,033,710
10	Other operating income & expenditure	1,473,270	0	1,473,270
15	Total Financing and Investment income & expenditure	821,910	(1,122,700)	(300,790)
21 & 30	New Homes Bonus (NHB) (allocation to reserves)	1,572,880	(1,572,880)	0
25 & 26	Reversal of Capital Charges	(3,460,280)	790,000	(2,670,280)
	TOTAL	47,563,170	(32,027,260)	15,535,910

- 4.20 The main reasons for changes in 2022/23 service expenditure are listed below:

Reason for change in 2022/23 base budget (February 2022), compared to 2022/23 base budget (March 2021)	Variance (£)
Employee-related changes: includes retention payments for large goods vehicle (LGV) drivers in Environmental Services and establishment changes	327,450

Increase in management fee paid to Active4Today (A4T) (includes Southwell Leisure Centre Trust (SLCT))	245,410
Budgeted inclusion of 2022/23 Homelessness Prevention Grant	(232,540)
Reduction in recharges to Housing Revenue Account (HRA)	144,340
Inclusion of budgets for Queen's Platinum Jubilee and Community initiatives	100,000
Additional contribution to Newark Castle repairs and maintenance costs	89,720

- 4.21 Information regarding the variances between the 2022/23 base budgets approved by Full Council in March 2021 and the current proposed 2022/23 base budgets can be found in **Appendices C1-C4**.

2022/23 Employee Plan (Appendix F)

- 4.22 The council predicts that it will have 579.89 full-time equivalent (FTE) employees at the end of 2021/22. This is predicted to increase to 585.01 FTEs by the end of 2022/23. Any changes to the establishment from the 579.89 FTEs predicted at the end of 2021/22 will require the relevant approvals, and have not currently been budgeted for.

Fees and Charges Review

- 4.23 The fees and charges for many services administered by the local authority are set by statute. The amounts for these, and their timing and review, are therefore prescribed by central government. There remains, however, many services where the council has the ability to review and if necessary amend its charges or charging regime.
- 4.24 In accordance with the council's Constitution, each service area should consider the level of fees and charges to be implemented in the following financial year as part of the process of service planning and budget setting.
- 4.25 The proposals for the levels of fees and charges to be implemented from 1 April 2022 were subject to scrutiny by each of the Committees during the January cycle and have now been updated where appropriate. The council is currently budgeting to receive £5.244m of income from fees and charges in 2022/23. This is a decrease of £0.096m from 2021/22.
- 4.26 The table below summarises the services which provide the council with most of its fees and charges income, and the fees and charges income budgeted from these services for 2022/23:

Service	2022/23 base budget (March 2021) (£)	2022/23 base budget (February 2022) (£)	Summary
Trade Waste, Recycling and Garden Bins	1,672,020	1,601,150	Businesses based in Newark and Sherwood have to pay for their waste to be collected and disposed of. Nottinghamshire County Council sets the waste disposal charges for all district and borough councils in the county, through its statutory role as the Waste Disposal Authority for these authorities.

			Further details of these and the other proposed charges for 2022/23 can be found in Appendix E12 .
Car and Lorry Parking	1,170,590	1,250,260	The car parking charges proposed for 2022/23 are largely the same as those in 2021/22, though increases have been proposed for lorry parking. Further details can be found in Appendix E15 .
Planning	1,007,090	981,000	Planning application fees are statutory, set by the government, whereas pre-application advice fees are discretionary, set by the council. The council categorises its pre-application advice fees by the size and type of developments. Further details, including the statutory fees chargeable, can be found in Appendices E1 & E2 .
Culture	539,150	537,850	The charges related to the Palace Theatre Newark, National Civil War Centre, and Newark Castle and Gardens proposed for 2022/23 are largely the same as those in 2021/22. Further details can be found in Appendix E5 .
Environmental Health	114,130	106,130	The Environmental Health section provides a range of services, such as food safety and pollution control. Some of these are statutory, and some discretionary. Increases have been proposed for some of the discretionary environmental health fees for 2022/23, to ensure that the council recovers the full cost of services provided. Further details can be found in Appendix E10 . The dog warden charges proposed for 2022/23 are the same as those in 2021/22. Further details can be found in Appendix E11 .

4.27 Details of the council's proposed charges for 2022/23 for services not listed above can be found in **Appendices E1-E21**.

Total Financing and Investment income & expenditure (**Appendix A1**, line 15)

4.28 Capital financing costs have been estimated based on assumptions of interest rates going forward, taking into account the forecasts of cash balances over the next year. Due to their nature and composition, however, they are subject to change on a regular basis. This reflects movements in the financial markets as well as changes to the predicted cashflow.

4.29 The council will seek to borrow money from the most efficient and effective institution in order to support its cash flow position. Regard will be taken to the council's Treasury Strategy (which is subject to a separate report which was considered by the Audit and

Accounts Committee on 2 February 2022, and is due to be approved by Full Council on 8 March 2022) and due diligence through the council's Treasury Advisers.

- 4.30 In previous financial years, decisions regarding capital expenditure have been taken to utilise internal resources and maintain an under-borrowed position against its Capital Financing Requirement. This is not uncommon across the Local Government sector, at a time when budgets have been squeezed, but reserves have existed. The council is proposing to utilise some of its reserves on projects such as the Yorke Drive Pavilion and a contribution to the the Southern Link Road. This means that as cash backed by these reserves will be utilised, there is a potential need to borrow money to ensure that the Council has cash at hand to service its day to day costs.
- 4.31 There is an overall reduction in the total net Financing and Investment income & expenditure of £346,650 (**Appendix A1**, line 15) in 2022/23. The 2022/23 interest payable budget is less than was budgeted for in March 2021, mainly due to changes in the expected impact of the housing regeneration loan facility capital budget on the council's cash flow.
- 4.32 All treasury investments are made in line with the Council's Treasury Management Strategy. Advice from the council's external treasury consultants will be sought prior to the investment of any funds to ensure maximum scrutiny is taken on any decision making.

Contribution to or from reserves

- 4.33 Section 25 (Budget calculations: report on robustness of estimates etc) of the *Local Government Act 2003* requires local authority chief finance officers (Section 151 officers) to report on the adequacy of financial reserves in the council's proposed budget and robustness of estimates made.
- 4.34 The council's s151 Officer has reviewed the adequacy of the council's financial reserves to ensure that these are neither too low (imprudent) or too high (overprudent) based on their purpose and likely use.
- 4.35 The Council proposes to create two reserves during 2022/23, each for £0.200m, as follows:
- Commercialisation Plan invest to save reserve; and
 - Workforce development reserve.
- 4.36 The table below summarises the amount of council earmarked reserves as at 31 March 2021, and forecasts of these as at 31 March 2022 and 31 March 2023.

	At 31 March 2021 (£)	Forecast at 31 March 2022 (£)	Forecast at 31 March 2023 (£)
Revenue Reserves and Balances	35,672,010	28,537,587	29,292,527
Capital Reserves	10,815,319	9,616,459	1,514,817
Ring Fenced Reserves	149,948	149,948	149,948
Total Reserves and Balances	46,637,277	38,303,994	30,957,292

- 4.37 The main reductions relate to the funding of the 2021/22 budget through the Collection Fund Budget reserve, and the use of grant funding previously received for key infrastructure

projects. The Collection Fund Budget reserve relates to the timing of receipt of Section 31 grants regarding the extended retail relief given to businesses during 2020/21. **Appendix D** lists all of the council's current reserves.

General Fund Balance

- 4.38 The council's £1.500m General Fund balance has been set aside to pay for exceptional items. Officers consistently review the appropriateness (prudence) of this amount in light of internal and external risks identified. For the council to maintain this balance, it is intended that it will only be used to fund expenditure once other appropriate reserves have been fully utilised.
- 4.39 The council's total forecast reserves and general fund balance to 31 March 2023 is £30,957,292. This is 199% of the forecast Net Budget Requirement of £15,535,910. The s151 Officer of the Council is satisfied with the adequacy of the levels of reserves and balances.
- 4.40 The budget has been prepared in accordance with the budget strategy approved by members of the Policy and Finance Committee on 24 June 2021. The draft budget has been scrutinised and challenged by the council's senior leadership team, the Leader and Deputy Leader of the council and the council's functional committees. The draft budget (and Medium Term Financial Plan) has also been scrutinised informally by the ruling political group. The s151 Officer of the council is therefore satisfied by the robustness of the estimates and assumptions underpinning the budget for 2022/23.

Parish and Town Council Precepts

- 4.41 Parish and town councils can raise money to help meet their spending requirements by issuing a 'precept' (mandatory demand) to the district council. The district council must account for such precepts when calculating its council tax requirement. Council tax requirement is the amount of money that councils need to raise from council tax to fund council spending once income from other sources (such as government grants) have been deducted.
- 4.42 The council is still awaiting confirmation from each parish and town council regarding their level of precept for 2022/23. These details will be included in the revenue budget and council tax setting report to be presented to Council on 8 March 2022.

Business Rates/Non-Domestic Rates (NDR) (**Appendix A1**, lines 22 & 23)

- 4.43 Under the NDR system, businesses pay councils based on the open market rental value of their business property, as estimated by the government's Valuation Office Agency (VOA). The rate payable by small businesses in 2022/23 will be 49.9p per pound (49.9%) of their property's rateable value, and the rate payable by other businesses 1.3p per pound more than this (51.2p per pound, or 51.2%).
- 4.44 As mentioned in paragraph 4.9, though the government has allocated £3.678m of business rates to the council for 2022/23, the total amount of business rates retained by the council in 2022/23 may exceed this amount, depending on how the council and other Nottinghamshire Business Rates Pool authorities perform throughout 2021/22 and 2022/23.

It has currently been forecast that the return funding from the pool for the 2022/23 financial year will be £600,000 which has been built into the council's Medium Term Financial Plan.

- 4.45 The council is budgeting to retain £6.403m of business rates for 2022/23 (Appendix A1, lines 22 & 23). This includes the £3.678m referred to in paragraph 4.44; additional income, such as local growth above this baseline and from relevant renewable energy projects; and additional expenditure; such as the levy on additional income.

Calculation	Items relating to 2022/23 NDR income budget	Amount (£m)
1	NDR income + section 31 grants* *Excludes compensation for under-indexing the multiplier	18.569
2	Compensation for under-indexing the multiplier	0.507
3 = 1 + 2	NDR income + section 31 grants** **Includes compensation for under-indexing the multiplier	19.077
4	Tariff	(11.388)
5 = 50% of (1 + 4 - BFL)	Levy	(1.752)
6	Renewable Energy	0.807
7 = 3 + 4 + 5 + 6	2022/23 NDR income budget* *Excludes spreading adjustment	6.744
8	Spreading adjustment	0.341
9 = 7 + 8	2022/23 NDR income budget** ** Includes spreading adjustment	6.403

Council Tax Requirement

- 4.46 As explained in paragraph 4.41, Council Tax Requirement is the amount of money that councils need to raise from council tax to fund council spending once income from other sources (such as government grants) have been deducted.
- 4.47 The council's 2022/23 net budget requirement is £15,535,910, as shown in the table in paragraph 3.1. This is partly offset by government grant income of £0.568m; projected business rates income of £6.403m and projected transfers from reserves of £0.632m. After including these sources of income, the net call on the Collection Fund before Parish Precepts are added is £7,646,060 (**Appendix A1**, line 35).

Subjective Analysis

- 4.48 **Appendix A2** contains a breakdown of the council's General Fund revenue budget for 2022/23 by statutory categories used to categorise expenditure and income.

Risk Assessment and Sensitivity

- 4.49 As mentioned in paragraph 4.33, section 25 of the *Local Government Act 2003* requires the council's chief finance officer, currently the Director of Resources and Deputy Chief Executive, to report on the robustness of estimates made in the council's proposed budget. This section fulfils that requirement.

4.50 In considering the council's proposed budget for 2022/23 and the sensitivity of expenditure and income to changes, it should be noted that:

a) a 1% increase in Council Tax is equivalent to £76,460 of net expenditure; and

b) a £1 increase in Council Tax is equivalent to £41,210 of net expenditure.

4.51 Various assumptions were required to be made when preparing the proposed 2022/23 budget. The two areas where it seems that variations between the proposed budget and reality could be greatest are employee pay and income receivable. Further details on each of these are below.

2022/23 pay award

4.52 Employee costs form a significant proportion of all district council budgets. As mentioned in paragraph 4.17, the 2022/23 budgets have been prepared assuming a 2% annual increase in basic pay.

4.53 The National Joint Council (NJC) for Local Government Services' pay award for both 2021/22 and 2022/23 have not yet been finalised. It is possible that the costs of both the 2021/22 and/or the 2022/23 pay awards will exceed the pay increases currently budgeted for. If the 2021/22 and/or 2022/23 pay award agrees a more than 2% increase in basic pay, and if reductions in employee costs elsewhere cannot offset the increase in pay award costs, the additional costs unbudgeted for will need to be funded from council reserves. A 3% increase in basic pay for 2022/23 would result in around £162,210 needing to be funded from reserves.

Income

4.54 A significant part of the council's annual net budget is dependent on income from rents; sales, fees and charges; and other receipts. Officers have reviewed the income that services have achieved against the current and previous years' budgets, and have considered factors expected to affect future income levels, to ensure the 2022/23 income budgets for services have been set at levels considered achievable.

4.55 Significant underperformance against budgeted income would increase the council's annual net expenditure, and thus place unbudgeted demand on council reserves. A 1% reduction in council income from fees and charges would cost £57,190, or a council tax increase equivalent to £1.39 per property (0.75%).

4.56 Officers closely monitor income levels as part of the council's monthly budget monitoring processes.

4.57 Officers plan to develop a more detailed understanding of the volumes of activity which underpin each of the council's main income sources. This will allow the council to more accurately model changes to expected activity levels, as well as increase assurance regarding the risks of such changes materialising.

Other significant potential risks

4.58 Though less likely, but other assumptions which could result in the council's actual expenditure and/or income varying significantly from its proposed budgets are below:

a)	Interest rates	<p>The proposed 2022/23 budget includes amounts for both interest payable (Appendix A1, line 13) and interest receivable (Appendix A1, line 14). This is because the council expects that it will both borrow money and lend money throughout the 2022/23 financial year.</p> <p>The budgeted amounts for 2022/23 have accounted for factors such as the amount of council funds expected to be available. The actual amounts of council interest payable and receivable for 2022/23 will likely differ from those budgeted.</p> <p>The impact of a 1% change in interest rate would be insignificant on the council's overall budget.</p>
b)	General Inflation	<p>As mentioned in paragraph 4.17, the proposed service budgets for 2022/23 include increases for inflation where appropriate.</p> <p>The most recent month for which inflation data was available at the time of writing is December 2020. There was a 5.4% increase in inflation (Consumer Prices Index (CPI)) over the 12 months of the 2021 calendar year.</p> <p>Though it is likely that actual inflation rates throughout 2022/23 will differ from the government's own forecasts for 2022/23 and the 3% the council has generally budgeted for, the small differences anticipated are expected to have insignificant impact on the council's budget.</p>
c)	National Living Wage (NLW)	<p>As referenced in paragraph 4.53, the council pays most of its employees in line with NJC terms and conditions.</p> <p>If NJC employees receive a 2% pay award for 2021/22, employees on the NJC's lowest pay point will be being paid £9.43 per hour in 2021/22, broadly in line with the Living Wage Foundation's Real Living Wage of £9.50 for 2020/21 (November 2020 – October 2021). This is £0.52 more than the 2021/22 NLW of £8.91 per hour, though £0.07 less than the 2022/23 NLW of £9.50 per hour.</p> <p>Though the pay award for 2022/23 has not yet been finalised, it seems likely that the 2022/23 pay of employees at the NJC's lowest pay point will increase to £9.62 per hour or thereabouts, £0.28 less than the Living Wage Foundation's current Real Living Wage.</p>
d)	Apprenticeship Scheme	<p>In addition to Apprenticeship Levy payments the council is required to make to the government (Appendix A1, line 6), the council employs apprentices, some of whom are paid for from its 'training' reserve (Appendix D).</p>

e)	Reserves	As mentioned in paragraphs 4.33 and 4.34, the council has reviewed the adequacy of the financial reserves proposed in the 2022/23 budget, as statutorily required.
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5.0 Proposals

5.1 Officers are proposing to the Committee that it recommends to Council at its meeting on 8 March 2022:

- a) the council's General Fund revenue budget for 2022/23; and
- b) the 2022/23 fees & charges in **Appendices E1-E21**.

6.0 Digital Implications

6.1 There are no digital implications directly arising from this report.

7.0 Equalities Implications

7.1 Business Managers consider the implications on equalities when assessing how best to deliver the services they are responsible for.

8.0 Financial Implications (FIN21-22/2784)

8.1 As this report is financial in nature, the financial implications of the proposed 2022/23 General Fund revenue budget have been covered within the body of this report.

9.0 Community Plan – Alignment to Objectives

9.1 The Community Plan 2020-2023 was approved by Full Council on 13 October 2020, and sets out sets out the Council's objectives over the next three years, building on previous published plans for the same time period.

9.2 The budget proposed within this report seeks to allocate resources in order to ensure the delivery of all the objectives within the refreshed Community Plan.

9.3 The Employee Plan in the staffing establishment report on this meeting's agenda covers the activities of all council employees, and therefore supports the council to achieve all of the Community Plan 2020-2023 objectives.

10.0 RECOMMENDATIONS:

- a) **that the Committee recommends to Full Council at its meeting on 8 March 2022 that:**
 - i. **the following amounts be now calculated by the council for the 2022/23 financial year, in accordance with Sections 31 to 36 of the Local Government Finance Act 1992 as amended by the Localism Act 2011:**

1. **£47,563,170** being the aggregate of the amounts which the council estimates for items set out in Section 31A(2)(a) to (f) of the Act (the District Council's gross expenditure for 2022/23);
 2. **£32,027,260** being the aggregate of the amounts which the council estimates for the items set out in Section 31A(3)(a) to (d) of the Act (the District Council's gross income for 2022/23); and
 3. **£15,535,910** being the amount by which the aggregate at (b)(i) above exceeds the aggregate at (b)(ii) above, calculated by the council, in accordance with Section 31A(4) of the Act, as its Net Budget Requirement for the year;
- ii. the figures shown as i.1. and i.3. above to be increased only by the amount of Parish Precepts for 2022/23;
 - iii. the budget amounts included in the report be the council's budget for 2022/23; and
 - iv. the fees and charges shown in Appendices E1-E21 be implemented with effect from 1 April 2022.

Reason for Recommendations

To enable Policy & Finance Committee to make recommendations to Council of the amounts to be calculated in accordance with Sections 31 to 36 of the *Local Government Finance Act 1992*, as amended by the *Localism Act 2011*, for the purposes of setting Council Tax levels for the 2022/23 financial year.

Background Papers

Nil

For further information please contact Nick Wilson (Business Manager – Financial Services) on extension 5317 or Mohammed Sarodia (Assistant Business Manager – Financial Services) on extension 5537.

Sanjiv Kohli
Director - Resources and Deputy Chief Executive