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Full Council	Tuesday, 21 December 2021	Matter for Information and Decision
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Report Title:

Draft Budget (2022/23)

Report Author(s):

Comie Campbell (Head of Finance / Acting Section 151 Officer) / Jo Nacey (Senior Finance Strategy Manager)

Purpose of Report:	To advise the Council of the latest projected General Fund budget gap for 2022/23 and to give an early view of the MTFP.
Report Summary:	<p>The report outlines an early draft position for the 2022/23 Budget.</p> <p>The report highlights the progress so far and the areas which still need to be updated. It also makes suggestions as to the areas which could be targeted to close the gap.</p>
Recommendation(s):	<p>A. That the Council approves the proposals in the Draft Budget 2022/23 to date as shown in this report; and</p> <p>B. That the Scale of Fees & Charges 2021/22 (as set out in Appendix 2) be approved.</p>
Responsible Strategic Director, Head of Service and Officer Contact(s):	<p>Comie Campbell (Head of Finance / Acting Section 151 Officer) (0116) 257 2713 Comie.Campbell@oadby-wigston.gov.uk</p> <p>Jo Nacey (Interim Senior Financial Strategy Manager) (0116) 257 2706 Jo.Nacey@oadby-wigston.gov.uk</p>
Corporate Priorities:	<p>Building, Protecting and Empowering Communities</p> <p>Growing the Borough Economically</p> <p>Providing Excellent Services</p>
Vision and Values:	<p>"A Strong Borough Together" (Vision)</p> <p>Innovation (V4)</p>
Report Implications:-	
Legal:	There are no implications arising from this report.
Financial:	The implications are set out in the report.
Corporate Risk Management:	<p>Decreasing Financial Resources (CR1)</p> <p>Effective Utilisation of Assets/Buildings (CR5)</p> <p>Regulatory Governance (CR6)</p> <p>Organisational/Transformational Change (CR8)</p> <p>Economy/Regeneration (CR9)</p>

Equalities and Equalities Assessment (EA):	There are no implications arising from this report. EA not applicable.
Human Rights:	There are no implications arising from this report.
Health and Safety:	There are no implications arising from this report.
Statutory Officers' Comments:-	
Head of Paid Service:	The report is satisfactory.
Chief Finance Officer:	As the author, the report is satisfactory.
Monitoring Officer:	The report is satisfactory.
Consultees:	None.
Background Papers:	None
Appendices:	<ol style="list-style-type: none"> 1. HRA MTFS 2022/23 2. Fees & Charges 2022/23 3. Capital Schemes

1. Introduction

- 1.1 In February 2020, the Council approved a Medium-Term Financial Strategy (MTFS) that was based upon a single year settlement, work was then undertaken to balance the 2021/22 budget based on another one-year settlement from Central Government.
- 1.2 Since the setting of the 2021/22 Budget, Covid-19 and the effect on the Council's resources continues to be a challenge. There has been significant support from Central Government to mitigate some of the pressures on businesses through Business Rates reliefs and the Council has received s31 grants to fund these reliefs. During 2021/22 the Council has also received funding to mitigate, to some extent, the effect of a fall in its other income streams.
- 1.3 There is now a tapering off of support from Central Government although some business rates reliefs will continue into 2022/23, again with the impact on the Council being mitigated by s31 Grants. The longer-term effects on businesses will manifest in the coming years and we will monitor our revenues systems to ensure that our forecasts are as robust as possible as we expect some businesses to close or challenge their rateable value due to their changing circumstances.
- 1.4 The Provisional Settlement has now been announced and has indicated some additional grant funding which has been added to our "gap" table. The Settlement is again, a one-year allocation which is not helpful for planning purposes. We still await details of a revised New Homes Bonus scheme and the results of the Fair Funding Review and Business Rates reset. These are not now expected until 2023/24.

2 Medium-Term Financial Strategy (MTFS)

- 2.1 The MTFS has the following objectives:
- Show how resources support the Corporate Plan;
 - Provide a platform to support the decision-making framework;
 - Enable the Council to be a proactive organisation;
 - To be an enabler, giving indication to the need to revisit and revise priorities;

- Ensure sustainable services and reserves are at sufficient levels;
- Enable development and improvements to our customers experiences;
- Hold a working balance to help manage unexpected occurrences;
- To be responsive and able to manage changing risks and needs;
- Support the Council's service and strategies; and
- Provide indications of future local taxation levels.

3 Revenue Budget

3.1 The current General Fund budget gap for the financial year 2022/23 is summarised in the table below. The table shows the movement in the gap over the Medium term. The budget gap position takes into account key assumptions that are set out later in the report.

MTFP table:

	2021/22	2022/23	2023/2024	2024/2025	2025/2026	2026/2027
	£	£	£	£	£	To be confirmed
Net Service Costs	6,023,651	5,686,391	5,938,062	6,180,172	6,356,672	7,359,977
Net Interest Costs	205,900	205,900	255,900	305,900	355,900	TBC
Provision for Repayment of Borrowing	852,100	469,003	469,003	469,003	469,003	TBC
Earmarked Reserves - Other	-579,827	0	0	0	0	0
General Reserves	0	0	0	0	0	0
Total Budget Requirement	6,501,824	6,361,294	6,662,965	6,955,075	7,181,575	7,359,977
Funded By:						
Retained Business Rates	-2,120,801	-1,655,319	-1,692,878	-1,753,206	-1,819,810	0
Business Rates prior year (surplus)/deficit	2,178,723	45,495	45,495	0	0	0
S31 Business Rates EMR Funding	-2,178,723	0	0	0	0	0
Pooling Dividend	0	0	0	0	0	0
Lower Tier Grant		-69,182	0	0	0	0
Services Grant - One-off		-106,320	0	0	0	0
Covid Support Grant	-242,000	0	0	0	0	0
New Homes Bonus	-195,000	-131,610	0	0	0	0
Council Tax-ODBC	-4,117,515	-4,260,729	-4,393,176	-4,527,851	-4,664,781	-4,803,994
Council Tax prior year (surplus)/deficit	173,492	16,936	16,936	0	0	0
Total Funding	-6,501,824	-6,160,729	-6,023,623	-6,281,057	-6,484,591	-6,758,382
Gap – Increase/In-year	0	200,565	438,776	34,676	22,965	TBC
Gap – Cumulative	0	200,565	639,342	674,018	696,984	TBC

4 Key assumptions

4.1 A number of assumptions have already been made in arriving at the current budget position for 2022/23. Costs have been uplifted in a number of areas in line with inflation assumptions. Some areas such as Electricity and Water have been increased significantly. We have used Office for Budget Responsibility (OBR) forecasts and trend analysis to estimate usage and inflationary impact:

- Council Tax increase of £5 at Band D;
- Staff cost inflation of 2%;
- HRA recharge of 2%
- Utilities – at various rates
- Interest Rates - reflect the recent increase in Bank of England Base Rates;
- A 98.5% Council Tax Collection Rate.

5 Gap tracker

- 5.1 The current budget gap of £200,565 has been arrived at after a number of adjustments. This is still very early in the process and there are a number of workstreams which will need to be completed before we have a more robust forecast. The movements so far are as follows:

Summary of Budget changes in 22/23:

Base Budget 2022/23	Movement (£)	Budget Gap (£)
Inflation provisional estimate	94,826	94,826
HB and CTRS Admin Grant estimated decrease	13,370	108,196
Pensions lump sum increase	58,320	166,516
Covid 19 Contingency (Reversal)	-500,000	-333,484
The Built Environment Planning - One-off cost in 2021/22 - Reversal	-117,500	-450,984
Parking - additional income (offsetting costs)	-23,000	-473,984
Reduction in BR Deficit from 21/22 BR Deficit from 21/22	-2,138,193	-2,612,177
EMR transfers reduction - Reversals of previous year	2,751,912	139,735
Provisional estimate of BR reduction from 21/22 to 22/23	421,634	561,369
CT Assumed growth in Taxbase	-41,178	520,191
CT Provisional Estimate (£5)	-102,036	418,155
CT Prov reduction in CT Deficit	-156,556	261,599
Removal of Covid Support grant	242,000	503,599
Assumed decrease in New Homes Bonus	195,000	698,599
Selective licensing - Private landlords rebasing of budget	400,000	1,098,599
Housing - Personal contribution for hotel accom	56,260	1,154,859
MRP reduction due to change in policy	-383,097	771,762
Updated salaries estimates	97,417	869,179
Increase in HRA recharge linked to salaries etc	-20,923	848,256
One-year reduction in Local Plan transfer to reserve	-90,000	758,256
One-year reduction in Elections transfer to reserve	-10,000	748,256
BR Cost of Collection shown in services	55,451	803,707
Leisure services management fee	-48,720	754,987
Leisure services - external contractors	-53,000	701,987
Building Control - Move to delegated service model	-64,000	637,987
Pest control - service no longer being provided	-4,960	633,027
Removal of the budget for Other Faith Burials	-8,000	625,027
F&C - Garden Waste - increase in customers	-34,000	591,027
F&C - Bulky waste	-17,000	574,027
F&C - Waste - No Bank Holiday collections	-10,000	564,027
F&C - Waste - Suspension of garden waste collection over winter	-17,000	547,027
F&C - Cemeteries - fee changes and volume	-20,350	526,677
F&C - Cemeteries - Payment in advance interment	-19,000	507,677
Prov Settlement - New Homes Bonus allocation	-131,610	376,067
Prov Settlement - Lower Tier Support Grant	-69,182	306,885
Provisional Settlement - Services Grant - One-off	-106,320	200,565

- 5.2 The budget summary shows the Authority has a significant budget gap to address. Whilst the Council does hold Earmarked Reserves to mitigate some costs and risk, the use of the reserves to close a budget gap should be a last resort as it does not address the ongoing pressure.

6 The Autumn Statement

6.1 The Autumn Statement in Oct 2021 outlined some of the intentions of Central Government in relation to local government funding. The full details have now been published in the Provisional Settlement, announced this month. The main areas are:

- The Government has now announced a one-year settlement for 2022/23.
- Council Tax thresholds held at 1.99% for core increase and agreed to allow £5 Band D increase for districts.
- There will be additional funding targeted at Social Care which will help mitigate costs for Upper and Unitary authorities. This may have a knock on effect for Districts through the Better Care Fund and Supporting Families funding.
- There were no announcements regarding the Relative Needs and Resources Review (previously known as the Fair Funding Review) and the Business Rates Reset. These are likely to be deferred to at least 2023/24.
- New Homes Bonus allocations have been announced, but no revised scheme.
- National Insurance contributions will increase to target the Social Care pressures. The additional cost to authorities will be compensated for by Central Government.
- There was further Homelessness grant funding announced and we await to quantify this in real terms.

7 Areas still to be updated

7.1 There are a number of areas still to be updated in the Budget setting process. This will hopefully bring some certainty to key areas but may also highlight additional pressures alongside the much-needed savings/increased income.

7.2 **Recharge to HRA** – It is wholly appropriate to expect the recharge to the HRA to increase in line with internal factors such as pay inflation. We have currently included a 2% increase in the recharge to mirror the general increase in salaries and other inflationary areas. It is important for us to be able to justify any recharge to the HRA as it is unlawful to cross-subsidise between the General Fund and the HRA. We are currently reviewing all the charges and will have a robust assessment available by the end of the budget setting process.

7.3 **Capital Programme** – Work continues on the proposals for the capital programme and the revenue implications which will impact our budget gap.

7.4 **Pressures and Savings** – conversations are ongoing with budget holders to identify both pressures and savings in their existing budgets. Whilst we are eager to hear of any new proposals for budget savings and new income streams it is also important to capture any emerging pressures which cannot be managed down on an ongoing basis. Some of these pressures/savings will be evident from the in-year budget monitoring

8 Business Rates Retention

8.1 We receive a significant proportion of our funding through the Business Rates Retention (BRR) System. OWBC operates within the Leicester and Leicestershire Business Rates Pool which provides the opportunity to retain the majority of business rates growth levy that would be paid to Central Government outside of a pool.

8.2 The Provisional Finance Settlement announced this month confirmed the baseline, safety net and tariff for 2022/23. Early indications from the Autumn Statement suggest that there will be no inflationary increase in business rates bills, with OWBC receiving grant funding from the Government (s31 grant) to compensate for the loss of funding for this “freeze”. Local estimates for total business rates income for 2022/23 are not yet completed at the time of writing the

report and are due to be completed by the end of January 2022. These will determine the net income retained by OWBC including any growth above the baseline.

- 8.3 A summary of the 2022/23 Retained Funding current estimate is shown in the table below. This will be updated following completion of the NNDR1.

Business Rates Retention Provisional Estimates – as at November 2021

Business Rates Retention Provisional Funding Estimates	2022/23 Provisional Estimates £
Share of Business Rates Yield	4,072,760
Rates yield from renewable energy	8,446
Tariff to Government	-3,761,260
Levy Payment	-11,188
S31 Grant funding for Reliefs	1,346,561
Cost of Collection Grant	55,451
Net Retained Business Rates Funding	1,710,770

- 8.4 The draft budget does not assume a pooling gain in 2022/23 as this is subject to the completion of the NNDR1 initially. This will be updated following completion of the NNDR1 and will ultimately only be confirmed based on the outturn for the Pool at the end on next financial year. Final estimates will be reflected in the final budget report to Council in February.
- 8.5 **Business rates funding is volatile.** It is therefore necessary to highly caveat the current projection and only after the work is undertaken by the Revenues team in Jan, for the NNDR1 return to Central Government, will we have a better understanding of the 2022/23 likely projected figure. It is hoped that this will show an improved position.
- 8.6 With the ongoing impact of Covid-19 on businesses and shopping habits, this year is again difficult to predict. The Government has announced that reliefs for retail, hospitality and leisure will continue. The discount is likely to be 50% which again will be reimbursed to us from Central Government. This relief may of course mask the real impact on some of our local businesses who may struggle to continue without this support.
- 8.7 The Government is still committed to reviewing the business rates retention and relative needs and resources funding distribution but the detail from the Autumn Statement suggests this has again been delayed, possibly to 2023/24 or even later.

9 Capital Budget

- 9.1 The 2022/23 New Proposed Capital Schemes total £5.052m which comprises of £3.830m HRA and £1,222m General Fund see **Table 1**. The HRA capital schemes include a budget of £2.330m for housing development at Horsewell Lane which would be funded by a combination of borrowing and the use of One for One capital receipts.
- 9.2 These new General Fund capital scheme budgets for 2022/23 include an Invest to Save £0.350m and Transformation of £0.400m, which will facilitate income generation schemes coming in to operation from 2022/23 onwards. Energy efficient technologies at the site (£0.200m) would result in revenue savings by reduced energy costs and the wind turbine would be a source of income through excess electricity being sold back to the National Grid suppliers. The Council is currently exploring options regarding a joint venture partnership for the development of the Oadby Pool site. The 2022/23 capital programme may need to be updated depending how this progresses.

Table 1

New Proposed Capital Schemes	Total 2022/23
Fund	£000's
Housing Revenue Account	3,830
General Fund	1,222
Total Programme	5,051

A complete list of New and Current Capital Schemes is included in **Appendix 3** to this report.

9.3 Funding for the programme is likely to be as follows:

Table 2

Funding	£000's
Borrowing (General Fund)	2,651
Usable Capital Receipts	500
Usable 1 4 1 Capital Receipts	500
Major Repairs Reserve	1,500
Total	5,051

9.4 Current schemes in the 2021/22 Capital Programme will be assessed, carried forward and brought to Members after year end. **Table 3** shows a summary of the current 2021/22 capital programme and the proposed new capital schemes for 2022/23.

Table 3 - Capital Programme Summary

Fund	Revised Budget 2021/22	New Capital Schemes 2022/23	Total
	£'000	£'000	£'000
General Fund	4,610	1,222	5,832
Housing Revenue Account	2,449	3,830	6,279
Total	7,059	5,052	12,111

10 Reserves

10.1 The Local Government Act 2003 requires the Council's Section 151 Officer to report on the robustness and sustainability of the estimates included in the budget and the adequacy of the reserves for which the budget provides. It is particularly pertinent at this time to consider the level of reserves because, as a last resort, they may be called upon to close some of the budget gap. The Council's policy is to carry out an annual review of all reserves as part of the budget-setting process. This review includes identifying the reserves purpose and advising the appropriate level for each reserve. This work is being undertaken.

10.2 The Council General Fund Reserves balance need to be maintained at a level to enable the Council to mitigate any current or future risks. The General Fund balance is £1.348m which is

forecast to be £1.013m at 1 April 2022. This represents over 15% (£0.998m/£6.369m) of the Council's 2022/23 budget.

10.3 Currently the Council is exploring income generation opportunities that will increase the level of reserves over the next few years to build resilience. Certain earmarked reserves have been repurposed to assist in funding the 2022/23 budget gap of £0.201m.

10.4 General Fund Reserves Summary Table:

Type of Reserve	01 April 2021 £000s	Assumed use to close budget/in-year variances £000s	1 April 2022 Estimated balance £000s
General Fund	1,348	-335	1,013
Earmarked Reserves	1,529	-901	628
Total Usable Revenue Reserves	2,877	-1,236	1,641
Capital Reserves	1,883	0	1,883
Capital Grants Unapplied	24	0	24
Total Usable Capital Reserves	1,907	0	1,907
Ringfenced – Covid 19; Disabled Facilities and s31 Monies	4,205	-4,205	0
Total Reserves	8,989	-5,441	3,548

10.5 Whilst at first sight, the reserves look reasonably healthy in 2021/22, almost £1m of that is restricted in its use, with £461k relating to Section 106 monies, and £500k in investments generating a revenue return. We are also carrying a significant Covid-19 support balance (£1.7m) which may need to be returned to Central Government. We also hold £2.12m of S31 Collection Fund reserves which are directly linked to our Business Rates and will be used to offset volatility in the returns and also to fund the shortfall which has occurred directly in relation to business rates extended reliefs. These s31 funds are provided by Central Government to offset the reliefs given by the local authorities.

10.6 The Council also committed £579,827 (£500k for Covid Contingency) of earmarked reserves in 2021/22 to close the 2021/22 budget gap. This will need to be transferred in-year to ensure the current budget is balanced and the 1 April 2021 figures represent the position before this sum is transferred.

10.7 Any residual in-year overspend will also have to be funded from the General Reserve, which must not fall below the minimum acceptable level of £700k.

11 The Housing Revenue Account (HRA)

11.1 The Housing Revenue Account (HRA) includes any expenditure associated with the Council's function as a social housing landlord. The items that can be debited and credited to the account are determined by statute. This includes an average rent increase of 4.1% (CPI +1%) for 2022/23, taking it to an average rent of £81.93 per week (increase of £3.23 per week). The increase of 4.1% has been applied to HRA associated services offered to tenants. Further details are shown in **Appendix 1**.

12 Scale of Fees and Charges

12.1 The Council charges for a number of its services that are provided to the public. All fees and charges are reviewed on an annual basis as part of the budget process. Charges set by the Council are increased in line with inflation or other factors taken in to consideration

- Statutory obligations

- Policies and objectives of the Council;
- Local market research and competition (where relevant);
- The impact of price changes on activity level of demand;
- Changes in taxation;
- Budget position and any associated gap;
- The cost of providing the service.

Appendix 2 shows the current and next year's proposed charges together with of explanation of changes to individual charges. The effect on the General Fund is captured in the Budget Gap table at 5.1.

- 12.2 It is important to stress that the proposed increases will need to be quantified to ensure that we capture the correct impact on the MTFP and hence the budget gap. This work is ongoing. In the meantime Members are asked to scrutinise the detail of the proposed increases.

13 Next Steps and Options for Closing the Gap

- 13.1 **Vacancy freeze** – The Senior Leadership Team will continue to review and challenge the recruitment to all vacancies before they are advertised. This includes considering other ways of working, and temporary freezing of certain non-statutory posts would be considered.

- 13.2 **Casual/Contract workers** – The Senior Leadership team will continue to review the use of contract and agency workers who tend to incur a premium. It is important to note statutory tasks are required to be covered. Additionally, the Council has received grant funding to administer certain services to cover the cost of the use of some agency staff.

- 13.3 **Income Generation** – The Council has a number of proposed new income generating schemes. These have the potential to help close the budget gap. Some of these proposals have a lead in time which means they will not provide material savings in 2022/23 but it is important to note that the pressure on our budget is ongoing. The introduction of these schemes will be required to avoid the need to reduce the reliance of reserves to fund the 2022/23 budget gap.

- 13.4 The following are examples of schemes where a business case will be developed to explore the viability of going ahead with them. Aligned with this, the Council has to continuously ensure all existing income sources are being collected and are set at the appropriate level.

- Toilet Blocks – reuse of these buildings
- Green and Clean Management Services
- Pet Cremation and Plaques on Council land
- Housing Lettings work with Private landlords
- MOT Testing for Vehicles
- Brocks Hill – Weddings, Events
- Use the Councils assets and parks to gain an income for various events
- Review of what Services the Council provides that it can sell to other local authorities or organisations
- Review of Fees and Charges to ensure income receivable covers the full costs
- Ensure all income is being collected by departments across the Council
- Review Housing Revenue Account Recharge

- 13.6 **Savings targets** – The following areas are examples of areas that are proposed or being considered to facilitate generating a capital receipt, the reduction in revenue expenditure or generate savings:

- Reduced utility and maintenance costs by moving to Brocks Hill will be achieved by moving out of current Council Offices

- Dispose of Council Offices to realise Capital Receipts and ongoing repairs and maintenance costs
- Review revenue budgets to see what further achievable savings can be made
- Staffing – Further Shared working with other local authorities to reduce costs
- Review Members allowances for certain special responsibilities other than main committees
- Waste collection – various new proposals to achieve savings/increased income
- Removal of the budget for Other Faith Burials
- Continually Monitor existing savings proposed to ensure they are achievable.

NB. These savings will be monitored and in some cases the full year effect will be shown in future years i.e. from 2023/24 onwards. We are also considering charging for bin swaps which was recommended at PFD. When this is finalised it will be added to the base budget. At this stage the saving is being reviewed.

- 13.6 **MRP Policy review** – most Councils have considered a review of their Minimum Revenue Provision (MRP) policy which is generally agreed each year as part of the budget setting process. These reviews can be undertaken by the Council’s financial advisers, Arlingclose. or undertaken in-house which is clearly a cheaper option if the relevant expertise is available. These reviews tend to provide a one-off drop in the provision which will bring on-going savings after the methodology is re-based. The Council has undertaken this review and applied the resulting revenue savings to the draft Budget 2022/23. This review is underpinned by the CIPFA approved methodologies, and hence has no detrimental effect on the Council’s audit.
- 13.7 **Partnership working** – The Council already undertakes some shared working and is a member of the Lightbulb Project, a Waste Partnership, a Business Rates Pool and a Building Control Partnership. Further Partnership opportunities are actively being looked at to reduce costs while maintaining service delivery.
- 13.8 **Capital Budget** – The revenue implications, risks and affordability of the current Council capital programme and new capital scheme proposals have been considered. When making decisions on large capital schemes this is of particular importance, where income generating streams need to be taken in to consideration to offset revenue borrowing costs. See **Appendix 3** for proposed new capital programme schemes

14 Conclusion

- 14.1 The Council may need to use reserves to balance the draft budget for 2022/23, which is not sustainable long term. Going forward, proposed new income generation schemes, examples of which were listed in this report, will need to be implemented to reduce the call on reserves and in the long term contribute to increasing the level of reserves to underpin the Council’s financial standing and resilience. The Capital budget, Invest to Save and, Transformation budget will contribute to funding the implementation of these schemes.
- 14.2 In order for the Council to replenish and increase its reserves, other measures outlined for closing the budget gap will need to be reviewed in conjunction with the new income generation schemes. The progression of these income generating and cost reduction schemes will be crucial to ensuring the Council’s resilience and viability.