

RIBBLE VALLEY BOROUGH COUNCIL REPORT TO HEALTH AND HOUSING COMMITTEE

meeting date: 13 JANUARY 2022

title: ORIGINAL REVENUE BUDGET 2022/23

submitted by: DIRECTOR OF RESOURCES

principal author: ANDREW COOK

1 PURPOSE

- 1.1 To agree the draft revenue budget for 2022/23, for consideration at Special Policy and Finance Committee.

2 BACKGROUND - COUNCIL'S OVERALL FINANCIAL POSITION

3 Year Budget Forecast

- 2.1 The Council's three-year budget forecast was presented to Policy and Finance Committee in September. We were awaiting the outcome of the planned review of local government finances reforms and therefore predicting our budget forecast was extremely difficult with any certainty.
- 2.2 Our forecast in September predicted the following budget gaps; £82k in 2022/23, £139k in 2023/24, £230k in 2024/25, after allowing for the use of general fund balances. However since then there have been a number of significant changes affecting our budget.

Changes since the September Forecast

- 2.3 We have seen significant rises in inflation. CPI rose to 4.2% in October from 3.1% the previous month. In November it rose further to 5.1% and the Bank of England now expect it could peak at 6% next April which is three times higher than the target. Consequently the Bank of England announced an increase in interest rates to 0.25% in December. We had allowed for inflationary increases of 2% for pay and 3% for general price increases in the budget forecast which is significantly lower than the current level. Already we are seeing extra inflationary costs of around £300k more than we had allowed for in the forecast in areas such as fuel, energy and utilities.
- 2.4 The Government announced national insurance contributions will increase by 1.25%. For Ribble Valley we anticipate this cost will be around £90k next year.
- 2.5 A new pay line has been agreed and implemented with effect from October 2021. The estimated cost of this is:

	2021/22 Estimate Part year	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Pay line increase	£75k	£296.1k	£369.8k	£412.1k

- 2.6 Following a submission by the staff involved CMT have recently carried out a rescoring of refuse collection driver posts under the Council's job evaluation scheme. The posts have been re-evaluated at grade Scale 5 as opposed to Scale 4. The impact of this would further increase costs by:

	2021/22 Estimate Part year	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Refuse drivers pay increase	£11.5k	£31k	£39k	£47k

- 2.7 On a more positive note, our council tax base has now been calculated at 24,553 which is

higher than that allowed for in our budget forecast. We had assumed a 1.5% increase. The actual increase is 2.3% which will result in extra income of £29k each year.

- 2.8 In summary therefore the budget gap is estimated to increase next year to £487k before any additional growth requests are put forward by service committees. This is set out below.

2022/23 Estimate £	
Extra Inflation costs – at least	
Pay	71k
Prices	62k
Fuel etc	180k
	313k
National Insurance	90k
Refuse Drivers	31k
Council Tax Base increase	-29k
Previous Shortfall	82k
Budget Gap	£487k

3 2022/23 PROVISIONAL LOCAL GOVERNMENT SETTLEMENT

- 3.1 On 16 December 2021 the Government announced the provisional finance settlement. They have pushed back the review of local government finance another year and announced a one year only settlement. This is the fourth one-year settlement in a row, but it is expected to be the last one before the Government consult on changes to future funding allocations.
- 3.2 Nationally there is a 6.9% increase in councils' core spending power in cash terms between 2021/22 and next year.
- 3.3 The headlines for Ribble Valley are:
- Our core spending power is set to increase by only 0.2% (£11,000) next year from £6.849m to £6.860m.
 - Our Business Rates Baseline funding level is £1.354m which is the same as the current year, however we will receive £111k compensation due to the loss in income we will receive due to the freezing of the business rates multiplier.
 - We have been allocated a small amount of Revenue Support Grant (RSG) of £215 despite RSG increasing nationally by 3.1% for inflation.
 - Our Rural Services Delivery Grant will be £113,250 which is the same as the current year.
 - We will receive an allocation from the Lower Tier Services Grant of £60,754, up from £57,696. We expected this to be a one year only grant last year.
 - A new one off 2022/23 Services Grant has been announced worth £822m. This is to provide funding for all tiers of local government in recognition of our services and includes the costs of the increase in NI contributions. Ribble Valley will receive £93,368.
 - New Homes Bonus (NHB) – The Government have allowed a new round of NHB allocations in respect of 2022/23 which will not attract any future legacy payments. They have also allowed the one remaining legacy payment of £464k which we were aware of and had allowed for. Next year we will therefore receive £741k for 2022/23 along with the legacy payment of £464k ie a total of £1.2m. However, we are relying

on NHB of £1.1m to fund the revenue budget each year. This seems very much a one year only deal for NHB and it does appear the scheme will end next year.

- The Lancashire Business Rate Pool has received designation to continue.
- We will be allowed to increase our council tax next year by £5.

3.4 Factoring the grant settlement into our budget forecast we are better off due to the business rate multiplier compensation (£111k) and the new 2022/23 Services Grant (£93k). We are also better off as a result of the Lower Tier services grant of £60k as we had assumed this was a one year only grant for 2021/22. In total therefore this reduces the budget gap from £487k to £223k.

3.5 We expect there will be transitional protection alongside the implementation of finance reforms going forward. However transitional protection is usually against a council's core spending power. It is important to note the income we receive from business rate growth does not form part of our core spending power. The Government have also made it clear the new one-off 2022/23 Services Grant will not form part of any transitional protection.

4 BUDGET PROCESS

4.1 The fees and charges for this Committee were approved at your last meeting, and the consequential impact of these have been incorporated in to the service budgets shown within this report.

4.2 When all committees have approved their detailed estimates the overall position will be considered by Budget Working Group.

4.3 The Budget Working Group will then make recommendations in order to produce a balanced budget for consideration at the Special meeting of Policy and Finance Committee. The final budget report will then be presented to Full Council, at which point the Council Tax for 2022/23 will also be approved.

5 2022/23 DRAFT REVENUE BUDGET

5.1 As far as your budget is concerned, the estimates have been prepared on the current levels of service, and they allow for pay increases at 2% and price increases at 3%.

5.2 Within this report the budget is shown in the same manner in which it is reviewed. Each cost centre within the report is shown individually. Behind each cost centre there are detailed subjective level budgets, but for the purposes of this report they are summarised in to the standard local government CIPFA Service Reporting Code of Practice basis:

- **Employee Related:** this group includes the cost of employees, both direct and indirect to the Council.
- **Premises Related:** this group includes expenses directly related to the running of premises and land.
- **Transport Related:** this group includes all costs associated with the provision, hire or use of transport, including travelling allowances.
- **Supplies and Services:** this group includes all direct supplies and service expenses to the Council.
- **Third Party Payments:** a third party payment is a payment to an external provider which is operating independently, in return for the provision of a service.
- **Transfer Payments:** this includes the cost of payments to individuals for which no goods or services are received in return by the local authority. A key item here would be the payment of housing benefits.
- **Support Services:** charges for services that support the provision of services to the public. At this council the main support service cost is the support from staff based at the council offices building and the building's associated cost.
- **Depreciation and Impairment:** this is the revenue impact of capital items shown in the service revenue accounts of the Council.

- **Income:** this includes income from fees and charges, grants, donations and contributions. Also shown here is the associated 'income' to a support service from the redistribution of its costs to those providing services to the public.

5.3 As you will see, the draft proposed budget for 2022/23 for each service area is also built up looking at a number of stages. The starting point is the base budget, being the Original Estimate for the current financial year. A summary of the various elements is given below:

- **Original Estimate 2021/22:** This represents the base budget for the Council and assumes no change in service level from that set for the previous year's original estimate.
- **Inflation at 2% Pay and 3% Other:** The budget forecast allows for inflation on pay at 2% and prices at 3% (with some exceptions such as grants). This is where that general allowance for inflation is brought in to the individual budget areas.
- **Movements in Expenditure:** This is where any movements in the expenditure budgets for this Committee are shown. This excludes movements in support services and capital, which are shown in separate columns.
- **Movements in Income:** This is where any movements in the income budgets for this Committee are shown.
- **Movements in Support Services:** Any changes that relate to the recharging of support service costs are included in this column.
- **Movements in Capital:** Any changes relating to depreciation and impairment are included in this column.
- **DRAFT Original Estimate 2022/23:** The final column is the total of all preceding columns and is constructed from the base budget and any necessary changes to the base that are needed. If approved this will then form the base budget in next year's budget process.

6 SUMMARIES

- 6.1 The proposed 2022/23 original estimate net cost of services for this Committee is £1,145,680 after allowing for associated movements in earmarked reserves. When compared with the original estimate budget for 2021/22, this is an increase in net expenditure of £50,230 after allowing for movements in earmarked reserves.
- 6.2 The draft budget is summarised in two ways. One over the cost of the services provided by the Committee (objective). The other is over the type of expenditure and income (subjective).

a) *Cost of Services Provided (Objective)*

Cost Centre and Description	Original Estimate 2021/22	Inflation at 2% Pay and 3% Other	Movements in Expenditure	Movements in Income	Movements in Support Services	Movements in Capital Charges	DRAFT Original Estimate 2022/23
AFHOU: Affordable Rent Properties	-3,000	-320	-310	390		2,280	-960
APLAC: Alma Place Unit	2,350	0	70		80	70	2,570
AWARM: Affordable Warmth	70	0	-70				0
CLAIR: Clean Air	1,870	20	180		110		2,180
CLAND: Contaminated Land	9,360	0			670		10,030
CLCEM: Clitheroe Cemetery	39,200	-130	2,150	-600	2,520	370	43,510
CLDCY: Closed Churchyards	5,320	160					5,480
CLMKT: Clitheroe Market	-38,660	-2,920	2,950	-5,980	1,550	-1,320	-44,380
CMGHH: Community Groups - Health & Housing	20,390	0			-12,950		7,440
COMNL: Common Land	2,400	20			60		2,480
CTBEN: Localised Council Tax Support Admin	167,920	650	-730		14,770		182,610

Cost Centre and Description	Original Estimate 2021/22	Inflation at 2% Pay and 3% Other	Movements in Expenditure	Movements in Income	Movements in Support Services	Movements in Capital Charges	DRAFT Original Estimate 2022/23
DOGWD: Dog Warden & Pest Control	126,750	970	1,120		5,200		134,040
ENVHT: Environmental Health Services	336,650	-570	1,300		19,170		356,550
HGBEN: Housing Benefits	146,590	630	-28,500	43,980	19,880		182,580
HOMEE: Home Energy Conservation	6,130	10			-390		5,750
HOMES: Homelessness Strategy	29,000	650		3,990	4,220		37,860
HSASS: Housing Associations	6,510	0			510		7,020
HSTRA: Housing Strategy	47,880	200			690		48,770
IMPGR: Improvement Grants	74,200	-870			9,230		82,560
JARMS: Joiners Arms	42,840	150	2,890	-1,840	2,460	1,020	47,520
SHARE: Shared Ownership Rents	-460	-40			70		-430
SUPPE: Supporting People	7,420	10			390		7,820
UCRED: Universal Credit	22,400	0		2,060	720		25,180
Net Cost of Services	1,053,130	-1,380	-18,950	42,000	68,960	2,420	1,146,180
Associated Movements in Earmarked Reserves	42,320		14,400	-57,220			-500
Net Cost of Services after Movements in Earmarked Reserves	1,095,450	-1,380	-4,550	-15,220	68,960	2,420	1,145,680

b) Type of Expenditure/Income (Subjective)

	Original Estimate 2021/22	Inflation at 2% Pay and 3% Other	Movements in Expenditure	Movements in Income	Movements in Support Services	Movements in Capital Charges	DRAFT Original Estimate 2022/23
EXPENDITURE							
Employee Related Expenditure	15,980	350	1,200				17,530
Premises Related Expenditure	171,740	5,180	6,110				183,030
Transport Related Expenditure	6,410	190	1,120				7,720
Supplies & Services	110,080	3,350	460				113,890
Third Party Payments	12,430	370					12,800
Transfer Payments	5,225,410	0	-27,840				5,197,570
Support Services	1,260,380	0			70,160		1,330,540
Depreciation and Impairment	44,890	0				2,420	47,310
EXPENDITURE Total	6,847,320	9,440	-18,950	0	70,160	2,420	6,910,390
INCOME							
Government Grants	-5,398,760	0		51,980			-5,346,780
Other Grants and Contributions	-27,390	0		-1,950			-29,340
Customer & Client Receipts	-360,920	-10,820		-8,030			-379,770
Miscellaneous Recharges	-7,120	0			-1,200		-8,320
INCOME Total	-5,794,190	-10,820	0	42,000	-1,200	0	-5,764,210
Net Cost of Services	1,053,130	-1,380	-18,950	42,000	68,960	2,420	1,146,180
Associated Movements in Earmarked Reserves	42,320		14,400	-57,220			-500
Net Cost of Services after Movements in Earmarked Reserves	1,095,450	-1,380	-4,550	-15,220	68,960	2,420	1,145,680

7 EARMARKED RESERVES

- 7.1 In the Original Estimate for 2021/22 this Committee planned to transfer £42,320 to earmarked reserves. Looking forward to 2022/23, the proposal included in the estimates is that this Committee plans to transfer £500 from earmarked reserves to support 2022/23 expenditure.
- 7.2 The table below provides a summary of the DRAFT Original Estimate for 2022/23 together with the budgeted impact on the relevant earmarked reserves. Also detailed is a summary of the reasons for the movements in the earmarked reserves.

	DRAFT Original Estimate 2022/23	Reason for Movement in Earmarked Reserve
Committee Net Cost of Services	1,146,180	
HGBAL/H337 Equipment Reserve	-500	Planned transfer from funds previously set aside in the Joiners Arms Furniture and Equipment Reserve to fund increased furniture and equipment costs at the Council's homelessness unit.
Committee Net Cost of Services after Movements in Earmarked Reserves	1,145,680	

8 KEY VARIATIONS

- 8.1 The proposed 2022/23 original estimate net cost of services for this Committee is £1,145,680 after allowing for associated movements in earmarked reserves. This is an increase of £50,230 from the 2021/22 original estimate. The main reasons for this net increase are summarised in the table below.

Description	Variance - Original Estimate 2021/22 to DRAFT Original Estimate 2022/23 £
<p>VARIOUS – Support Services A net increase in support service recharges across all cost centres, following a re-assessment of budgeted costs in all support services areas. The increased net recharges reflect the impact of 2% pay inflation for those support services and also the full-year effect of the payline pay increases for Council employees approved in October 2021.</p> <p>Within the overall net increase set out above the budgeted Economic Development and Planning department recharge to Community Groups - Health & Housing has reduced by £12,950, due to less time input to community groups development by the re-organised posts in the Economic Development team.</p>	+68,960

Description	Variance - Original Estimate 2021/22 to DRAFT Original Estimate 2022/23 £
<p>HGBEN – Housing Benefits A recurring increase in net costs for rent allowances is being budgeted for. This is because there are a reducing number of housing benefits cases which include overpayments due to increased electronic data matching at initial housing benefit claim stage. The Council have previously received more income for overpayments cases paid, from a combination of partial subsidy grant received and any overpayments then invoiced for recovery by the Council. Thus, budgeting for less overpayments cases means higher net costs each year going forwards.</p>	+24,950
<p>VARIOUS - Electricity Estimated increase of 38% in electricity costs at Clitheroe Cemetery, Clitheroe Market and the Joiners Arms homelessness unit.</p>	+5,220
<p>CLMKT – Clitheroe Market The stalls and pitches income estimate has been increased for 2022/23 to reflect the higher demand for and increased income in 2021/22 to date from stalls and pitches.</p>	-7,080
<p>VARIOUS – Funding for Homelessness Services £67,910 of Homelessness Prevention Grant 2022/23 funding from DLUHC will be used to partly fund the Council’s homelessness net expenditure in 2022/23 and will not be set aside in an earmarked reserve at year-end. This is an increased use of direct grant funding in-year of £42,890 when compared to the 2021/22 original estimate plan to use £25,020 of grants previously set aside in earmarked reserves to partly fund homelessness net expenditure in 2021/22.</p>	-42,890

9 REQUESTS FOR GROWTH ITEMS

- 9.1 The September budget forecast did not allow for any growth items, on the assumption that past policies would continue, in that any growth should be funded from corresponding savings.
- 9.2 Since September there has been growth approved in respect of a change to the Council’s pay line, to tackle the issues around staff recruitment and retention. This change to the pay-line, as agreed at Policy and Finance Committee in November 2021, has been incorporated into the budgets contained in this report.
- 9.3 There have been a number of other budget growth requests submitted, which have not been included in the budget at this stage, and these are shown at Annex 1. Members are asked to consider these and identify any items that they wish to support. These are summarised in the table below.

Reference	Description	Amount £	Recurring or Non-Recurring
REVHOU01	Alternative System for Dog Waste/Litter Bin Emptying – staff costs, fuel costs and vehicle maintenance costs	258,190	Recurring
REVHOU02	Joiners Arms Standard Fittings for Hostel Flats – furniture and fitting costs and lost rent income	15,000	Non-Recurring
		273,190	

10 RISK ASSESSMENT

10.1 The approval of this report may have the following implications:

- Resources: Approval of the original estimate budget for 2022/23 would see an increase in net expenditure of £93,050 compared with the original estimate budget for 2021/22 or an increase of £50,230 after allowing for movements in earmarked reserves.
- Technical, Environmental and Legal: None identified.
- Political: None identified.
- Reputation: Sound financial planning safeguards the reputation of the Council.
- Equality and Diversity – Equality and diversity issues are considered in the provision of all Council services.

11 RECOMMENDED THAT COMMITTEE

11.1 Approve the revenue original estimate for 2022/23 as set out on pages 5 and 6 and submit this to the Special Policy and Finance Committee.

11.2 Consider the requests that have been submitted for growth items in Annex 1 and identify the ones that are supported.

SENIOR ACCOUNTANT

DIRECTOR OF RESOURCES

HH02-22/AC/AC
4 January 2022

Ribble Valley Borough Council

REVHOU01

Revenue Growth Request Form - Original Revenue Estimate 2022/23

Requested By

Health and Housing Committee

Description of Growth Request**Alternative System for Dog Waste/Litter Bins**

Creation of a new dedicated team to take on the whole task of emptying all the bins (up to a new maximum of 800) twice per week. Calculated that 8 work units would be required (no cover for holidays).

Each unit would need a vehicle. A Ford Transit, caged tipper vehicle is currently available for £38,000 with Euro 6 diesel engine, or will be available at £60,000, full electric (daily range 350km or 219 miles). Because of the price difference and the fact that we don't yet have charging facilities in Salthill Depot for electric vehicles, the working group was content to proceed for the moment, on the assumption that diesel engine vehicles would be the more likely – at least initially.

The Revenue Growth request here is teamed with a Capital Bid for the Vehicles and Additional Bins. (£356,040)

The Revenue Growth Request here is for Staffing, Fuel Costs and Vehicle Maintenance Costs.

Will this Growth be for 2022/23 only (NON-RECURRING) or for every year after too (RECURRING)

RECURRING**Environmental Considerations and Green Credentials**

Because of the price difference and the fact that we don't yet have charging facilities in Salthill Depot for electric vehicles, the working group was content to proceed for the moment, on the assumption that diesel engine vehicles would be the more likely – at least initially.

Any Risks that may need to be considered**Breakdown of Growth Request - Income and Expenditure**

Increased/Decreased COSTS - Enter decreases with a minus sign		£
Assuming staffing Levels Set at 8 FTE		214,760
Total Fuel Costs		19,430
Total Vehicle Maintenance Costs for new fleet of 8 vehicles		24,000
Changes to Revenue Costs		258,190
Increased/Decreased INCOME - Enter increases with a minus sign		£
Changes to Revenue Income		0
Net Revenue Impact of Growth Request		258,190

Requested By

Head of Regeneration and Housing

Description of Growth Request

Joiners Arms Standard Fittings for Hostel Flats

This scheme would introduce a standardised approach to furnishings at the Joiners Arms Hostel at 90 Whalley Road. Each flat would be fitted with a built-in cupboard and draw set with a hanging rail, standard easy chair/s, table and dining chair. This would enable items to be fixed and offer a standardised offer in each unit. At present with the exception of bed units the flats are furnished with pieces sourced from Charity shops or on occasion donated where they are demonstrated to be safety compliant. Furnishings often need replacement regularly as they become damaged, with associated costs for replacement, installation and disposal. Overall the offer is a poor standard and does introduce risks to tenants where furnishings become damaged and are not reported. The introduction of standard furnishings may reduce management and maintenance costs, improve safety and reduce risks. It will contribute overall to a better offer to clients in need of the homelessness service.

Will this Growth be for 2022/23 only (NON-RECURRING) or for every year after too (RECURRING)

NON-RECURRING

Environmental Considerations and Green Credentials

Furnishings would be sourced from commercial suppliers and would be required to meet FSC standards for sustainable timber. Reduced maintenance requirements will reduce the need for maintenance visits and associated travel.

Any Risks that may need to be considered

Materials supply delays and ability to work around voids in flats.

Breakdown of Growth Request - Income and Expenditure

Increased/Decreased <u>COSTS</u> - Enter <u>decreases</u> with a minus sign		£
Equipment (Furniture)		11,800
Internal Staff Time (Works Admin staff time for assembly/fitting)		2,500
Changes to Revenue Costs		14,300
Increased/Decreased <u>INCOME</u> - Enter <u>increases</u> with a minus sign		£
Rent income reduction from voids whilst new furniture installed		700
Changes to Revenue Income		700
Net Revenue Impact of Growth Request		15,000