

RIBBLE VALLEY BOROUGH COUNCIL

REPORT TO ECONOMIC DEVELOPMENT COMMITTEE

DECISION

meeting date: 20 JANUARY 2022

title: ORIGINAL REVENUE BUDGET 2022/23

submitted by: DIRECTOR OF RESOURCES

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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 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 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 they are reviewed. Each costs centre within the report is shown individually. Behind each cost centre is a great deal more subjective level detailed 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 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 draft budget is summarised in two ways. One over the cost of the service provided by the committee (objective). The other is over the type of expenditure and income (subjective)

a) Cost of service provided by the committee (Objective)

Cost Centre	Original Estimate 2021/22	Inflation at 2% Pay and 3% Other	Further Movement in Expenditure	Further Movement in Income	Movements in Support Services	Movements in Capital	DRAFT Original Estimate 2022/23
ALBNM: Albion Mill	340	-110	10		550		790
INDDV: Economic Development	191,210	650			47,710		239,570
TURSM: Tourism and Events	122,500	920	-200	-1,900	-3,790		117,530
Grand Total	314,050	1,460	-190	-1,900	44,470	0	357,890

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	DRAFT Original Estimate 2022/23
Employee Related Expenditure	0		2,010				2,010
Premises Related Expenditure	34,740	1,040	-2,200				33,580
Transport Related Expenditure	70						70
Supplies & Services	55,480	1,670					57,150
Support Services	265,580				44,470		310,050
Total Expenditure	355,870	2,710	-190	0	44,470	0	402,860
Government Grants				-1,900			-1,900
Customer & Client Receipts	-41,820	-1,250					-43,070
Total Income	-41,820	-1,250	0	-1,900	0	0	-44,970
Net Expenditure	314,050	1,460	-190	-1,900	44,470	0	357,890

7 KEY VARIATIONS

- 7.1 The net expenditure for this committee has increased by £43,840. 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 £
<u>INDDV – Economic Development</u> Increase in support service costs mainly due to staffing changes within the Economic Development and Planning Department resulting in an increase in the allocation of officer time to this area that will give the department the ability to respond to current challenges facing Economic Development.	47,710
<u>TURSM – Tourism and Events</u> Decrease in support service costs -£8,900 mainly due to a lower allocation of officer time of the Economic Development and Planning Department but partly offsetting this are additional costs charged to Community Services, Resources and Chief Executive’s Departments £5,110 being mainly a result of the pay review.	-3,790

8 RISK ASSESSMENT

- 8.1 The approval of this report may have the following implications

- Resources: approval of the original budget for 2022/23 would see an increase in net expenditure of £43,840 compared with the original budget for 2021/22.
- 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.

9 RECOMMENDED THAT COMMITTEE

- 9.1 Approve the revenue original estimate for 2022/23 and submit this to the Special Policy and Finance Committee.

SENIOR ACCOUNTANT

DIRECTOR OF RESOURCES

ED2-22/HS/AC
11 JANUARY 2022