

# MINUTES OF BUDGET WORKING GROUP MEETING

## HELD 10 FEBRUARY 2022

Present: S Atkinson (Chair), A Brown, S Fletcher, J Hill, S Hirst, S Hore, D Peat, J Rogerson, Chief Executive, Director of Resources, Director of Economic Development and Planning, Director of Community Services, Head of Financial Services.

### **1 Apologies**

1.1 None

### **2 Minutes of meeting held on 24 January 2022**

2.1 Members approved the minutes of the last meeting of the Budget Working Group.

### **3 Final Government Grant Settlement Core Spending Power and Transition**

3.1 A report on the final government grant settlement for 2022/23 was presented to members. The report included comparisons to the previous year's funding and also looked forward at the potential transition to the Local Government Fair Funding Review outcome system.

3.2 A number of scenarios were given for potential transition arrangements, assuming that the council may fair badly as funding is directed to support the levelling up agenda going forward.

3.3 The report highlighted the potential for significant reductions in Government funding.

3.4 Further comment was also given in the report around

- New Homes Bonus, and the impending Government response to the New Homes Bonus consultation
- Business Rates Growth, and how this would be outside any future transition system. The main impact would come from any baseline reset and any potential changes to the level of the District council share.

### **4 Inflation and the Revenue Budget 2022/23**

4.1 Members were provided with a report on the inflationary increases that had been allowed for in the 2022/23 revenue budget and the potential impact of further inflationary increases above that already allowed for.

4.2 The report provided a backward look at CPI and also considered the current forecasts. A breakdown of the latest CPI increase was provided and the elements that mainly impacted on this council were highlighted.

4.3 Known increased costs for the council were provided, notably fuel costs and other contract price increases, together with details of additional budget that had been allowed for.

4.4 It was flagged that whilst additional budget had been allowed for in respect of some substantial inflationary increases, there were other areas where increased costs had yet to be seen, but were likely. To that end it was suggested that, as a minimum, a further 1% inflationary increase on top of the 2% allowed on pay and the 3% allowed on prices should be allowed for, equating to just over £140,000.

## **5 Revenue Budget 2022/23**

- 5.1 Members considered a report on the latest budget position in order to make recommendations to Special Policy and Finance Committee.
- 5.2 This included discussing the guiding principles for financing the budget, including the use of general fund balances, earmarked reserves and the proposed level of council tax for 2022/23.
- 5.3 An update on the revised budget for 2021/22 and the budget position for 2022/23 was provided to members by the Director of Resources. Overall, revised committee budgets were forecast to be £360,150 below the original estimate.
- 5.4 The net position on the revised estimate showed that it was now anticipated that £198k would be added to general fund balances rather than taking £400k.
- 5.5 It was highlighted that it was very difficult to predict beyond next year what the council's likely share of business rates would be given the significant changes that are expected – resetting of the business rates baseline, the future of pooling, and whether the existing shares would remain the same in two tier areas.
- 5.6 Looking forward to the 2022/23 original estimate, committee expenditure was set to increase by £698,870 compared to the original estimate for 2021/22. The main reasons for this were the cost of the new pay-line, changes to refuse drivers pay, inflation and depreciation.
- 5.7 Whilst inflationary increases had been allowed for within the budget, as inflation continues to increase it was highlighted that the council would likely need to allow extra within the budget to meet further increases. Every additional 1% rise equated to £140k, as referenced in the previous report.
- 5.8 The growth items that had been submitted were referred to, together with the potential option to fund the non-recurring items before the 31 March from the forecast savings on the revised estimate for 2021/22, however budget working group were not supportive of this.
- 5.9 A summary of the major sources of funding for the council was given within the report, covering:
- Income
  - Government Funding 2022/23
  - Business Rates
  - New Homes Bonus
  - Council Tax
  - General Fund Balances
- 5.10 The report then went on to look at the funding for the 2022/23 budget.
- 5.11 A number of recommendations were put to the Budget Working Group for consideration, in order to produce a balanced and affordable budget for 2022/23:
- **Inflation** The BWG considered the draft budget provision for inflation given the current position and predictions.  
***BWG Recommended that a contingency of £140k be added to the revenue budget and the BWG closely monitor the impact of inflation on the Council's budget throughout the year.***
  - **Income Losses** We have budgeted for income within service committees on the basis of no impacts from the covid pandemic. However we do expect the pandemic to continue to impact on our income into the next financial year. We therefore need to include a contingency for potential lost income.

**BWG Recommended that** a contingency be added to next year's budget of £50k for potential further income losses due to the covid pandemic

- **Growth Bids** The Budget Working Group considered the position regarding the growth bids which have been put forward for inclusion in our revenue budget

**BWG Recommended that** no growth bids are included at this stage in next year's budget but asked for due diligence work to be undertaken on all revenue bids for further consideration over the summer when we may know the impact of the pending key financial reforms

- **Business Rate Growth**

**BWG Recommended that** we use the same amount of Business Rate Growth £795k to fund our revenue budget as set out in our budget forecast plus £296k to fund the 2022/23 cost of the new pay-line as previously agreed

- **New Homes Bonus**

**BWG Recommended that** we use the same amount of New Homes Bonus £1.105m as set out in our budget forecast to fund our revenue budget

- **Council Tax** The Budget Working Group considered the extra income which would be brought in with a £5 increase in the band D tax which would be £123k.

**BWG Recommended** a £5 increase in our Band D tax to £160.69 for 2022/23. This was after having considered the level of our council tax at £155.69 for a Band D property and given the budget pressures

- **Use of Balances**

**BWG Recommended** using £250,000 from general fund balances as per the budget forecast. They also further recommend funding the budget gap for next year of £162k from general fund balances. This takes the total amount to be used to £412k.

## **6 Three Year Capital Programme 2022/23 to 2024/25**

6.1 Members were taken through the proposed Three-Year Capital Programme 2022/23 – 2024/25.

6.2 New bids had been sought and reported to service committees in order to produce a five-year capital programme, but in light of the uncertainty regarding local government funding beyond 2022/23 and the impending fair funding review it was proposed that these be set aside until later in the 2022/23 financial year for consideration once there was more certainty around local government funding.

6.3 The focus of this budget update process had been on a:

- Review of the 2022/23 capital schemes already in the capital programme to confirm that costings were correct and that they would be able to be completed in that year.
- Review of the current year's (2021/22) capital schemes to identify whether any may need to be moved to the 2022/23 financial year.

6.4 A number of schemes/part schemes were moved from the 2021/22 financial year to the 2022/23 financial year, together with associated financing – a small amount of additional funding was needed in respect of 2 schemes.

6.5 A number of other adjustments were needed to other schemes in the three-year capital programme and these were funded from the Business Rates Growth Reserve, or in respect of Disabled Facilities Grant (DFG), from additional DFG funding.

6.6 Following concerns about being able to secure external funding for the Castle Keep scheme it was proposed to instead fund this from the Business Rates Growth Reserve.

6.7 Members agreed with the proposals outlined in the report.

**7 Any Other Business**

7.1 Members discussed the payment of the Council Tax Energy Rebates, capacity to undertake grant payments and other wider priorities.

7.2 It was agreed that a presentation on the budget would be arranged for all members on the 21 February at 5.30pm. This would be an 'in person' meeting rather than a virtual meeting.

**8 Date and Time of Next Meeting**

8.1 It was agreed that there was no need for a further meeting of the Budget Working Group prior to the Full Council meeting to approve the Council Tax.