

MINUTES OF BUDGET WORKING GROUP MEETING

HELD 25 AUGUST 2022

Present: Cllrs: S Atkinson (Chair), S Hore, D Peat, R Newmark, S Fletcher, J Rogerson
Chief Executive, Director of Resources, Director of Community Services, Director of Economic Development and Planning.

1 Apologies

Cllrs: A Brown, J Hill

2 Minutes of meeting held on 18 May 2022

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

3 Overall Revenue Outturn 2021/22

3.1 The Director of Resources took members through a report which gave details of the overall outturn on the Council's revenue budget for 2021/22.

3.2 The report gave detailed information covering General Fund outturn, Impact on General Fund balances and Earmarked Reserves, Business Rates and the Collection Fund.

3.3 The final position showed a surplus of £427k during the year, compared with the Revised Estimate which showed a surplus of £198k and the Original Estimate which had predicted a deficit of £400k.

3.4 Reasons for the variations were set out in the report. It was highlighted that the key areas of underspends/savings were:

- salary savings and associated overheads due to significant vacancies throughout the year
- reduced expenditure in various areas
- increased income from fees and charges in some areas eg planning fees
- the use of covid funding
- local plan – those this underspend has been set aside and will be carried forward into the current year.

3.5 General Fund balances stood at £2.961m after the adding of the surplus for the year of £427k

3.6 Earmarked Reserves stood at £15.082m at 31 March 2022. It was explained that this included £1.641m in respect of Business Rates S31 Grants which will be released in 2022/23.

3.7 There was an overall deficit on the Collection Fund of £3.702m made up of a surplus for council tax of £1.367m and a deficit in respect of business rates of £5.069m.

4 Inflation, Interest Rates and the Revenue Budget 2022/23

4.1 Members were taken through a report which detailed the potential impact on the council's budget of the inflationary increases seen so far this financial year.

4.2 The latest CPI (consumer price index) had been announced for July just before the meeting and this had risen to 10.1%

4.3 It was highlighted that whilst the current base rate stood at 1.75% the council's brokers had indicated it could rise to 4% by March 2023.

4.4 In terms of this year's revenue budget an exercise had been undertaken to try and assess the overall impact of inflation on each type of expenditure and income based on the indices each month across each category.

4.5 This, along with the impact of the pay offer for 2022/23 which has not been settled, showed an increase so far of £700k above amount allowed for in our base budget. However it was pointed out that a contingency had been added to our budget of £140k at the beginning of the year, which would reduce this impact slightly.

4.6 It was explained that for this council the key areas most impacted by inflation are

- staffing costs (due to the latest pay offer)
- gas
- electricity
- vehicle fuel
- ICT software costs

4.7 Members asked a number of questions regarding inflation and agreed that it was crucial the impact was kept under regular review. It was also noted that decisions on how to fund this extra cost for the current year would have to be made when the revised estimate is prepared.

5 Pay Offer

5.1 The Director of Resources updated members regarding the latest position regarding the pay offer for 2022/23. Local Government pay is determined by the National Joint Council (NJC).

5.2 In June the trade union side had put forward their claim which was for a £2,000 increase on all pay points and also other conditions including a covid recognition payment, review of mileage rates, reduction in the working week amongst other requests.

5.3 The Employers side had made a final, one-year offer for 2022/23 as follows:

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| <ul style="list-style-type: none">• with effect from 1 April 2022, an increase of £1,925 on all NJC pay points 1 and above• with effect from 1 April 2022, an increase of 4.04 per cent on all allowances (as listed in the 2021 NJC pay agreement circular dated 28 February 2022)• with effect from 1 April 2023, an increase of one day to all employees' annual leave entitlement• with effect from 1 April 2023, the deletion of pay point 1 from the NJC pay spine. |
|--|

5.4 This offer is currently being consulted on by the unions.

5.5 The cost to the council of the current offer is just over £500k approx. 7% on our pay bill. We had budgeted for a 2% pay increase with an extra 1% provided for pay increases in a contingency. The shortfall was therefore £290k.

6 Budget Forecast 2023/24 to 2025/26

6.1 The Director of Resources took members through a report which set out the recently updated budget forecast for the next 3 years.

6.2 It was explained that given the current economic climate it was very difficult to predict the levels of increases for pay, prices and income which underpin the forecast. This was a rapidly evolving situation and assumptions were almost out of date as soon as they were calculated. Other factors impacting on our finances were highlighted:

- COVID19 Pandemic
- Changes to the Prime Minister and Ministerial Team
- Changes to Government and Major Funding Streams
- Cost of living and impact on demand for services
- Inflation
- Potential recession and impact on income.
- Impact of the 2023 Revaluation to business rates

- Impact of the triennial revaluation of the pension fund

6.3 It was also explained that this was the start of the budget process for the 2023/24 year and the role of the Budget Working Group in making recommendations to Policy and Finance committee regarding guidance to give to service committees when considering their budgets for next year.

6.4 The Director of Resources took members through the detailed forecast in detail.

6.5 Many assumptions were particularly difficult in the absence of further information regarding our finance settlement. Indications had been given that we would receive a letter over the summer which would set out details of a 2 year settlement in advance of the much delayed finance reforms. Such a letter however had not been received. Assumptions had therefore had to be made and there were that;

- We would receive 10% more business rate growth income than the 2021/22 outturn.
- We would receive £420k New Homes Bonus in 2023/ 24 and also 2024/25
- Council tax may be allowed to rise by £10 next year

6.6 It was stressed with both Business Rates and New Homes Bonus that these were both tenuous assumptions and the position could vary hugely.

6.7 Assumptions for pay, price and income increase were also difficult to predict and it was explained that these also could vary significantly.

	Pay	Prices	Income
2023/4	5%	7½%	5%
2024/5	2½%	2½%	2½%
2025/6	2%	2%	2%

6.8 The resultant forecast produced a budget gap of:

	£
2023/24	1,040,966
2024/25	1,394,296
2025/26	2,412,914

6.9 Members discussed many aspects of the forecast

6.10 It was felt that whilst this council had followed Government advice and in many previous years frozen it's share of the council tax this meant we were some way off the level of funding we could have been receiving to balance the budget.

6.11 After some discussion it was agreed to recommend to Policy and Finance committee the following:

- Council tax -Depending on the capping principles announced by the Government for next year we should consider increasing the council tax by the maximum permissible –assumed £10 on a band d property
- Expenditure - Committees should be advised to examine their budgets carefully to see if any savings can be identified
- Income - Fees and charges should be increased by the rate of CPI in September and reports presented to services committees alongside their budget reports in January.
- Capital - The BWG recommend that the Council prepares a 5 year capital programme as follows:
 - Committees be asked to review their existing approved capital schemes in line with inflation

- The capital bids put forward but put on hold last year be also reviewed in line with inflation and analysed between essential and other categories.
- Committees are also asked to identify any new bids and analyse between essential and other categories
- Reserves - It was recognised that it was likely that reserves would need to be used to fund the budget shortfall next year before decisions can be made to produce a sustainable base budget going forward based on projected inflation etc

7 Date and Time of Next Meeting

This would be arranged sometime after the next meeting of Policy and Finance Committee.

MINUTES OF BUDGET WORKING GROUP MEETING

HELD 29 NOVEMBER 2022

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

1 **Apologies**

1.1 Cllr J Hill, J Rogerson

2 **Minutes of meeting held on 25 August 2022**

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

3 **Existing Capital Programme**

3.1 Members were provided with details of the current approved capital programme schemes for 2023/24 to 2024/25.

3.2 These had been reviewed by Heads of Service, as in previous years, but this year it was particularly pertinent in light of the high levels of inflation. The review looked at programmed years for each scheme and also forecast cost.

3.3 Following the review, the report showed that there was an increase in scheme costs of £79,020 over the two years 2023/24 and 2024/25

3.4 Members were in agreement with the proposals. Business Rates Growth was the favoured option for funding the increased costs.

4 **New Capital Bids**

4.1 Members were next presented with a report that looked at schemes submitted in the 2021 and 2022 bidding rounds.

4.2 Members were reminded that whilst schemes were bid for in 2021, these were set aside for consideration once there was more certainty around local government funding. These schemes had now been reviewed once again by Heads of Service in light of the high levels of inflation. The further review looked at programmed years for each scheme and also forecast cost.

4.3 In addition, there had been a new round of capital scheme bids made by Heads of Services at the end of 2022 and these were included for consideration. Members also expressed that there were a number of schemes that they wished to have considered for inclusion.

4.4 There was a discussion about progress on the current capital programme. It was recognised that staffing issues, particularly in the Engineering Services Section, had slowed progress on some schemes.

4.5 It was agreed that it was important to set a capital programme that was achievable within staffing resources when reviewing the new scheme proposals.

4.6 The schemes from both the 2021 and 2022 bidding rounds were considered individually, in turn, and a number of amendments and deletions were proposed, including reprogramming for the timing of when schemes should take place.

4.7 It was agreed that there would be another meeting to further consider the schemes after this initial review, and it was acknowledged that the funding of the capital programme had also yet to be considered. Use of the UK Shared Prosperity Fund was discussed.

5 Updated Revenue Budget Forecast 2023/24 to 2025/26

5.1 An updated budget forecast was presented to members, which reflected further recent changes. Details of the finance settlement for 2023/24 had yet to be received, and so several assumptions were made within the budget forecast in this regard. The report covered:

- Recent inflation increases
- Autumn Statement
- Interest Rate Increases
- Actuarial valuation of the Lancashire County Pension Fund
- Announcement of Business Rate Revaluation
- Impact of Cost of Living crisis
- Changes to Government funding and other main Funding Streams

5.2 The updated forecast showed likely future reductions in expenditure required of:

- 2023/24 - £505,371
- 2024/25 - £951,771
- 2025/26 - £2,058,524

6 Revenue Budget 2022/23 – Latest Position

6.1 A budget monitoring report covering the period to the end of October and adjusted for the pay award and back pay (paid in November) was presented to members.

6.2 The report showed a modest overspend on the budget, but it was highlighted that the full impact of the pay award for the remainder of the year and higher energy costs going forward will likely change this position.

6.3 It was highlighted that the position would have been worse had it not been for the number of higher profile staff vacancies in year.

7 Any Other Business

7.1 There were no items of other business

8 Date and Time of Next Meeting

8.1 The next meeting was proposed as Monday 19 December