

## **Section Four - General Fund Revenue Budget**

### **Revised Budget 2021-22**

1. During 2021-22, the Cabinet and Finance & Audit Committee (which provides the scrutiny function over budgetary control) have received three quarterly budget monitoring reports. Each Budget Monitoring report has included a summary of the known variances contributing to the projected year-end financial position of the authority.
2. The COVID-19 Pandemic continues to impact on the financial position of the council, particularly on income streams. The Budget Monitoring Report showing the projected financial position at the end of Quarter Three (period to 31 December 2021) indicates a projected underspend for the year of £598,670 against the original budget indicating a contribution of £98,270 would be made to working balances, albeit income and expenditure variances in the last quarter of the year will impact on this figure.

### **Revenue Budget 2022-23**

3. The ongoing impact from the COVID-19 Pandemic on the council, businesses and residents of the Borough cannot be easily forecast with any certainty. The proposed budget for 2022-23 has been developed on the basis of using prudent and considered assumptions around key expenditure and income items for the year.
4. The Original Estimate for 2022-23 represents a balanced budget position, with a contribution of £1.45m being made from working balances to support expenditure in the year (assuming a Council Tax increase of £4.95 (2.32%) in 2022-23).
5. A draft Budget Book is attached at Appendix 4a for Member information. The key factors considered when proposing the budget for 2022-23 are set out below.

#### **Employee Costs**

6. For 2021-22 a pay agreement between the unions and the National Employers for Local Government Services is still to be determined. A final offer of 1.75% has been made by the National Employers and this has been built in to the MTFP for 2021-22. Previously the council had budgeted for a 0% pay award in 2021-22.
7. With pay negotiations still live in relation to 2021-22, there are currently no indications of what any pay offer for 2022-23 might consider. As part of the Autumn Budget and Spending Review in October 2021, the Chancellor of the Exchequer confirmed his intention to seek recommendations from Pay Review Bodies where applicable to inform public sector pay growth over the next three years. The MTFP includes an assumed increase of 2% of salaries for 2022-23 and for future years.
8. The Government in November announced a 1% increase in employer NI contributions to take effect from April 2022. This is estimated to create additional cost pressures of £100,000 per annum.
9. Following analysis of historic performance, the Vacancy Allowance has increased by £100,000 to £450,000 for the General Fund from 2022-23.

### Running Expenses

10. The council maintains budgets for regular expenditure on supplies and services which support the council in delivering its services to residents and achieving its objectives. Working with budget holders, these budget lines have been reviewed for 2022-23 to ensure that sufficient financial provision is made for such costs and that budgets remain fit for purpose.
11. The council is less exposed to inflationary pressures than other similar organisations due to a number of services (such as waste collection and recycling) being delivered in-house. Where known, inflationary increases have been built into the budget and the council retains an inflation provision to respond to any further pressures that may arise during the year.

### Capital Financing

12. As part of the capital programme for both current and future years, new external borrowing has been planned. Resultantly, net interest payable on this borrowing is budgeted to be £400,480 in 2021-22.
13. The council is required to charge an expense to its revenue account for the repayment of external debt associated with its investment in capital assets (known as Minimum Revenue Provision, or MRP). For 2022-23, the required provision for this purpose is £656,480.

### Other Government Grants

14. The council receives a number of grants from government; over this last year the number of grants have decreased as the economy starts to re-open. Principally these grants were to respond to the financial impacts on the council of the COVID-19 Pandemic and to compensate the council for lost Business Rates due to reliefs granted to businesses by central government.
15. The provisional settlement has indicated that the government does not intend to continue to provide direct support to local authorities in 2022-23 for the ongoing budget pressures brought about by the COVID-19 pandemic. In 2022-23, government grants received by the council will primarily be in the form of support for the administration of Homelessness and Rough Sleeping services, Housing Benefit and Localised Support for Council Tax.

### Investment Income

16. Generating returns from traditional investment sources continues to be incredibly challenging due to low interest rates, albeit the council has sought to maximise its returns where possible through a considered diversification of its investment portfolio into Property Funds and Diversified Income Funds.
17. In December 2021 the Bank of England increased base rates to 0.25% from 0.1% after the Monetary Policy Committee voted in favour of the first rise for more than three years. The 22/23 interest rate forecast assumes that internal investments will earn an average of 0.50% over the course of the year, based on Link's current forecast for budgeted returns. Following advice from Property and Multi-Asset Fund Managers, average

returns have been assumed from property funds of 4.18% and 3.12% for multi asset funds.

#### Fees and Charges

18. The responsibility for determining fees and charges has been delegated to Directors and Assistant Directors (with the exception of car park fees). The council reviews its fees and charges structure at least annually, and a report on the outcomes of this will be reported to Cabinet alongside this budget report. This income line has been significantly impacted in particular car parking income as a result of COVID-19 pandemic and it is unclear if this stream of income will recover to pre-pandemic levels as public habits have changed over the last two years.

#### Rental Income

19. The council receives rental through number of lease arrangements, principally in respect of its commercial property portfolio, co-location of partner organisations within the Civic Centre and from council-owned garage sites.

#### Appropriations

20. The council will make a number of planned transfers into working balances and reserves during 2022-23 to support future spending plans and help cushion the impact of uneven cashflows or unexpected events, avoiding the need for temporary borrowing. As set out in Appendix 6, as part of the budget setting process the Director (Corporate Services) has considered the adequacy of the council's reserves and working balances; the proposed appropriations to and from reserves and balances are in accordance with the review and are in line with the council's Reserves Policy.
21. In 2022-23 the council will continue its policy decision of taking New Homes Bonus Funding directly to working balances when received.

### **Medium Term Financial Planning for the council and its community**

22. For the last two years the council has put in place a single year MTFS which reflected the chancellors spending review announcements and the significant uncertainty regarding the potential impacts on the economy due to the COVID-19 Pandemic.
23. This year the council has prepared a five-year MTFS spanning 2022-23 to 2026-27 in response to an absence of further information on the future of funding for local government from central government and the need for the council to consider initiatives to reduce the emerging budget gap that the council is now facing on its General Fund Services.
24. The budget proposals for 2022-23 maintain the ambitions of the council set out in the corporate plan and continue to include funding to support the delivery of a new Leisure Centre, programmed replacement plans for council-owned playsites, the delivery of new housing, improved town centre street scene and a commitment to become carbon neutral by 2030. They also reflect the commitments made in the last year to improve the creative offering in the borough through the St Georges Creative Hub (that opened in December 2021) and develop a programme of works to improve Rear Accessways.
25. The COVID-19 Pandemic has created significant uncertainty regarding the potential impacts on the economy. Whilst central government has set in place schemes to

support businesses during the pandemic, the council recognises that businesses and individuals will also need support to respond and adapt to the economic environment that emerges as the country recovers from the current situation.

26. The COVID-19 Pandemic has also created new challenges to the future sustainability of the council, which are compounded by the ongoing and prolonged uncertainty around the future funding of local government. In setting the budget for 2022-23, the council is once again facing a situation of emerging financial pressures in future years which will require action to address. This required action has been included in the Council's Medium Term Financial Strategy.