

Hambleton District Council

Report To: Cabinet

Date: 7 December 2021

Subject: **Revenue Budget 2022/23**

Portfolio Holder: Economic Development and Finance
Councillor P R Wilkinson

Wards Affected: All Wards

1.0 Purpose and Background

- 1.1 The purpose of this report is to present to Cabinet a draft Revenue Budget for 2022/23 and seek approval to go out to consult residents and statutory stakeholders upon it. A final budget report will be presented in February with the results of the consultation, the final local government financial settlement identifying central government support and the overall level of reserves. This will form the basis of the Council Tax report to February Council.
- 1.2 The changes to local government structure come into effect in North Yorkshire from 1st April 2023. This means that this is the final budget for Hambleton District Council services in isolation. However, the draft budget before Cabinet continues the strong financial management culture that has always underpinned the decisions of Members within Hambleton District Council. It is mindful of the on-going implications of any spending decisions and the impact on future service levels to residents and any impact on the financial viability of the new authority. An estimate of the 2023/24 position for Hambleton District Council has been included as if it was a continuing authority.

2.0 Financial Strategy

- 2.1 In February 2021, the Council approved a 4-year Financial Strategy that highlighted assumptions made on future income generation from fees and charges, levels of Government grants to be received, savings targets and Council Tax levels. This will need to be amended in the light of the impact of the Budget delivered by the Chancellor of the Exchequer. However, the details will not be known until late December. This will be done as part of the final budget report in February 2022.
- 2.2 The budget before Members has been set in line with this strategy and the assumptions that underpin it include:-
 - Provisional salary increase of 2% has been included for 2022/23. However, the salary settlement for 2021/22 remains in abeyance at the time of writing. There is an assumption of 2% in the financial strategy for that.

- The salary budget has also been increased by 1.25% for the additional national insurance level to fund social care. It was indicated in the budget that public sector employers would be reimbursed this by Government grant. This has not been included in the budget at this stage.
- Expenditure agreements and contracts have been increased by the appropriate index with non-pay or fuel inflation amounting to £75,000
- Energy prices continue to be volatile, but the contracts procured has limited the impact on the Council. However, new arrangements will need to be put in place in 2022/23 and a large increase likely. Based upon recent negotiations for the Crematorium, £100,000 has been added specifically for increased electricity costs.
- All fees and charges have been reviewed for next year. Increases have been applied in line with inflation or national guidelines to some services. No increases have been applied to car parking or green waste.
- Investment in new services was part of the approved Financial Strategy to improve facilities for residents and generate income. This budget includes new income from the Crematorium (£300,000) and Treadmills (£60,000).
- Council Tax will be increased by £5 for 2022/23 in line with plans.
- A new Business Rate Retention Scheme for North Yorkshire Councils (excluding Harrogate and Selby) for 2022/23 has been agreed with the Government. This scheme enables the Council to keep a proportion of that locally. Whilst the actual amount retained will depend upon actual collection rates a prudent assumption of £400,000 has been included in the budget.
- The level of Government grant to be received was shown to fall dramatically over years 2022/23, 2023/24 and 2024/25 in the original financial strategy. However, the Chancellor's Budget in October indicated a healthier settlement for local government and some potential growth as part of the 3-year spending review. There are no fundamental changes planned over the period for business rates. The detail implications for Hambleton will not be known until mid-December, so the level of Government support has been maintained as at 2021/22 for the purposes of this paper.
- Debt will be drawn down in the current year to fund the major investment in the capital programme. The full year impact of that debt is within the budget. Balances have been used to fund this expenditure as interest rates continue to remain low at 0.1%. This will continue to be reviewed as events change.
- No specific savings are highlighted in the draft 2022/23 budget. This is in line with the assumptions being made across the other North Yorkshire councils heading into local government reorganisation.
- Elections will be held in May 2022. Whilst elections are a function of Hambleton and expenditure will be incurred, the full cost of these will be met by North Yorkshire County Council including the costs of the parish elections

3.0 Draft Revenue Budget 2022/23

- 3.1 The draft revenue budget has been prepared in line with the current financial strategy and using the assumptions outlined above. It incorporates all the resource requirements to deliver the approved service delivery plans of the organisation. The salary budgets have a fully costed establishment. All ongoing direct service costs are shown within the relevant cost centres. All cost centre budgets are shown gross and do not include inter-service recharges. The 2021/22 budget is shown on the same basis for easy comparison.
- 3.2 The summary draft revenue budget or 2022/23 is shown below in Table 1. An indication of what the 2023/24 budget would be should there be no local government reorganisation has been included for completeness. The detailed cost centres are included in Annex 1.

Table 1 Summary Draft Budget 2022/23

Budget 2021/22 £	Service Area	Budget 2022/23 £	Estimate 2023/24 £
432,830	Economy & Planning	924,010	942,490
3,604,330	Environment	3,960,850	4,040,067
3,533,900	Finance & Commercial	4,137,070	4,015,814
1,248,150	Law & Governance	1,272,570	1,298,021
1,402,540	Leisure & Communities	1,571,900	1,195,338
<u>129,330</u>	Internal Drainage Boards	<u>129,330</u>	<u>129,330</u>
10,351,080		11,995,730	11,621,060
	<u>Specific Funding:</u>		
	One Off Fund	(600,000)	
	New Income Streams		(200,000)
	Savings		(350,000)
	Pre-paid Grant	<u>(29,360)</u>	
10,351,080	Net Revenue Budget	11,356,370	11,071,060
	<u>Funded from:</u>		
3,353,084	Business Rates	3,353,084	3,353,084
	Business Rate Pool	400,000	
2,420,393	Government Grants	2,420,393	2,420,393
4,275,014	Council Tax	4,510,808	4,751,271
<u>302,589</u>	Reserves	<u>682,085</u>	<u>546,312</u>
10,351,080		11,356,370	11,071,060

- 3.3 The budget has increased from £10,351,080 in 2021/22 to £11,945,730 in 2022/23. As highlighted above there has been inflationary pressure on the budget from pay and fuel. Pay increase for 2021/22 are likely to be in excess of the amount included in the budget and there is the increase to employer national insurance contributions. On the other hand, additional income from investments in assets such as the crematorium has also come on stream. However, the costs of that investment now need to be incorporated in the budget. Table 2 below looks at the major increases in the budget.

Table 2 Major Changes incorporated in draft Budget 2022/23

Original Budget 2021/22		10,351,080
<u>Inflation</u>		
Salary	580,000	
Agency Staff	185,000	
Fuel	100,000	
Other	<u>75,000</u>	940,000
<u>Policy Impact</u>		
Make a Difference	250,000	
Community Grants	150,000	
New Waste Round	175,000	
MRP and Interest (impact of investments)	<u>250,000</u>	825,000
<u>Additional Income</u>		
Fees & Charges increase	(150,000)	
Full year of Thirsk & Sowerby leisure	(175,000)	
Crematorium	(300,000)	
Treadmills	<u>(50,000)</u>	(685,000)
Base budget adjustments for reserves		554,650
Draft Budget 2022/23		11,995,730

3.4 Expenditure Increases

Salary inflation covers the expected pay rises in 2021/22 and 2022/23. Additional agency staffing has been included to help maintain service standards in revenues and benefits and corporate finance. Recruitment continues to be difficult here and the funding identified is the maximum that could be required. Members have already approved the Making a Difference and Community grants policies in October. This budget reflects those decisions and when the monies will be spent. MRP is a revenue charge that needs to be applied when assets are funded via debt. This reflects the investment in Crematorium.

3.5 Income Increases

Members determined to maintain the level of charges for car parking and green waste at the 2021/22 level. Other Fees and Charges have been increased in line with service expectations. Additional income will be received by the Council in 2022/23 the new Crematorium and occupied elements of Treadmills. There will be further increases in 2023/24 and 2024/25 as the Treadmills site is fully occupied and functional.

3.6 Base Budget adjustments for Reserves

A review of reserves has been undertaken as part of the 2022/23 budget setting process to ensure any on-going expenditure funded via the reserves is included in the actual budget. The actual reserves are being written down as part of this process consolidating into a General Reserve and a Local Government Reserve (identified in the Quarter 2 2021/22 Budget report elsewhere on this agenda).

3.7 Funding of Budget

£600,000 is identified from the One-Off Fund. This meets the cost of the Make a Difference and Community grants programmes and the provision for agency staff as they do not remain an on-going commitment. As stated above, the Council Tax has had a £5 increase at Band D and Business Rates and Government Grants maintained at the 2021/22 levels. The final detail will be available in mid-December and the impact will be reported in February 2022 when the final budget is set.

3.8 Reserves

The estimated level of reserves as at 31st March 2022 £9.8m. The draft budget requires the use of £682,000 to balance the expenditure plans to the available resources and an additional £600,000 is required for one-off items in 2022/23 bringing the total call on reserves is £1.282m. This will leave the Council with £7.5m reserves. Members will see that that dependency reduces in 2023/24, if Hambleton were to continue to be a going concern, to £546,000. Further action will be required in the future but that will be part of the wider local government transformation programme.

4.0 Link to Council Priorities

4.1 The budget is the plans of the Council set out in monetary terms. Agreeing the proposed budget will enable all of the Council's agreed programmes and priorities to be delivered.

5.0 Risk Assessment

5.1 The key risks and implications of the draft financial budget are detailed below.

Risk	Implication	Gross Prob	Gross Imp	Gross Total	Preventative action	Net Prob	Net Imp	Net Total
Whilst the Chancellor has indicated a positive 3-year settlement for local government, the funding settlement for Hambleton is still unknown.	Loss of Income	3	5	15	This draft budget has assumed the same level of external funding as in 2021/22	3	3	9

Risk	Implication	Gross Prob	Gross Imp	Gross Total	Preventative action	Net Prob	Net Imp	Net Total
Income generation from services does not return to the levels anticipated in the budget	Loss of Income	3	4	12	No specific reserve has been created for this but the overall level of reserves remaining at £7.5m, the implications can be mitigated short term.	3	3	9

6.0 Legal Implications

6.1 It is a legal requirement under the Local Government Finance Act 1992 to set a balanced budget and monitor progress. This report is the first stage of that process.

7.0 Equality/Diversity Issues

7.1 Equality and Diversity Issues have been considered and there are no specific issues associated with this report.

8.0 Recommendation

8.1 It is recommended that Cabinet approves the draft revenue budget in this report for consultation with residents and statutory partners. The detail will be reported to February Cabinet when the final budget will be approved and recommended to Council.

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Background papers: 2022/23 Budget Working Papers
Chancellor of Exchequer Budget Statement

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