

Open Report on behalf of Andy Gutherson - Executive Director of Place

Report to:	Environment and Economy Scrutiny Committee
Date:	18 January 2022
Subject:	Revenue and Capital Budget Proposals 2022/23

Summary:

The report outlines the budget proposals for the next financial year 2022/23.

The Provisional Local Government Finance Settlement for 2022/23 was issued on 16 December 2021. The Final Settlement, which is expected to be in line with the draft, is due to be published in February 2022. Further budgetary information is also awaited from the Lincolnshire District Councils, therefore the budget proposals for 2022/23 are estimated at this stage.

This report specifically looks at the budget implications for the Council's Environment and Economy services.

The Executive approved budget proposals, including those set out in this report, as its preferred option for the purposes of further consultation at its meeting on 5 January 2022.

Members of this Committee have the opportunity to scrutinise them and make comment, prior to the Executive meeting on 8 February 2022 when it will make its final budget proposals for 2022/23.

Actions Required:

The Environment and Economy Scrutiny Committee is asked to consider this report and provide comments on the budget proposals for consideration by the Executive at its meeting on 8 February 2022.

1. Background

- 1.1. On 27 October 2021, the Chancellor of the Exchequer announced the outcome of the 2021 comprehensive spending review (SR2021) alongside his Autumn Budget 2021. Although this was a spending review setting government departmental budgets up to 2024-25, continuing uncertainty about the fair funding review and possible Business Rates retention reform resulted in it remaining unclear whether

the Department for Levelling Up, Housing and Communities (DLUHC) would conduct a one-year or three-year settlement.

1.2. The Spending Review announcement included notification of additional funding for local authorities in 2022/23 to help councils deal with some of the pressures currently being experienced, including inflationary pressures. Announcements included:

- Local government in England will receive an additional £4.8bn in grant funding over the next three years (£1.6bn in each year), which was described as “for social care and other services”.
- There will be additional funding of £3.6bn over three years for adult social care reform, to implement the cap on personal care costs and changes to the means test. This will be weighted towards later years as the costs of the changes will grow over time.
- Councils providing Adult Social Care services can charge an adult social care precept of up to 1% in 2022/23 and the same again in 2023/24 and 2024/25 (this is in addition to any adult social care precept which may have been deferred from 2021/22 and which can be charged in 2022/23).
- The Business Rates multiplier, which is used to increase Business Rates charges, is to be frozen in 2022/23 and councils will be compensated for this loss of income, most likely by way of additional Section 31 grant.
- Following the previous year’s announcement of a public sector pay freeze, SR2021 confirmed a return to the usual process for setting pay awards.
- The National Living Wage will increase to £9.50 per hour from April 2022 (the impact of this increase has been included in the budget proposals).
- A number of other specific grants will be received, although the amounts per council are not yet known. These include grants for: Supporting Families £500m (formerly Troubled Families), cyber security £12m, roads £2.7bn over the next three years, Special Educational Needs and Disabilities school places £2.6bn.

1.3. The Provisional Local Government Finance Settlement for 2022/23 was issued on 16 December 2021 and confirmed funding for one year only (2022/23) and has aimed to offer some stability in funding with primarily a roll-over of existing funding ahead of an assessment of needs and existing resources.

1.4. The provisional settlement confirmed the following funding arrangements for the Council in 2022/23:

- A new tranche of Social Care Support grant of £9.342m; it is assumed that this grant will continue at the same level into future years.

- The Lincolnshire County Council (LCC) share of the new funding to deal with local authority pressures (to be called “Services Grant”) was confirmed at £7.684m and for the 2022/23 year only.
 - Rural Services Delivery Grant – LCC allocation was confirmed at £7.277m, which is the same as in 2021/22.
 - New Homes Bonus grant – LCC allocation is £1.659m, which is an increase of £0.190m compared to 2021/22.
 - Revenue Support grant – LCC allocation is £21.220m, which is an increase of £0.640m compared to 2021/22.
 - Business Rates Top-Up grant – LCC allocation is £91.302m, which is the same as in 2021/22. This stagnation of the grant level is due to the business rates multiplier freeze announced as part of the Spending Review. It is assumed that the total of the different elements of business rates will be in line with the total amount we receive in the current year, but this will not be known until the end of January when we receive budgetary information from the Lincolnshire District Councils.
 - The council tax referendum limit will be 2% for general council tax increases and social care authorities can raise up to 1% for a further Adult Social Care precept. Social Care authorities can also raise an Adult Social Care precept in 2022/23 for any element of the 3% precept for 2021/22 which was deferred but this cannot be carried-forward again.
 - Improved Better Care Fund (iBCF) was confirmed at £34.255m, which is £1.006m higher than the current level of grant. It is assumed that this is to fund new activities and a corresponding cost pressure of £1.006m has been added.
 - A new grant called Market Sustainability and Fair Cost of Care Fund was confirmed at £2.273m. This relates to the reforms to Adult Social Care funding announced in the autumn and it is again assumed that there will be new burdens arising from compliance with the grant conditions, resulting in a corresponding cost pressure.
- 1.5. Members will be aware that central Government planned to implement significant funding reforms for the local government sector. There are two aspects to these reforms: the Review of Relative Needs and Resources (known as the Fair Funding Review), and 75% Business Rates Retention. These reforms were originally due to be implemented from April 2020 but were later deferred to April 2021 and then again to April 2022. The provisional settlement announcement indicates that work will start in the coming months to look at updating how local government funding is distributed. It is therefore possible that these long-awaited reforms could be implemented from 2023/24, however at this point no definite implementation date has been announced.
- 1.6. The coronavirus pandemic continued to impact on both Council services and the local economy in the 2021/22 financial year with the Council's costs and losses

arising directly from the pandemic being funded by additional government grants. It is assumed that no such funding will be available in 2022/23.

- 1.7. In view of the continuing uncertainties about future levels of funding, a one-year budget is proposed for 2022/23.
- 1.8. At its meeting on 5 January 2022 the Executive approved proposals for the Council's revenue and capital budgets to be put forward as a basis for consultation including a proposed Council Tax increase in 2022/23 of 3.00%. This results from the proposed implementation of the Adult Social Care (ASC) Precept that was deferred in 2021/22. The charging of this 2021/22 ASC precept cannot be deferred again.

Revenue Budget

- 1.9. Budgets have been reviewed in detail based on the latest available information to arrive at the proposals set out in this report. A number of new cost pressures have emerged in addition to the pressures identified for 2022/23 in the previous year's budget process. In some areas, savings which can be made through efficiencies with no or minimal impact on the level of service delivery have also been identified. In developing the proposed financial plan, budget holders have considered all areas of current spending, levels of income and council tax plus use of one-off funding (including use of reserves and capital receipts) to set a balanced budget.
- 1.10. Table A shows the total proposed revenue budget for the Council's Environment and Economy services.

TABLE A

2022/23 Revenue Budget	2021/22 Budget	Cost Pressures	Savings	Proposed Budget 2022/23
	£000	£000	£000	£000
Environment inc Flood Risk Management	3,072	200		3,272
Waste Management	23,000		-365	22,635
Planning Services	1,312			1,312
Economic Development	1,086		-10	1,076
Economic Infrastructure	399			399
Infrastructure Investment	561			561
Development Management	-114			-114
GLLEP	344			344
Total	29,660	200	-375	29,485

- 1.11. The overall budget proposals have allowed for pay inflation of 2% in 2022/23. This is however, currently being held centrally pending agreement of any pay settlement,

following which service budgets will be updated and it is therefore not currently reflected in the table above.

- 1.12. In Environment, an unavoidable cost pressure of £0.200m arises from the increased cost of maintenance to the public rights of way network fuelled by significant materials and labour price inflation. This pressure has been exacerbated over the last two years by greater use of the footpath network driving demand on the service.
- 1.13. Savings of £0.365m are anticipated in 2022/23 from the continued roll-out of separated waste paper and card collections resulting in more efficient processing and improved value of the materials collected.
- 1.14. During 2021/22 a number of services, particularly Waste Management, continued to be impacted by the coronavirus pandemic with the consequential increase in costs being met from the grant provided by government. Proposed budgets for 2022/23 assume that service demands will return to more normal levels and any continuing financial impacts on Council services will therefore be minimal. Waste is influenced by a complex mix of variables, many of which are outside the service's direct control. It will therefore be closely monitored throughout the year to ensure any emerging risk is quickly identified and appropriately mitigated.

Capital Programme

- 1.15. The ten-year Capital Programme previously approved has been reviewed in line with the principles set out in the Council's Capital Strategy, including the principle of affordability. The full Gross Programme totals £113.730m for 2022/23 plus a further £268.569m in future years. After grants and contributions are taken into account, the Net Programme is £87.734m for 2022/23 plus a further £261.075m for future years.
- 1.16. Due to the uncertainty of future funding, no new projects have been added to the Capital Programme in this budget process. Instead, the block budgets for rolling maintenance programmes have been continued forward for the full ten years, and the capital budgets for some existing schemes have been increased due to rising costs. The capital programme net budget has therefore increased since last year's budget process by a net amount of £7.741m.
- 1.17. Table B shows the proposed gross capital programme for the Council's Environment and Economy services.

TABLE B

Capital Programme (2021/22 plus Future Years)		Revised Gross Programme 2021/22 £m	Revised Gross Programme 2022/23 £m	Gross Programme Future Years £m
<u>ENVIRONMENT</u>				
Other Environment and Planning	Block of small projects.	0.018	0.000	0.000
Flood & Water Risk Management	A range of projects to alleviate flood and water risks.	0.866	0.000	0.000
Countryside Rights of Way	Public rights of way capital works	0.049	0.000	0.000
Local Flood Defence Schemes (to match fund EA)	Match funding with the Environment Agency for local flood defence schemes.	0.600	1.353	4.500
Total - Environment		1.534	1.353	4.500
Waste - Fire Suppression Systems at Transfer Stations	Installation of fire suppression systems.	0.100	0.663	0.000
HWRC - Tattershall	Replacement Household Waste Recycling Centre at Tattershall	1.300	0.698	0.000
HWRC - Skegness	Replacement Household Waste Recycling Centre at Skegness	0.000	2.000	0.000
Equipment & Vehicles for Waste Transfer Stations	Replacement programme for vehicles and plant used in waste transfer stations.	0.300	0.729	0.299
Separated Paper and Card Scheme	Implementation of separate collections of waste paper and card for Lincolnshire households.	1.664	0.963	2.388
Waste	Block of small projects.	0.100	0.035	0.000
Total - Waste		3.464	5.088	2.687
<u>GROWTH</u>				
Lincolnshire Enterprise Partnership Contribution	Lincolnshire Enterprise Partnership funding for capital projects.	17.114	1.558	0.000
LEP Skills Investment Programme	This project is aimed at increasing new apprenticeships and training places by refurbishing existing and creating new learning spaces.	0.776	0.000	0.000
Other Growth and the Economy - Economic Infrastructure	Block of small projects.	0.160	0.000	0.000
South Lincs (Holbeach) Food Enterprise Zone	Contribution towards Holbeach Food Enterprise Zone.	0.011	0.000	0.000
Economic Development - Business Unit Development	Development of business units.	1.517	0.000	0.000
Skegness Countryside Business Park	Infrastructure works to enable the further development of Skegness Countryside Business Park.	0.092	0.000	0.000
Economic Development - Horncastle Industrial Estate Extension	Extension of Horncastle Industrial Estate Extension.	0.000	1.500	0.000
Total - Growth		19.670	3.058	0.000

1.18. Other than some re-phasing of existing project expenditure there have been no changes to the previously approved Capital Programme relating to Environment and Economy.

1.19. The Capital Programme is currently supplemented by funding from the Development Fund Initiatives earmarked reserve, with £2.000m being approved in the 2020/21 budget to increase capacity to carry out drainage investigation and repair work, reducing deterioration and improving prevention of localised flooding issues. That scheme was due to end in the current financial year, however, it is proposed that the remaining, unallocated balance of the earmarked reserve (£1.444m) be allocated to extend the Drainage Investigation and Flood Repairs scheme for a further two years. The additional allocation being £0.750m in 2022/23 and £0.694m in 2023/24.

Further consultation

- 1.20. A consultation meeting with local business representatives, trade unions and other partners is scheduled to take place on 28 January 2022.
- 1.21. The proposals will be publicised on the Council's website together with the opportunity for the public to comment.
- 1.22. All consultation comments and responses will be available to be considered when the Executive makes its final budget proposals on 1 February 2022.

2. Conclusion

- 2.1. These budget proposals reflect the level of government funding expected to be available to the Council and an assumed increase in Council Tax in 2022/23 of 3.00%.
- 2.2. A thorough review of the Council's services was carried out during the budget process which has identified unavoidable cost pressures, some savings with minimal or no impact on the level of service provided and the capital programme has been reviewed. The budget proposals therefore aim to reflect the Council's priorities whilst operating within the resources available to it.

3. Consultation

a) Risks and Impact Analysis

An Equality Impact Assessment will be completed for the proposed increase in Council Tax. This will be reported to the Executive at its meeting on 1 February 2022.

Further risk and impact assessments will need to be undertaken on a service by service basis.

4. Background Papers

The following background papers as defined in the Local Government Act 1972 were relied upon in the writing of this report.

Document title	Where the document can be viewed
Council Budget 2022/23	https://lincolnshire.moderngov.co.uk/ieListDocuments.aspx?CId=121&Mid=6153
Executive Report 5 January 2022	

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