

APPENDIX 3

**RESOURCES ALLOCATION – GENERAL FUND REVENUE BUDGET
2022/23**1. Summary of Proposals

The policy committees of the Council have considered the revised budgets for 2021/22 and the base budgets for 2022/23 for their respective areas. Any changes arising from this process are set out below along with a summary of the proposed General Fund budget for 2022/23.

2. Key Assumptions and Other Changes

During the consideration of the revised budgets for 2021/22 and the base budgets for 2022/23 by the various service committees, there has been a continuing focus on the Council's post-Covid economic, health and community recovery strategies. The following proposals have been included in budgets:

- The Environmental Services budget proposals includes continued investment in parks and open spaces.
- The Economic Development budget proposals includes the successful Stapleford Towns Fund bid (£21m investment plan), and support to the Levelling-up bids for Eastwood and Kimberley.
- Revenue income budgets associated with the Beeston Square Phase 2 development.
- Continued support to community and voluntary groups including the Citizens Advice Broxtowe, who support a range of mental health initiatives, to support the improvement of mental health of staff and residents.
- A number of revenue developments, including a one-off £10,000 budget to fund a variety of events in celebration of the Queen's Platinum Jubilee.

The base budgets for 2022/23 include estimates for inflation on certain headings such as utilities costs and software maintenance agreements. The pay budget includes an anticipated rise in employers' national insurance contributions, market supplements for posts that have been difficult to recruit reported to the Personnel Committee and an estimated 2% pay award for 2022/23.

On 12 January 2022, the Independent Remuneration Panel considered and agreed Member's allowances under the new Cabinet model. It recommended increasing the 2022/23 Members Allowance rates by 2% in line with the expected employee pay award.

Under the Prudential Framework for Capital Finance, prudential borrowing has to be considered in overall terms and taking account of the effect on revenue budgets and general affordability in the short and medium term. Appendix 5 to this report proposes total additional prudential borrowing of £3,292,000 in

2022/23 in relation to the Housing Revenue Account and borrowing of £1,044,400 in relation to the General Fund. Based on external borrowing rates, an estimate for additional borrowing costs has been included in the base budget for 2022/203.

It is prudent to provide a sum of money within the budget to cover unforeseen items of expenditure which may arise during the year. As in 2021/22, a General Contingency of £25,000 has been established for 2022/23.

All known revenue developments have been incorporated into base budgets. No further revenue developments are expected but other items may be brought forward to committees during the course of the year as and when need arises.

During 2022/23, any proposed staffing changes will be reported to the Cabinet, for consideration, and if approved incorporated within the revised 2022/23 revenue budget, and reported to the next Finance and Resources Committee.

The Non Domestic Rates income is primarily based on a calculation taking into account the local non-domestic rates tax base and the Government's calculations of each authority's spending requirements. For budgeting purposes the Council completes an assessment at the beginning of each year and uses this to determine the amount of rates to be collected (the 'NNDR1'). The budget is then set on the basis of this assessment. For 2022/23 the non-domestic rates budget based on the NNDR1 for the year has been set at £1,846,975, which includes estimates for losses on appeals and the recovery of deficit arising from prior year transactions on the Collection Fund. Any difference between budgeted income and actual income receivable will be recovered in the following year. Non domestic rates income is also affected by Section 31 grants received from Central Government (estimated at £4,265,012) and by payments to or receipts from the Nottinghamshire Business Rates Pool.

The provisional funding settlement for 2022/23 announced by the Secretary of State for Department for Levelling Up, Housing and Communities (DLUHC) on 16 December 2021 included details of the New Homes Bonus (NHB) allocations to Councils. The provisional NHB allocation to Broxtowe for 2022/23 of £351,944 represents a significant increase on the £19,395 received in 2021/22.

As set out in section 3 below, the recommendations are based upon withdrawing a net £6,390,633 from balances in 2021/22 and withdrawing a net £3,296,872 from balances in 2022/23.

The General Fund Reserve is expected to fall by £1,985,789 in 2021/22 from £6,872,756 as at 1 April 2021 to £4,886,967 at 31 March 2022 but by a reduced sum of £350,872 in 2022/23 such that the General Fund Reserve at 31 March 2023 is projected to be £4,536,095.

3. Collection Fund Income 2021/22 and 2022/23

Income received from council tax and business rates goes into the Collection Fund. This then has implications for the General Fund but the exact timing of

this is dependent upon the Collection Fund accounting regulations. There were a number of specific actions taken by the Government in response to the Covid-19 pandemic concerning council tax and business rates income that will have a subsequent impact upon Collection Fund accounting and hence upon the General Fund for 2021/22 and subsequent years. Further details are set out below:

(i) Expanded Retail Discount and Nursery Relief

In March 2021 the Government announced an extension to the retail discount and nursery relief that eligible businesses receive towards their business rates bills would be expanded and cover 2021/22. This meant that the Net Rates Receivable by local authorities for 2021/22 as set out on their NNDR1 2021/22 returns would not be collected.

Broxtowe's NNDR1 2021/22 indicated that business rates of more than £29m would be collected in the year. However, the expanded rental retail discount and nursery relief granted by the Council amounted to in excess of £6m.

In order that local authorities should not lose out financially as a result of the expanded retail discount, nursery relief and related schemes, the Government have provided compensation through Section 31 grants. However, these grants must, in accordance with the regulations, be paid into the General Fund as opposed to the Collection Fund.

Broxtowe's share of such Section 31 grants in 2021/22 amounts to £2,976,000. This will be used to meet the cost of Broxtowe's 2022/23 anticipated NNDR deficit of £2,963,150 due largely to these reliefs in 2021/22. In order to address this timing issue, a Collection Fund Equalisation Reserve has been established so that the impact of this issue does not distort the position on the General Fund Reserve.

(ii) Collection Fund Deficits

One of the key features of the Collection Fund accounting arrangement is that an attempt to recover a projected deficit on either council tax or business rates in a particular year needs to be made when setting the budget for the following year. The Government recognised that 2020/21 was an extraordinary year due to the Covid-19 pandemic and allowed deficits in 2020/21 due to the pandemic to be recovered from the precepting bodies over the three years from 2021/22 to 2023/24 rather than solely in 2021/22.

4. General Fund Revenue Budget 2022/23

The table below shows the 2021/22 revised budget for each committee along with the base budget figures for 2022/23. It also shows the impact that this would have upon the Council's available balances.

	Revised Estimate 2021/22 £	Base Budget 2022/23 £
Committee		
Community Safety	1,536,007	1,567,930
Environment and Climate Change	4,420,818	4,703,160
Finance and Resources	2,991,181	2,997,053
Housing – General Fund	465,295	501,950
Jobs and Economy	1,200,823	1,058,240
Leisure and Health	1,547,678	1,518,730
Committee Net Expenditure	12,161,802	12,347,063
Add: Beeston Special Expenses	25,000	25,000
Total Net Expenditure	12,186,802	12,372,063
Funding		
Lower Tier Services Grant	(123,995)	(129,972)
Services Grant (One-Off)	-	(199,745)
NNDR (i.e. Business Rates)	(3,755,389)	(1,846,975)
NNDR (Surplus)/Deficit (* see note)	25,622	(12,850)
Estimated Safety Net or Levy Payment to/(from) Pool	813,000	886,183
Estimated S31 Grant (per NNDR1)	(1,118,346)	(4,265,012)
Returned Funding from Pool	(180,000)	(300,000)
Council Tax	(5,880,271)	(6,106,631)
Council Tax (Surplus)/Deficit	43,366	(21,190)
Beeston Special Expenses Precept	(25,000)	(25,000)
Total Funding	(10,201,013)	(12,021,192)
Addition (to)/withdrawal from balances	1,985,789	350,871

Estimated additional Section 31 Grants received to compensate for additional reliefs awarded in 2021/22. This grant has been received in 2021/22 but will be applied to fund the projected NNDR deficit in 2022/23	(2,976,000)	
Projected NNDR deficit		2,963,150
NNDR (surplus)/deficit after additional S31 grant		(12,850)

The budget increase for total net expenditure in 2021/22 between the base budget and revised estimate is a consequence of the following items:

Revenue Budget 2021/22	£000s
Opening estimated withdrawal from balances in 2021/22	775
Add: General Fund Revenue items carried forward from 2020/21 approved by Finance and Resources Committee on 8 July 2021	564*
Add: General Fund Revenue Budget Amendments 2021/22 approved by Finance and Resources Committee on 8 July 2021	306
Add: General Fund Revenue Budget Amendments 2021/22 approved by Finance and Resources Committee on 7 October 2021	199
Add: Allowance for pay award yet to be agreed	140
Add: Net other budget changes	2
Current estimated withdrawal from balances in 2021/22	1,986*

* Note: The current estimated withdrawal from balances in 2021/22 includes £564,200 of revenue items carried forward underspends from 2020/21 approved by Finance and Resources Committee on 8 July 2021. From this carry forward it is anticipated the Covid-19 Hardship grant of up to £269,500 will be transferred to a general reserve balance in 2021/22 and up to £101,500 for Covid-19 Track and Trace grant will be rolled forward for utilisation during 2022/23.

The net increase in the 2022/23 base budget for total net expenditure when compared with the 2021/22 revised estimate is primarily a consequence of the following items:

Revenue Budget 2022/23	£000s
Employee Related Expenses – A net increase in salaries related costs included the impact of the 2022/23 pay award (currently estimated at 2%); an anticipated planned increase in employers' National Insurance contributions rate from April 2022; full-year effect of agreed market supplements and other due increments within pay scales.	625
Employee Related Expenses – An increase in the anticipated cost of agency staff particularly within Legal Services (maternity cover) and Refuse Collection (market supplement).	97
Additional minimum revenue provision (MRP)	310
Anticipated reduction in government Covid-19 related grants that were included in the revised estimate.	551

Net Other Changes (including price inflation, contracts etc.)	241
Increase in Item 8 Interest Charge to HRA	(308)
Increase in New Homes Bonus	(333)
Increase in Planning Fee Income	(50)
Increase in Garden Waste Income (from 2021/22 original)	(136)
Increase in Trade Waste Income (from 2021/22 original)	(128)
Increase in Beeston Square Phase 2 Income	(120)
Removal of 2020/21 Underspends Carried Forward to 2021/22	(564)
Total Increase	185

The increase in funding of £1,820,179 from the 2021/22 revised estimate to the base budget 2022/23 figure is mainly due to the following:

Financing 2021/22 to 2022/23	£000s
Lower Tier Services Grant	(6)
Services Grant (One-Off)	(199)
Net increase in NNDR (i.e. Business Rates)	(1,204)
Increase in Returned Funding from Business Rates Pool	(120)
Increase in Council Tax Income	(226)
Increase in Council Tax Surplus	(65)
Total Increase	(1,820)

The anticipated withdrawals from balances in 2021/22 and 2022/23 shown above would affect the Council's reserves as follows:

Change in Balances 2021/22	Actual Balance at 1 April 2021 £	Projected Withdrawal / (Addition) £	Estimated Balance at 31 March 2022 £
General Fund Reserve	(6,872,756)	1,985,789	(4,886,967)
Homelessness Grant Reserve	(142,400)	0	(142,400)
Elections Reserve	(170,920)	(30,000)	(200,920)
Stapleford Town Fund Reserve	(71,561)	0	(71,561)
Planning Reserve	(17,446)	0	(17,446)
Noise Monitoring Equipment Res	(15,000)	0	(15,000)
Council Tax Equalisation Reserve	(65,610)	65,610	0
NNDR Equalisation Reserve	(7,345,234)	4,369,234	(2,976,000)
Total Balances	(14,700,927)	6,390,633	(8,310,294)

The balance on the Collection Fund Equalisation Reserve at 31 March 2022 is comprised of the Section 31 grant of £2,976,000 received in 2021/22 in respect of the additional discretionary reliefs awarded in 2021/22. This will be used to meet the projected NNDR deficit of £2,963,150 in 2022/23.

Change in Balances 2022/23	Actual Balance at 1 April 2022 £	Projected Withdrawal / (Addition) £	Estimated Balance at 31 March 2023 £
General Fund Reserve	(4,886,967)	350,871	(4,536,096)
Homelessness Grant Reserve	(142,400)	0	(142,400)
Elections Reserve	(200,920)	(30,000)	(230,920)
Stapleford Town Fund Reserve	(71,561)	0	(71,561)
Planning Reserve	(17,446)	0	(17,446)
Noise Monitoring Equipment Res	(15,000)	0	(15,000)
Council Tax Equalisation Reserve	0	0	0
NNDR Equalisation Reserve	(2,976,000)	2,976,000	0
Total Balances	(8,310,294)	3,296,871	(5,013,423)

The recommendations are based upon withdrawing £350,871 from the General Fund reserve in 2022/23 as well as adding £30,000 to the Elections reserve to meet the cost of the Borough Council elections in May 2023.

No legislative restriction applies as to how the Council's reserves may be used. The minimum acceptable total of General Reserves to meet revenue expenditure and capital financing commitments is considered to be £1.5 million.

5. Budget Savings

It is proposed to set an employee savings target of £360,000 in 2022/23 to be met from vacancies, flexible retirements and redundancies. This is in line with the previous year's salary savings target. Any further approvals by the Personnel Committee (or equivalent) of voluntary redundancy or flexible retirement requests will help to achieve this saving.

A range of potential efficiencies and additional income has been identified and included in the Business Strategy which was presented to the Finance and Resources Committee on 7 October 2021. The majority of these savings and additional income have been built into the 2022/23 budget.

Given the ongoing financial impact of Covid-19 and the medium term financial position, a further refresh of the Business Strategy will be required later in 2022 to identify other potential efficiencies. This work will be led by the General Management Team.

6. Beeston Special Expenses

Beeston and the surrounding area is a special expense area purely in relation to the cost of maintaining allotments. It is anticipated that, assuming no unforeseen and significant events occur of a size similar to those experienced with water leaks a few years ago, then sufficient monies will remain on the account such that a precept of £25,000 per annum should be capable of being maintained for several years.

In the Beeston Special Expenses Area, it is proposed to retain the precept at £25,000 as in 2021/22 and hence the council tax charge. In reality this would mean that, within the Beeston Special Expenses Area, the combined effect of the two council tax elements would produce an increase of £5.00 per band D dwelling as per the other parts of the Borough.

7. Council Tax

The Local Authorities (Conduct of Referendums) (Council Tax Increases) (England) Regulations 2012, provide that any shire district or borough council proposing an increase of 2.0% (or more than 2.0%) **and** more than £5 their council tax will need to provide the opportunity for local people to approve or veto the increase in a referendum. The Leader of the Council and Chair of the Finance and Resources Committee have been consulted, and it is proposed that the band D basic council tax amount be increased by £5 from £171.85 in 2021/22 to £176.85 in 2022/23.

The authority's share of the estimated surplus on the Council Tax element of the Collection Fund as at the end of 2021/22 is £21,190. After taking this into account, and the increase in the Council Tax Base for 2022/23 as approved by the Committee on 6 January 2022, then a £5 increase in the basic Council Tax (per Band D property) amount equates to a Council Tax requirement (excluding

the special expenses area) of £6,106,631 in 2022/23 and would require an overall withdrawal from balances totalling £3,296,871 (including the contribution from the NNDR Equalisation Reserve).