

# COUNCIL

15 FEBRUARY 2022

## REPORT OF THE CABINET

### A.1 EXECUTIVE'S PROPOSALS – GENERAL FUND BUDGET AND COUNCIL TAX – 2022/23

(Report prepared by Richard Barrett)

#### PART 1 – KEY INFORMATION

##### PURPOSE OF THE REPORT

To present to Council the Executive's General Fund budget proposals for 2022/23.

##### EXECUTIVE SUMMARY

- The information and recommendations set out in this report reflect the financial forecast considered by Cabinet on 28 January 2022.
- There have been no changes required to the forecast or budgets, so **Appendices A to C** remain the same as those considered by Cabinet on 28 January 2022.
- The 'technical' **Appendices D to J**, which are required to be presented to Full Council to enable it to consider and agree the level of Council Tax and Budget for 2022/23 have been agreed by the Portfolio Holder for Corporate Finance and Governance in accordance with the delegation agreed by Cabinet on 28 January 2022.
- As reported to Cabinet on 28 January 2022, there remains a budget deficit of **£0.431m** in 2022/23, which will be funded by drawing money down from the Forecast Risk Fund in-line with the long-term forecast approach.
- The total net General Fund revenue budget for 2022/23 is **£9.398m** along with a General Fund capital programme totalling **£0.839m**.
- As recommended by Cabinet on 28 January 2022, the Executive's budget proposals set out a Band D Council Tax of **£182.64** in 2022/23, an increase of **£5** (2.81%), with a Council Tax requirement of **£9.112m**.
- The budget recommended by Cabinet includes only the District and Parish elements of the Council Tax rather than those from the major precepting authorities. The formal approval of the 'full' Council Tax levy for the year, including the precepts from Essex County Council, Police and Fire, is delegated to the Human Resources and Council Tax Committee which is due to meet later in February 2022.

##### RECOMMENDATION(S)

- a) That having had regard to the Chief Finance Officer's (S151 Officer) report on the Robustness of Estimates and Adequacy of Reserves in accordance with the requirements under Section 25 of the Local Government Act 2003, and having taken account of any responses to the budget consultation process the Council approves the budget proposals (based on a £5 Band D council tax increase for

**district services) and agrees:**

- i) That the total General Fund net revenue budget for 2022/23 be set at £9.398m (a council tax requirement of £9.112m excluding parish precepts);**
- ii) that the General Fund capital programme be approved totalling £0.839m in 2022/23;**
- iii) the detailed General Fund budget for 2022/23 as set out in Appendix D;**
- iv) the calculation of the Council's Council Tax requirement, Special Expenses and Parish/Town Council precepts, as set out at Appendix F;**
- v) the Council Tax for District and Parish/Town Councils' services as at Appendix I and that these are the amounts to be taken into account for the year in respect of the categories of dwellings listed in different valuation bands; and**
- vi) that subject to the above, if budget adjustments are required following the late notification of external / grant funding, then in consultation with the Corporate Finance and Governance Portfolio Holder, budgets are adjusted accordingly with no net impact on the overall budget or capital programme set out above.**

## **PART 2 – IMPLICATIONS OF THE DECISION**

### **DELIVERING PRIORITIES**

The forecasting and budget setting process will have direct implications for the Council's ability to deliver on its objectives and priorities. At its heart, the 10-year approach to the forecast seeks to establish a sound and sustainable budget year on year through maximising income whilst limiting reductions in services provided to residents, business and visitors.

2022/23 sees the start of the development of a zero based approach to budget setting, which is one of the Council's key priorities as it forms one of the most important elements of delivering a sustainable budget year on year.

### **FINANCE, OTHER RESOURCES AND RISK**

#### **Finance and other resources**

The financial implications are set out in the body of the report.

Although the availability of financial resources is a key component in the delivery of services there will also need to be appropriate input of other resources such as staffing, assets and IT.

#### **Risk**

There are significant risks associated with forecasting such as cost pressures, inflation and changes to other assumptions that form part of the financial planning process. There are a

number of areas that could lead to additional expenditure being incurred, such as: -

- Economic environment / instability;
- Emergence of additional cost pressures;
- Changes to the local authority funding mechanisms such as the Government's fairer funding review that is still expected;
- New legislation placing unfunded duties on the Council or reducing the level of the Council's core funding;
- Local or national emergency;
- Income is less than that budgeted for, including business rate income retained locally.
- On-going impact from the COVID 19 pandemic

One of the primary risks introduced by the COVID 19 crisis is the potential medium to longer- term impact to key income streams for the Council such as from council tax, business rates and general fees and charges.

Although income from council tax and business rates is seeing the continuing trend of recovering back to pre-COVID 19 levels, there remains a secondary impact in areas of the budget such as court costs (existing annual income budget of **£0.323m**) and money receivable under the terms of the council tax sharing agreement with the major preceptors (existing annual income budget of **£0.631m**). In addition, the timing and trajectory of the recovery in fees and charges within leisure centres remains a key financial risk. Although it is expected that the above will continue to recover over the course of the year, they will remain under review as part of future quarterly financial performance reports.

In addition to the above, there remains a number of unmitigated cost pressures set out within **Appendix C**. However it is proposed to review these during the year where managed interventions may be necessary and as part of developing the long term forecast in later years.

However, given the significant risks that the above presents, it is proposed to underwrite them via re-focusing the existing Building for the Future Reserve. As highlighted later on in this report, this reserve has been used to fund the Council's pension deficit payments upfront, which in turn has generated significant annual revenue savings. This upfront payment is repaid over three years, which is built into the underlying budget. The estimated balance in this reserve at the end of March 2022 is **£1.654m**, which is therefore available to underwrite identified risks during 2022/23.

The specific risk to income budgets should be seen as separate from the underlying risk to the forecast, which are underwritten via the Forecast Risk Fund. As previously discussed, the Council's ability to financially underwrite the wider forecast is an important element of the 10-year plan. As with any forecast, some elements of income and expenditure will be different to that forecasted. It is fair to say that many may offset each other over the longer term. However, an update against the two important aspects to how this is being managed are as follows:

- 1) **£2.704m** remains within the Forecast Risk Fund (excluding 2021/22 contributions) to support the budget in future years. This money is available to be drawn down if the timings within the forecast differ in reality and the net position is unfavourable compared to the forecast in any one year. Based on the recommended position, it is proposed to draw down **£0.431m** from this reserve in 2022/23. Annual surplus

balances are still expected to remain within this reserve over the remaining life of the forecast as set out in **Appendix A**.

- 2) The forecast will remain 'live' and be responsive to changing circumstances and it will be revised on an on-going basis. If unfavourable issues arise, that cannot be mitigated via other changes within the forecast then the forecast will be adjusted and mitigating actions taken. Actions to respond will therefore need to be considered but can be taken over a longer time period where possible. In such circumstance, the Council may need to consider 'topping' up the funding mentioned in 1) above if required. This may impact on the ability to invest money elsewhere but will need to demonstrate that its use is sustainable in the context of the ten-year forecast.

The long-term approach to the forecast therefore still provides flexibility to respond to risks such as those presented by the potential on-going impact from the COVID 19 pandemic. However, it must be highlighted that the savings targets set out in the forecast will still need to be delivered in the longer term but they need to remain flexible and react as a counterbalance to other emerging issues and it is therefore accepted that this figure may need to be revised up or down over the life of the forecast.

It is important to continue to deliver against the forecast to build confidence in the longer-term approach. This will therefore continue to need robust input from members and officers where decisions may be required in the short term or on a cash flow basis.

Another aspect to this approach is the ability to 'flex' the delivery of services rather than cut services. As would be the case with our own personal finances, if we cannot afford something this year because of a change in our income, we can potentially put it off until next year. There is a practical sense behind this approach as we could flex the delivery of a service one year but increase it again when the forecast allows.

In addition to the above, it is important to note that the Council has already prudently set aside money for other significant risks in the forecast such as **£1.758m** (NDR Resilience Reserve) and **£1.000m** (Benefits Reserve), which can be taken into account during the period of the forecast if necessary. The Council also holds **£4.000m** in uncommitted reserves, which reflects a best practice / risk based approach to support its core financial position.

In addition to the above, money has been set side to mitigate cost pressures associated with the repair and maintenance of Council assets. When they arise, they are usually significant and the approach taken aims to 'protect' the underlying revenue budget from such items. An Asset Refurbishment Reserve of **£1.269m** has therefore been established for this purpose and the use of this fund can be considered outside of the annual budget setting cycle via a separate decision making process and/or as part of the emerging Corporate Investment Plan.

## **LEGAL**

The arrangements for setting and agreeing a budget and for the setting and collection of council tax are defined in the Local Government Finance Act 1992. The previous legislation defining the arrangements for charging, collecting and pooling of Business Rates was contained within the Local Government Finance Act 1988. These have both been amended as appropriate to reflect the introduction of the Local Government Finance Act 2012.

The Local Government Finance Act 2012 provided the legislative framework for the introduction of the Business Rates Retention Scheme and the Localisation of Council Tax Support.

Subject to Government guidance, a number of Business Rate Reliefs may be provided using powers under S47 of the Local Government Finance Act 1988, which require a local scheme to be developed and approved.

The Calculation of Council Tax Base Regulations 2012 set out arrangements for calculation of the council tax base following implementation of the Local Council Tax Support Scheme. The revised arrangements mean that there are lower tax bases for the district council, major preceptors and town and parish councils.

The Localism Act 2012 introduced legislation providing the right of veto for residents on excessive council tax increases.

Under Section 25 of the Local Government Act 2003, the Chief Finance Officer (S151 Officer) must report to Council, as part of the budget process, on the robustness of estimates and adequacy of reserves. The proposed approach can deliver this requirement if actively managed and will be an issue that remains 'live' over the course of the forecast period and will be revisited in future reports to members.

In respect of special expenses that form part of the budget setting process, expenditure is classed as a Special Expense if it satisfies the requirements of the Local Government Finance Act 1992, Section 35. The only category relevant to this Council is contained within Section 35(2)(d) relating to concurrent functions with Parish and Town Councils. Under the Local Government Finance Act 1992, the Council must identify as its Special Expense, proposed expenditure on those functions which the Council performs in part of the district but which Parish or Town Councils perform elsewhere in the District. If, in the Council's view, a special expense should properly be charged over the whole of the district's area, the Council may pass an express resolution to this effect (known as a ***contrary resolution***).

In order for expenditure to be a Special Expense, there are two conditions that must be fulfilled:

1. Expenditure is estimated to be incurred by the District Council in the whole or part of its area on the provision of a function;
2. Expenditure on the provision of the same function is to be incurred by at least one parish/town council elsewhere in the district.

***The proposals set out in this report are in accordance with the Council's budget and policy framework.***

#### **OTHER IMPLICATIONS**

Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.

Crime and Disorder / Equality and Diversity / Health Inequalities / Area or Ward affected / Consultation/Public Engagement.

There are no other implications that significantly impact on the financial forecast. However, the ability of the Council to appropriately address such issues will be strongly linked to its ability to fund relevant schemes and projects and determination of the breadth and standard of service delivery to enable a balanced budget to be agreed.

An impact assessment will be undertaken as part of any separate budget decisions such as those that will be required to deliver the necessary savings.

Special expenses are based on the principle of ensuring there is equality across the district in levying Council Tax to residents based on services and facilities provided by Town and Parish Councils in specific areas that are also provided by the District Council.

## **PART 3 – SUPPORTING INFORMATION**

### **2022/23 BUDGET PROPOSALS**

On 28 January 2022 Cabinet considered the following report:-

#### **A.3 LATEST FINANCIAL FORECAST / FINAL GENERAL FUND BUDGET PROPOSALS 2022/23**

*It was resolved that Cabinet:*

- (a) approves the latest financial forecast set out in Appendix A, along with the savings and cost pressures set out in Appendix B and C respectively that form the firm proposals for the 2022/23 budget and recommends to Full Council a Band D Council Tax for district services of £182.64 for 2022/23 (a £5 increase), along with the associated council tax requirement of £9.112m;*
- (b) authorises the Portfolio Holder for Corporate Finance and Governance to agree the 'technical' appendices and resolutions for the budget proposals for recommending to Full Council on 15 February 2022;*
- (c) authorises the Chief Executive, in consultation with the Leader of the Council and the Corporate Finance and Governance Portfolio Holder, to report directly to Council in respect of the formal resolutions necessary to implement the Executive's budget proposals along with any late information or notifications received from the Government;*
- (d) authorises the Portfolio Holder for Corporate Finance and Governance, to agree / adopt a Retail, Hospitality and Leisure mandatory business rate relief scheme for 2022/23;*
- (e) authorises the Portfolio Holder for Corporate Finance and Governance to approve the draft Treasury Strategy 2022/23 for consultation with the Resources and Services Overview and Scrutiny Committee; and*
- (f) approves that, in respect of the in-year budget for 2021/22, £0.064m be added to the Capital Programme in order to enable the purchase and installation of additional audio and visual equipment associated with the 'live streaming' of meetings and improving the quality of sound within the new committee room, which will be funded by adjustments elsewhere within the overall 2021/22 budget, as identified by the*

*Assistant Director (Finance & IT), in consultation with the Portfolio Holder for Corporate Finance and Governance.*

In respect of item (b), this reports recommendations and appendices form the 'technical' and formal budget resolutions required to be considered by Full Council to determine the level of Council Tax and Budget for 2022/23. As agreed in (a) above, the Band D Council Tax for district services of **£182.64** for 2022/23 (a £5 increase), along with the associated council tax requirement of **£9.112m** remain unchanged to the position considered and agreed by Cabinet on 28 January 2022.

This report has been approved by the Portfolio Holder for Corporate Finance and Governance in line with the delegation agreed.

#### **CHANGES SUBSEQUENT TO THE CABINET'S PROPOSALS OF 28 JANUARY 2022**

There have been no required changes to the forecast / budget since 28 January 2022, so **Appendices A to C** remain the same as those considered by Cabinet on 28 January 2022. In respect of **Appendix A**, the second column from the right (**'Updated Forecast 28 January 2022'**), therefore sets out the forecast against which the detailed budgets have been finalised.

**Appendices D to J** set out the 'technical' budget / financial information required to be presented to Full Council to enable it to consider and agree the level of Council Tax and Budget for 2022/23.

As reported to Cabinet on 28 January 2022, there remains a budget deficit of **£0.431m** in 2022/23, which will be funded by drawing money down from the Forecast Risk Fund in-line with the long-term forecast approach.

At the time this report was printed, the final grant settlement had yet to be confirmed by the Government. It is acknowledged that the Council may still receive notification of amended / additional grants from the Government or other funding bodies. A recommendation is set out above that provides a delegation to include such amounts in the budget as necessary.

In continuing with the same approach last year, fees and charges are now agreed separately by the relevant Director / Portfolio Holder.

However they continue to be reviewed within the framework of the financial forecast and therefore they have been considered against a number of key principles, which include:

- general inflationary increases where possible or lower where appropriate / justified
- amounts rounded for ease of application, which may result in a slightly above inflation increase.
- on a cost recovery basis as necessary
- reflect statutory requirements.
- increases where market conditions allow
- to meet specific priorities or service delivery aims / objectives

Although they are agreed separately, for completeness a full schedule of fees and charges will be provided to Members in advance of the Full Council meeting on 15 February 2022.

#### **GENERAL FUND BUDGET SUMMARIES**

The 2022/23 revenue budget and capital programme are summarised below. In respect of the revenue budget, this is based on a Band D Council Tax increase of £5 (2.81%) for this Council's services in 2022/23.

**Table 1 – General Fund Revenue Budget**

	<b>2021/22 Original £m</b>	<b>2022/23 Original £m</b>
Net Cost of Services	19.172	20.107
Revenue support for capital investment	0.059	0.082
Financing items	(4.973)	(7.389)
<b>Net Expenditure</b>	<b>14.258</b>	<b>12.800</b>
Net Use of Earmarked Reserves*	(6.642)	(3.402)
<b>Total Net Budget</b>	<b>7.616</b>	<b>9.398</b>
Business Rates ( <i>excl. S31 Govt. Grant funding</i> )	(4.599)	(3.033)
Revenue Support Grant	(0.431)	(0.444)
Collection Fund (Surplus) / Deficit*	6.018	3.191
<b>Council Tax Requirement (for Tendring District Council)</b>	<b>8.604</b>	<b>9.112</b>
Parish Precepts	2.100	2.273
<b>Council Tax Requirement (as per Requisite Calculations)</b>	<b>10.704</b>	<b>11.385</b>

\*The significant changes between years primarily reflect the continuing 'technical' accounting treatment of business rate reliefs.

**Table 2 – General Fund Capital Programme**

	<b>2022/23 £m</b>
<b>EXPENDITURE</b>	0.839
<b>FINANCING</b>	
Government Grants	0.757
Direct Revenue Contributions	0.070
Earmarked Reserves	0.012
<b>Total Financing</b>	<b>0.839</b>

## **ROBUSTNESS OF THE ESTIMATES AND ADEQUACY OF RESERVES**

**Appendix K** sets out the Chief Finance Officer's (S151 Officer) report on the Robustness of the Estimates and the Adequacy of the Reserves as required by section 25 of the Local Government Act 2003.

Taking into account all the relevant issues the estimates can be considered as robust and are supported by adequate reserves.

The formulation of the budget for 2022/23 is set against the context of the longer-term forecast. Taking the proposed position for 2022/23 into account the most up to date forecast of the expected annual position for each remaining year of the forecast is as



follows:

<b>Year</b>	<b>Net Budget Position (including adjusting for prior year use of reserves to balance the budget)</b>	<b>Forecast Risk Fund - Estimated Surplus Balance at the end of the year</b>
2023/24	£1.348m deficit	£2.425m
2024/25	£1.312m deficit	£1.613m
2025/26	£1.205m deficit	£0.908m
2026/27	£1.103m deficit	£0.306m

Although the figures set out within the table above will change as part of updating the forecast on a regular basis during 2022/23, there have been no issues arising that indicate that the long term approach has become unsustainable. Against this background and as discussed previously, it may not be possible to avoid or mitigate adverse issues, such as cost pressures, over the remaining years of the forecast. However, the level of savings required will need to continue to act as the 'safety valve' with the overall position being subject to further updates as part of reporting the quarterly position going forward.

#### **BACKGROUND PAPERS FOR THE DECISION**

Working papers held in accountancy

#### **APPENDICES**

<b>Appendix A</b>	<b>Financial Forecast 2022/23</b>
<b>Appendix B</b>	<b>Net Savings 2022/23</b>
<b>Appendix C</b>	<b>Cost Pressures 2022/23</b>
<b>Appendix D</b>	<b>Detailed General Fund Revenue Estimates, Capital Programme and Reserves 2022/23</b>
<b>Appendix E</b>	<b>Special Expenses 2022/23</b>
<b>Appendix F</b>	<b>Requisite Budget Calculations 2022/23</b>
<b>Appendix G</b>	<b>Calculation of District and Parish / Town Council Taxes for All Areas 2022/23</b>
<b>Appendix H</b>	<b>Precepts on the Collection Fund 2022/23</b>
<b>Appendix I</b>	<b>District and Parish/Town Council Tax Amounts 2022/23. (excludes Council Tax amounts for County, Fire and Police services 2022/23 which will form part of the final Council Tax setting process via the Human Resources and Council Tax Committee)</b>
<b>Appendix J</b>	<b>Calculation of Estimated Surplus on the Collection Funds for 2022/23</b>

**Appendix K**

**Chief Finance Officer's (S151 Officer) report on the Robustness of the Estimates and the Adequacy of the Reserves**