

# COUNCIL

14 FEBRUARY 2023

## REPORT OF THE CABINET

### A.1 EXECUTIVE'S PROPOSALS – GENERAL FUND BUDGET AND COUNCIL TAX – 2023/24

(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 2023/24.

##### EXECUTIVE SUMMARY

- The information and recommendations set out in this report reflect the financial forecast considered by Cabinet on 27 January 2023, along with a limited number of subsequent changes.
- The limited number of changes required are set out **Appendix A and B** along with further comments within the main body of this report, which together result in a revised deficit position for the year of **£1.528m** (from £2.487m that was presented to Cabinet on 27 January 2023).
- In line with the approach set out in previous reports, the revised deficit of **£1.528m** will be funded via refocusing existing budgets / reserves long with a limited number of changes to income budgets.
- It is important to highlight that although the deficit has reduced since Cabinet's meeting on 27 January 2023, the deficit remains significant against the context of the Council's overall net budget. However, it does provide additional flexibility in terms of developing the required framework in which to identify the necessary savings to support an on-going financially sustainable position over the next few years.
- Given the impact of the various changes to the forecast across the remaining forecast period and reflecting the sensitivity analysis included within **Appendix B**, it remains prudent to continue the approach of transferring the remaining balance of funding of **£2.576m** as set out within **Appendix A** to the Forecast Risk Fund.
- As recommended by Cabinet on 27 January 2023, the Executive's budget proposals set out a Band D Council Tax of **£188.11** in 2023/24, an increase of 3% (£5.47), with a Council Tax requirement of **£9.603m**.
- Taking into account the changes to the budget required since Cabinet met on 27 January 2023, the total net General Fund revenue budget for 2023/24 is **£14.142m** along with a General Fund capital programme totalling **£0.827m**.
- The budget recommended by Cabinet for approval by Council 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 on later in February 2023.

#### **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 3% (£5.47) Band D council tax increase for district services) and agrees:
- i) That the total General Fund net revenue budget for 2023/24 be set at £14.142m (a council tax requirement of £9.603m excluding parish precepts);
  - ii) that the General Fund capital programme be approved totalling £0.827m in 2023/24;
  - iii) the detailed General Fund budget for 2023/24 as set out in Appendix C;
  - iv) the calculation of the Council's Council Tax requirement, Special Expenses and Parish/Town Council precepts, as set out at Appendix E;
  - v) the Council Tax for District and Parish/Town Councils' services as at Appendix H 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 such as those necessary to reflect 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.

#### **REASON(S) FOR THE RECOMMENDATION(S)**

To enable the Council's budget for 2023/24 along with the necessary associated decisions to be approved. The Council is required to set a balanced budget which is reflected in this report and recommendations.

#### **ALTERNATIVE OPTIONS CONSIDERED**

This is broadly covered in the main body of this report.

## 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. The current 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. The approach set out in this report continues to be set against this wider context.

### OUTCOME OF CONSULTATION AND ENGAGEMENT

Internal consultation is carried out via the Council's approach to developing the budget as set out within the Constitution. External consultation also forms part of developing the budget, and is carried out early in the year as part of finalising the position for reporting to Full Council in February.

The Resources and Services Overview and Scrutiny were consulted on the budget proposals at their meeting on 11 January 2023, which their comments considered by Cabinet on 27 January 2023.

At the time of finalising this report, the required consultation with Business Ratepayers remained on-going and any comments will either be provided ahead of the meeting or directly at the meeting of Full Council on 14 February 2023.

### LEGAL REQUIREMENTS (including legislation & constitutional powers)

Is the recommendation a Key Decision (see the criteria stated here)	YES	If Yes, indicate which by which criteria it is a Key Decision	<input checked="" type="checkbox"/> Significant effect on two or more wards <input checked="" type="checkbox"/> Involves £100,000 expenditure/income <input type="checkbox"/> Is otherwise significant for the service budget
		And when was the proposed decision published in the Notice of forthcoming decisions for the Council (must be 28 days at the latest prior to the meeting date)	This item has been included within the Forward Plan for a period in excess of 28 days.

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.

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.

In-line with the Government guidance, the Council Tax Support Fund Scheme proposals set out elsewhere in this report are required to be agreed using discretionary powers under S13A(1)(c) of the Local Government Finance Act 1992.

Subject to Government guidance, 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. Where reimbursed by the Government, this is done via S31 of the Local Government Act 2003.

The provisions for business rates retention were brought in under Schedule 1 of the Local Government Finance Act 2012. Agreeing the budget for 2023/24 effectively confirms / approves the NNDR1 return that sets out the various 'technical' aspects that have been reflected in the budget for submission to the Government.

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 as part of developing / approving the budget.

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.***

Yes	<b>The Monitoring Officer confirms they have been made aware of the above and any additional comments from them are below:</b>
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Although there are no additional comments above those set out in this report, it is important to highlight that further decisions may be necessary to take a number of actions forward, such as those associated with the items set out in **Appendix A**.

## FINANCE AND OTHER RESOURCE IMPLICATIONS

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.

The general approach to developing the budget for 2023/24 has been discussed with the Council's External Auditor, albeit informally. There were no major concerns raised and they will undertake a more detailed review as part of their usual commentary on the Council's use of resources.

**Yes** | **The Section 151 Officer confirms they have been made aware of the above and any additional comments from them are below:**

The S151 Officer is the author of this report.

## USE OF RESOURCES AND VALUE FOR MONEY

The following are submitted in respect of the indicated use of resources and value for money indicators:

A) Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;	This is addressed in the body of the report.
B) Governance: how the body ensures that it makes informed decisions and properly manages its risks, including; and	
C) Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.	

## MILESTONES AND DELIVERY

This reports forms part of the Council's wider budget setting processes, with final budget proposals required to be considered by Full Council in the February immediately preceding the year that they relate to.

## ASSOCIATED RISKS AND MITIGATION

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. Wider economic risks have also increased in 2022/23, which are likely to continue into 2023/24. These could have an impact on income streams such as from Council Tax and Business Rates along with the 'cost' of the Local Council Tax Support Scheme. The Council's initial / short-term response was set out in earlier reports as part of the development of the forecast and budget for 2023/24, which will continue to be addressed as part of the future financial reports.

The approach of refocusing existing budgets and reserves also adds additional risks as it reduces the ability of the Council to access such funding to underwrite further risks etc. going forward.

As set out in **Appendix B**, the Forecast Risk Fund remains a key element of the long-term plan approach. However, it is important to note that the Council still prudently maintains reserves to respond to significant / specific 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.

As highlighted in earlier reports, money has been set aside 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. **£1.019m** remains in an Asset Refurbishment Reserve for this purpose and the use of this fund can be considered as part of and/or outside of the annual budget setting cycle via separate decision making processes.

As highlighted within earlier reports, the Chief Executive continues to chair the regular Budget, Performance and Delivery meeting of Senior Managers where any emerging issues are highlighted / discussed.

### **EQUALITY IMPLICATIONS**

There are no direct implications that significantly impact on the financial forecast at this stage. 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 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.

### **SOCIAL VALUE CONSIDERATIONS**

There are no direct implications that significantly impact on the financial forecast at this stage.

However, such issue will be considered as part of separate elements of developing the budget as necessary.

### **IMPLICATIONS FOR THE COUNCIL'S AIM TO BE NET ZERO BY 2030**

There are no direct implications that significantly impact on the financial forecast at this stage.

However, such issue will be considered as part of separate elements of developing the budget as necessary.

### **OTHER RELEVANT CONSIDERATIONS OR 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.**

<b>Crime and Disorder</b>	Please see comments above
<b>Health Inequalities</b>	
<b>Area or Ward affected</b>	

## PART 3 – SUPPORTING INFORMATION

### BACKGROUND AND BUDGET PROPOSALS 2023/24

On 27 January 2023 Cabinet considered the following report:-

#### **A.4 UPDATED GENERAL FUND FINANCIAL FORECAST INCLUDING PROPOSED BUDGET CHANGES IN 2022/23 ALONG WITH BUDGET PROPOSALS FOR 2023/24**

*It was resolved that Cabinet:*

- a) approves the updated Financial Forecast including a revised position for 2022/23 and proposed position for 2023/24, as set out in the Portfolio Holder's report and Appendices (A.4) and recommends to Full Council a Band D Council Tax for district services of £188.11 for 2023/24 (a £5.47 increase), along with the associated council tax requirement of £9.603m;*
- b) agrees a delegation to 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 14 February 2023;*
- (c) approves that, in consultation with the Leader of the Council and the Corporate Finance and Governance Portfolio Holder, the Chief Executive reports 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) approves a delegation to the Portfolio Holder for Corporate Finance and Governance to agree / adopt a Retail, Hospitality and Leisure mandatory business rate relief scheme for 2023/24;*
- (e) approves a delegation to the Portfolio Holder for Corporate Finance and Governance to agree any associated expenditure from the £250,000 Climate Change budget set out in Appendix A to his report;*
- (f) approves / adopts the proposed Council Tax Support Fund Scheme as set out within the Portfolio Holder's report (A.4) and that any remaining balance be transferred to the existing Council Tax Hardship scheme; and*
- (g) agrees a delegation to the Portfolio Holder for Corporate Finance and Governance to approve the draft Treasury Strategy 2023/24 for consultation with the Resources and Services Overview and Scrutiny Committee.*

In respect of item (b), this report's 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 2023/24. As agreed in (a) above, the Band D Council Tax for district services of **£188.11** for 2023/24 (a £5.47 increase), along with the associated council tax requirement of **£9.603m** remain unchanged to the position considered and agreed by Cabinet on 27 January 2023.

## CHANGES SUBSEQUENT TO THE CABINET'S PROPOSALS OF 27 JANUARY 2023

There has only been a limited number of changes since 27 January, which are highlighted in green within **Appendix A** and in Column 5 of **Appendix B**, with a summary as follows:

- **Growth in Business Rates / Council Tax – general property growth – additional income of £0.500m has been included in the forecast. (Line 5 – Appendix B)**

Following the completion of the final business rate 'property base' calculations for 2022/23, additional underlying income growth of **£0.500m** is forecast for the year. However, 2023/24 is the first year following the national cycle of rateable value revaluations, which introduces a level of uncertainty going forwards. The revaluation process inherently creates 'winners' and 'losers' across Local Authorities nationally and the Government propose to adjust any gain or loss over the next three years. With this in mind, the amount has been treated on a one-off basis in 2023/24, as any 'growth' created by the revaluation exercise may be subject to adjustments / 'clawback' during 2023/24 and beyond. At the time of finalising this report, the final Local Government Finance Settlement had yet to be confirmed by the Government, which may provide clarity around this issue for further consideration. This issue will also be revisited as part of updating the financial forecast in 2023/24.

The additional income of **£0.500m** set out above comprises a number of elements such as section 31 grants from the government, which aim to reimburse Local Authorities for the cost of any reliefs that they introduced as part of their budget announcements. Full details are set out in an associated and 'technical' NNDR1 return that is submitted to the Government at the start of each year. The latest forecast and budget proposals therefore reflect the information set out in the NNDR1 return for 2023/24.

- **Other Adjustments – additional net income of £0.458m has been included in the forecast. (Line 16 – Appendix B)**

This figure comprises a number of adjustments, with the main change reflecting the final recharges between the General Fund and HRA. Additional recharges have been made to the HRA in 2023/24 that reflect a number of issues such as the significant inflationary pressures included with the General Fund, some of which would be charged to the HRA via general overheads etc.

In addition to the above, increased income of **£0.016m** is included in Section 3 of **Appendix A** that reflects further fees and charges agreed for 2023/24. A number of fees and charges remain subject to final approval but the budget will be adjusted accordingly subject to the delegation set out in the recommendations above where necessary. Although they are agreed separately, for completeness a full schedule of fees and charges is planned to be provided to members in advance of the Full Council meeting on 14 February 2023.

After taking account of the above, **Appendix B**, sets out the revised forecast against which the detailed budgets for 2023/24 have been finalised. The net impact of the changes results in a deficit position for the year of **£1.528m** (from £2.487m that was presented to Cabinet on 27 January 2023). In line with the approach set out in previous reports, the revised deficit of **£1.528m** will be funded via refocusing existing budgets / reserves long with a limited number of changes to income budgets in 2023/24.

However, it is important to highlight that although the deficit has reduced since Cabinet's meeting on 27 January 2023, the deficit remains significant against the context of the overall



net budget. However it does provide additional flexibility in terms of developing the required framework in which to identify the necessary savings to support a financially sustainable position over the coming years.

**Appendices C to I** 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 2023/24.

As highlighted in earlier reports, the Council will continue to be a member of the Council Tax Sharing Agreement and Essex Business Rates Pool along with ECC and other participating Essex Local Authorities in 2023/24.

The budgets also includes the provisional New Homes Bonus Grant due to the Council in 2023/24. A total of **£1.224m** will be receivable in 2023/24 and it is proposed that his money remains uncommitted to ensure that it remains available to the New Administration from May this year to support the delivery of the long-term forecast / priorities going forward.

As highlighted earlier, at the time of finalising this report, the final Local Government Finance 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.

Sensitivity testing has been undertaken with the outcomes set out in Table 1 within **Appendix B**. It is worth highlighting that the forecast is sensitive to relatively minor changes to assumptions, with for example, only minor changes to inflation depleting the forecast risk fund over a short period of time. This supports the prudent approach of transferring the remaining balance of funding of **£2.576m** as set out within **Appendix A** to the Forecast Risk Fund, which can be reviewed as part updating the forecast during 2023/24.

## GENERAL FUND BUDGET SUMMARIES

The 2023/24 revenue budget and capital programme are summarised below. In respect of the revenue budget, this reflects the proposed Band D Council Tax increase of 3% (£5.47) for this Council's services in 2023/24.

**Table 1 – General Fund Revenue Budget**

	<b>2022/23 Original £m</b>	<b>2023/24 Original £m</b>
Net Cost of Services	20.107	22.235
Revenue support for capital investment	0.082	0.070
Financing items	(7.389)	(6.963)
<b>Net Expenditure</b>	<b>12.799</b>	<b>15.343</b>
Net Use of Earmarked Reserves	(3.402)	(1.201)
<b>Total Net Budget*</b>	<b>9.398</b>	<b>14.142</b>
Business Rates ( <i>excl. S31 Govt. Grant funding</i> )	(3.033)	(3.058)
Revenue Support Grant	(0.444)	(0.696)
Collection Fund (Surplus) / Deficit*	3.191	(0.784)
<b>Council Tax Requirement (for Tendring District Council)</b>	<b>9.112</b>	<b>9.603</b>
Parish Precepts	2.273	2.378
<b>Council Tax Requirement (as per Requisite Calculations)</b>	<b>11.385</b>	<b>11.981</b>

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

**Table 2 – General Fund Capital Programme**

	<b>2023/24 £m</b>
<b>EXPENDITURE</b>	0.827
<b>FINANCING</b>	
Government Grants	(0.757)
Direct Revenue Contributions	(0.070)
<b>Total Financing</b>	<b>(0.827)</b>

## ROBUSTNESS OF THE ESTIMATES AND ADEQUACY OF RESERVES

**Appendix J** 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 2023/24 is set against the context of the longer-term

forecast. Taking the most up to date position set out in this report, the expected annual position for each remaining year of the forecast is as follows:

<b>Year</b>	<b>Net Budget Position*</b>	<b>Forecast Risk Fund - Estimated Surplus Balance at the end of the year</b>
2024/25	£3.823m deficit	£2.569m
2025/26	£0.132m deficit	£2.687m
2026/27	£0.225m deficit	£2.711m

*\*includes removal of the prior year use of reserves etc. to balance the budget and initial savings 'targets' (Line 15 of Appendix B)*

The above is after taking into account the contribution to the Forecast Risk Fund of **£2.576m** highlighted earlier. A framework against which to identify and secure the necessary on-going savings will need to be considered during 2023/24. The level of savings required will also 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 as any increases in net costs will likely require a corresponding increase in the savings required.

#### **PREVIOUS RELEVANT DECISIONS**

Finance Update Report – General Update 2022/23 and 2023/24 – Item A.2 Cabinet 7 October 2022.

Financial Performance Report 2022/23 and 2023/24 – General Update at the end of Q2 – Item A.5 Cabinet 4 November 2022.

Updated General Fund Financial Forecast Including Proposed Budget Changes in 2022/23 along with Budget Proposals for 2023/24 – Items A.3 Cabinet 16 December 2022.

Updated General Fund Financial Forecast Including Proposed Budget Changes in 2022/23 along with Budget Proposals for 2023/24 – Items A.4 Cabinet 27 January 2023.

#### **BACKGROUND PAPERS AND PUBLISHED REFERENCE MATERIAL**

None

#### **APPENDICES**

**Appendix A** - Cost Increases / Corporate Investment Plan Items 2022/23 and 2023/24

**Appendix B** - Updated Long Term Financial Forecast

**Appendix C** - Detailed General Fund Revenue Estimates, Capital Programme and Reserves 2023/24

**Appendix D** - Special Expenses 2023/24

**Appendix E** - Requisite Budget Calculations 2023/24

**Appendix F** - Calculation of District and Parish / Town Council Taxes for All Areas 2023/24

**Appendix G** - Precepts on the Collection Fund 2023/24

**Appendix H** - District and Parish/Town Council Tax Amounts 2023/24. *(excludes Council Tax amounts for County, Fire and Police services 2023/24 which will form part of the final Council Tax setting process via the Human Resources and Council Tax Committee)*

**Appendix I** - Calculation of Estimated Surplus on the Collection Funds for 2023/24

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

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