

## **BUDGET UPDATE 2022/23**

**Cabinet - 13 January 2022**

**Report of:** Deputy Chief Executive and Chief Officer - Finance and Trading

**Status:** For Decision

**Key Decision:** No

**Executive Summary:**

The Council has an excellent track record in identifying, planning for and addressing financial challenges. In light of the challenging financial position facing all authorities eleven years ago, for 2011/12 the Council produced a 10-year budget together with a savings plan for the first time. This will be the twelfth year this method has been used and provides the Council with a stable basis for future years.

This report sets out progress made in preparing the 2022/23 budget and updates Members on key financial information.

The position after the previous Budget Update report was presented to Cabinet on 9 December 2021, was that savings of £157,000 per annum were still required to produce a balanced 10-year budget.

Since that meeting, officers have identified further savings options which are detailed in Appendix E. The Provisional Local Government Finance Settlement has also been announced and details are included in the report.

It is expected that additional savings will still be required to ensure that this Council is able to once again set a balanced 10-year budget.

The Cabinet will make its final recommendation on the budget at its meeting on 10 February 2022, after taking into account any updated information available at that date.

**Portfolio Holder:** Cllr. Matthew Dickins

**Contact Officer(s):** Adrian Rowbotham, Ext. 7153

Alan Mitchell, Ext. 7483

**Recommendation to Cabinet:**

- (a) Consider the savings proposals in Appendix E and recommend including them in the budget.
- (b) Recommend a Council Tax increase for 2022/23.
- (c) Depending on the budget position following the recommendations above, provide officers with any further instructions.

**Introduction and Background**

- 1 At the Cabinet meeting on 16 September 2021, Members considered a report setting out the Council's financial prospects for 2022/23 and beyond. That report set out the major financial pressures the Council is likely to face, together with a proposed strategy for setting a balanced and sustainable budget for 2022/23 and beyond.
- 2 As part of the budget process officers put forward their Service Dashboards to the Advisory Committees between September and November, which set out a summary of current and future challenges and risks. The Advisory Committees recommended new growth and savings items which were considered at the last Cabinet meeting on 9 December 2012.
- 3 Following the last Cabinet meeting there remained a £157,000 per annum budget gap and officers were requested to identify further savings options to be included in this report.

**Financial Strategy**

- 4 In order to maintain a viable Council that continues to deliver on its main priorities and the services it provides to its residents, the Council continues to adopt a Financial Strategy that embraces the following principles:
  - Remain financially self-sufficient.
  - Be clear about the Council's future financial prospects, with a ten-year budget as an integral part.
  - Ensure a strategic approach is taken to the management of the Council's finances, Council Tax, and budget setting.
  - Make effective use of reserves and capital receipts.
  - Manage our money carefully, monitor monthly and constantly strive for

better value from our spending.

- 5 A two-page summary of the Financial Strategy can be found at **Appendix F**.
- 6 An audit of the 10-year budget process has recently been completed by Mazars (working for Internal Audit) and their findings were that the Council has adequate, effective and reliable controls in place over budget setting and long-term financial planning.

### Updates since the Budget Update report to Cabinet on 9 December 2021

- 7 There have been a number of items since the last Cabinet report that impact the 10-year budget. These are detailed in the following sections.

### Provisional Local Government Finance Settlement

- 8 The Provisional Local Government Finance Settlement for 2022/23 was announced on 16 December 2021. The most relevant elements for this Council are included in paragraphs 8 to 15 below.
- 9 The settlement relates to 2022/23 only.
- 10 A **Lower Tier Services Grant** of £103,000 has been included for 2022/23. This one-year payment is to ensure that no authority has a total Core Spending Power less than in 2021/22.
- 11 A **Services Grant** of £159,000 has been included for 2022/23. It would appear that this is to fund the additional cost to councils of the new Health and Social Care Levy.
- 12 **New Homes Bonus (NHB)** funding of £810,000 has been included for 2022/23. The attached 10-year budget assumes no NHB. As previously agreed, any amounts received will be put into the Financial Plan Reserve to support the 10-year budget including 'invest to save' initiatives and support for the Property Investment Strategy.
- 13 **Council Tax increase** - It was announced that the referendum limit for 2022/23 was an increase of 2% or £5 for a Band D property if higher.
- 14 The assumption currently included in the 10-year budget is a 2% increase in all years.
- 15 If Members choose to take the higher increase of £5 for a Band D property (which is a 2.2% increase), then an additional £23,000 would be collected in 2022/23 and £269,000 over the 10-year budget period. Details of the potential increases are included in the table below:

2022/23 Council Tax	Current Assumption	Potential Increase
% increase	2.00%	2.2%
£ increase (Band D pa)	£4.50	£4.95
£ (Band D pa)	£229.41	£229.86

- 16 Due to the uncertainty of future Council Tax increase referendum limits, if maximum increases are not taken there will be an ongoing detrimental impact on the ability to increase Council Tax in future years.

### **Council Tax Collection Rate**

- 17 The Council Tax Collection Rate has been increased from 98.4% to 98.9% in 2022/23 only. Previously the collection rate assumption rate for all years was 99.4% but as part of the last budget process the collection rates for 2021/22 and 2022/23 were reduced to 98.4% due to the impact of Covid-19. The collection rate in the current year is better than anticipated therefore it is reasonable to assume that there will continue to be a further increase in 2022/23 before returning to pre-Covid-19 levels in 2023/24.

### **Council Tax Base**

- 18 A separate 'Calculation of Council Tax Base and Other Tax Setting Issues' report is being presented at this meeting.
- 19 It was assumed in the 10-year budget that the tax base (i.e. number of Band D equivalent properties) for 2022/23 would increase by a greater amount than it did following the reduction last year. This shortfall has been added to the assumptions in later years resulting in no overall impact on the 10-year budget.

### **Collection Fund Surplus/Deficit**

- 20 Rules governing the operation of the collection fund require the Council to make an estimate each year. The latest estimate for this Council is an improvement on the previous assumption of £36,000 in 2022/23 and £13,000 in 2023/24.

### **Health and Social Care Levy**

- 21 The Government has announced a new Health and Social Care Levy. The Levy will be obtained by a 1.25% increase to both employee and employer National Insurance Contributions. This is expected to cost the Council £140,000 in 2022/23. This additional cost will be covered by the Services Grant which was announced in the Provisional Local Government Finance Settlement.
- 22 It is uncertain whether any funding will be provided to fund this extra cost in later years and is therefore a new risk to the budget process.

### **Additional Service Change Impact Assessments (SCIAs)**

- 23 At Cabinet on 9 December 2021 officers were requested to identify further savings options. These are listed in **Appendix D** with further details in **Appendix E**.
- 24 Also, at Cabinet on 9 December 2021 it was requested that the Portfolio Holder for Finance & Investment and the Portfolio Holder for People & Places work with the Deputy Chief Executive and Chief Officer - Finance &

Trading and Deputy Chief Executive and Chief Officer - People & Places on a SCIA to set up a grant fund, time limited for Covid-19 recovery, with eligibility criteria along the same lines as set out in the Community Lottery report. It is anticipated that this will be able to be provided within the current service therefore a growth SCIA should not be required.

### Current Position

- 25 All of the changes explained above are listed in **Appendix D** which shows that there remains a £98,000 per annum budget gap if the additional SCIA's are recommended to be included in the budget. Therefore, further savings of £98,000 per annum are required to deliver a balanced 10-year budget once again.
- 26 The latest 10-year budget incorporating these changes can be found in **Appendix B**.

### Further Possible Changes to the Budget

- 27 There remain a number of items that may impact the budget and any further information will be included in the Budget Setting report to Cabinet on 10 February 2022. These items include:
- 28 **Pay** - Agreement between the National Employers for Local Government Services and the unions regarding the national pay award for 2021/22 have not been reached and strike action is being balloted.. The latest offer is a 1.75% increase which is 0.25% below the 2% assumption included in the budget approved by Council in February. Discussions regarding the pay award for 2022/23 have not yet commenced.
- 29 The assumption in the attached 10-year budget is a 2% increase in all years.
- 30 **White Oak Leisure Centre** - The costs of the new leisure centre are being monitored closely and any increased costs above the budgeted amount may have an impact on the revenue budget.
- 31 **Car Parking charges increase** - The car parking income budget for 2021/22 was not increased and it was agreed that the assumed inflation would be deferred until 2022/23. The methods to deliver the assumed increased income in 2022/23 have not yet been confirmed.
- 32 **Covid-19** - the financial impact of Covid-19 remains uncertain and continues to be monitored.

### Key Implications

#### Financial

All financial implications are covered elsewhere in this report.

## Legal Implications and Risk Assessment Statement

There are no legal implications.

For the effective management of our resources and in order to achieve a sustainable budget it is essential that all service cost changes and risks are identified and considered.

Current and future challenges together with risks were included in the Service Dashboards presented to the Advisory Committees and each Service Change Impact Assessment (SCIA) includes the likely impacts including a risk analysis.

An effective integrated policy and priority driven long-term financial and business planning process is required for the Council to deliver on its priorities and maintain a sustainable budget. It is also essential that continuous improvements are identified and implemented in order to take account of the changing climate within which the Council operates and to meet the expectations of both Government and the public on the quality of service demanded from this Council.

The risks associated with the 10-year budget approach include uncertainty around the level of shortfall and the timing of key announcements such as future changes to Business Rates Retention. The risk will be mitigated by continuing to review assumptions and estimates, remaining financially self-sufficient and by updating Members throughout the process.

## Equality Assessment

Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to (i) eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010, (ii) advance equality of opportunity between people from different groups, and (iii) foster good relations between people from different groups.

Individual equality impact assessments have been completed for all Service Change Impact Assessments (SCIAs) to ensure the decision-making process is fair and transparent.

## Net Zero Implications

Members are reminded of the Council's stated ambition to be Net Zero with regards to carbon emissions by 2030.

Individual net zero implication assessments have been completed for all Service Change Impact Assessments (SCIAs).

## Conclusions

The Financial Strategy and 10-year budget process have ensured that the Council follows a logical and well considered process and approach in dealing with the many difficult financial challenges that it has faced. They have also helped to ensure that the Council is well placed in dealing with more immediate and longer-term challenges.

By becoming financially self-sufficient at an early stage, this Council has become much more in control of its own destiny.

This report shows that this Council is aiming to continue to be financially stable going into the future with a level of assurance that any council would aspire to, but further work is required to achieve this before the budget is set in February.

This budget process will once again be a challenge for a Council that already provides value for money services to a high standard; and ensuring that these proposals lead to an achievable 10-year budget, Members will need to consider the impact on service quality, staff and well-being.

### Appendices

Appendix A - Budget Timetable

Appendix B - 10-year Budget

Appendix C - Summary of the Council's agreed savings and growth items

Appendix D - Changes to the 10-year Budget

Appendix E - Service Change Impact Assessment forms (SCIAs) for the new savings/additional income proposals in Appendix D

Appendix F - Financial Strategy

### Background Papers

Report to Cabinet 9 December 2021 - Budget Update 2022/23

Report to Cabinet 16 September 2021 - Financial Prospects and Budget Strategy 2022/23 and Beyond

Report to Housing and Health Advisory Committee 28 September 2021, People and Places Advisory Committee 6 October 2021, Improvement and Innovation Advisory Committee 7 October 2021, Cleaner and Greener advisory Committee 12 October 2021, Development and Conservation Advisory Committee 19 October 2021, Finance and Investment Advisory Committee 4 November 2021 - Budget 2022/23: Service Dashboards and Service Change Impact Assessments (SCIAs)

**Adrian Rowbotham**

**Deputy Chief Executive and Chief Officer - Finance & Trading**