

Report to the Cabinet

Report reference: C-031-2021/22
Date of meeting: 6th December
2021



Portfolio: Finance, Qualis Client & Economic Development

Subject: Draft Budget 2022/23 (including General Fund & HRA revenue & capital, Fees & Charges and an updated Medium-Term Financial Plan)

Responsible Officer: Andrew Small (01992 564278)

Democratic Services: Adrian Hendry (01992 564246)

Recommendations/Decisions Required:

- 1) To consider the draft General Fund revenue budget proposals for 2022/23 (*Appendix A*) and suggest amendments if considered necessary.
- 2) To consider the draft Housing Revenue Account (HRA) revenue budget proposals for 2022/23 (*Appendix B*) and suggest amendments if considered necessary.
- 3) To consider the draft General Fund and HRA capital proposals for 2022/23 through to 2026/27 (*Appendix C*) and suggest amendments if considered necessary.
- 4) To consider the draft Fees and Charges proposals for 2022/23 (*Appendix D*) and suggest amendments if considered necessary.
- 5) To consider and approve the updated Medium-Term Financial Plan (General Fund and HRA) (*Appendix E*); and
- 6) To request that the Stronger Council Select Committee considers the draft budget proposals for 2022/23 (*Appendix A*) and associated documents (*Appendices B to E*) and make comments for consideration at the Cabinet meeting on 7th February 2022.

Executive Summary:

The Cabinet approved an updated Financial Planning Framework (FPF) 2022/23 to 2026/27 at its meeting on 13th September 2021, which is the first step in preparing the 2022/23 budget.

The first major milestone in the FPF was reached on 11th October 2021, with Cabinet receiving and considering an updated Medium-Term Financial Plan (MTFP) for 2022/23 to 2026/27. The MTFP revealed a projected deficit of £1.504 million for 2022/23 on the General Fund; it is a deficit that requires eliminating in full if the Council is to fulfil its legal obligation to set a balanced budget for the forthcoming financial year.

The MTFP also identified a projected deficit of £2.755 million on the Housing Revenue Account for 2022/23, although was almost entirely offset by an initial surplus of £2.651 million in 2021/22.

On 27th October 2021 – alongside the Autumn Budget 2021 – the Chancellor announced a three-year Spending Review covering the period 2022/23 through to 2024/25 (although it's still unclear if this will translate to a three-year settlement); this included assumptions about real terms growth in Council Spending Power (the Government's preferred measure). However, it should be noted that the calculation of Spending Power assumes that councils will increase Council Tax by the maximum permissible without a referendum, which in the case of Epping Forest District Council is a £5.00 increase. The term "Spending Power" should not be confused with actual resources available.

Details of what the overall increase in Spending Power means for individual councils will be announced in the Local Government Finance Settlement 2022/23, which is due in December 2021. Some adjustments, especially to funding assumptions within these proposals, can be expected to follow on from that announcement.

Acting on the strategic direction provided by Cabinet on 11th October 2021, officers have now managed to provisionally bridge the General Fund deficit and this report contains an early draft (balanced) budget for 2022/23 for consideration by Cabinet.

The General Fund element of the draft Budget for 2022/23 can be found at **Appendix A**. It comprises Net Expenditure of £15.145 million and has been funded without recourse to Government Support for Covid-19 (budget of £1.263 million in 2021/22) or any contributions from the General Reserve (budget of £1.350 million in 2021/22).

The HRA draft Budget for 2022/23 can be found at **Appendix B**. It anticipates a deficit of £2.963 million, which is to be offset by an estimated surplus of £2.651 million in 2021/22 (projected as at 30th September 2021); it should be noted that the 'surplus followed by a deficit' profile is a one-off position as the HRA adjusts to the long-term strategy within the emerging HRA Business Plan.

An initial draft Capital Programme (covering both the General Fund and the HRA) for 2022/23 through to 2026/27 is attached at **Appendix C**. The General Fund Programme comprises total expenditure of £107.916 million over the five years, including £46.563 million in 2022/23. In addition, the HRA Programme comprises total expenditure of £185.133 million over the five years, including £47.017 million in 2022/23.

The level of Fees & Charges has been reviewed and draft proposals for 2022/23 can be found at **Appendix D**. This comprises both General Fund (including proposed increases in Car Parking charges included elsewhere on this agenda) and HRA (including a proposed Rent Increase of 4.1%).

Looking further ahead, the updated MTFP is included at **Appendix E** covering both the General Fund and the HRA; the numbers now reflect the draft Budget proposals for 2022/23. Although the overall financial profile is similar to the October 2021 position, there are some differences, which are detail in the appendix.

In terms of the **General Fund** position, the projections are summarised in the table below.

General Fund MTFP (@ December 2021)		
Financial Year	(Surplus)/Deficit	Comment
	£000's	
2022/23	0	Assumed no Government support for Covid-19 (£1.263 million in 2021/22) + no Use of Reserves (£1.350 million in 2021/22)
2023/24	80	Assumes £300,000 contribution to the General Fund Reserve
2024/25	922	New Waste Management contract assumed with effect from 1st December 2024
2025/26	1,250	
2026/27	362	

In terms of the **HRA** position, the projections are summarised in the table below.

Housing Revenue Account MTFP (@ December 2021)		
Financial Year	(Surplus)/Deficit	Comment
	£000's	
2022/23	2,963	Deficit substantially offset by assumed surplus of £2.651 million in 2021/22
2023/24	(15)	
2024/25	(34)	
2025/26	(50)	Assumed £900,000 saving from Qualis re Housing Repairs
2026/27	(1,620)	

The next stage in the process will see the budget proposals for both the General Fund and Housing Revenue Account further refined based on the direction provided by Cabinet and emerging intelligence (especially the Local Government Finance Settlement 2022/23).

Reasons for Proposed Decision:

To provide Cabinet with an initial draft Budget for 2022/23 for consideration (alongside comments from the Stronger Council Select Committee held on 16th November 2021) ahead of the forthcoming Budget scrutiny process in January 2022; and for Cabinet to provide Finance officers with any direction required to further refine the Budget.

Legal and Governance Implications:

The Council has a legal duty under the Local Government Finance Act 1992 to set a balanced budget. This report presents initial draft budget proposals that reflect a balanced position for 2022/23, although they are based on a series of estimates and assumptions that still require further refinement. Final budget proposals will be recommended by Cabinet (to full Council) on 7th February 2022 based on a range of factors, including feedback from the Stronger Council Select Committee on 18th January 2022.

Safer, Cleaner and Greener (SGS) Implications:

There are no direct SCG implications contained within the report at present, although officers remain vigilant as estimates and assumptions are further refined during January/early February 2022; if any significant SGS implications should emerge, they will be clearly reported.

Consultation Undertaken:

The updated Medium-Term Financial Plan (MTFP) 2022/23 to 2026/27 – including a projected General Fund deficit of £1.504 million for 2022/23 – was presented to the Stronger Council Select Committee on 16th November 2021; the comments from that meeting will be considered by Cabinet alongside this report. This report will be presented to the Stronger Council Select Committee on 18th January 2022, with comments made taken forward for Cabinet consideration on 7th February 2022.

Background Papers:

None.

Risk Management:

The consideration of risk formed an integral part of the development of the proposals in this report. In particular, the Budget (and updated MTFP) is based on a series of estimates and assumptions that are informed by a range of intelligence sources (some certain, some uncertain); that process, including any residual risk in the decision-making process, is clearly indicated where appropriate.