

Report to Council

Report reference: ***2022/23***

Date of meeting: ***28th February 2023***

Portfolio: **Finance – Cllr J. Philip**

Subject: **Budget 2023/24 (including Fees & Changes, Medium-Term Revenue and Capital, and Treasury Management).**

Responsible Officer: **Andrew Small (07548 145665).**

Democratic Services: **Jackie Leither (01992 564756).**

Recommendations/Decisions Required:

- (1) That the draft General Fund Revenue and Housing Revenue Account budgets for 2023/24 as presented in *Attachment 1a*, be approved.**
- (2) That the draft General Fund and Housing Revenue Account Capital programmes for 2023/24 to 2027/28 presented in *Attachment 1b*, be approved.**
- (3) That the proposed Fees and Charges for 2023/24, including an average Housing Rent increase of 7.0% on Council Dwellings, presented in *Attachment 1c*, be approved.**
- (4) That the updated General Fund Medium-Term Financial Plan for 2023/24 to 2027/28 presented in *Attachment 1d*, be approved.**
- (5) That the Section 151 Officer’s report – in accordance with Section 25 of the Local Government Act 2003 – on the robustness of the estimates for the purposes of the Council’s 2023/24 budgets and the adequacy of the reserves, presented in *Attachment 2*, be noted.**
- (6) That the Section 151 Officer’s recommendation to maintain a minimum £4.0 million contingency balance in the Council’s General Fund Reserve in the medium-term, including a contribution to the Reserve as part of the General Fund revenue budget proposals for 2023/24, be approved.**
- (7) That the Treasury Management Outturn report 2021/22 considered by the Audit & Governance Committee on 29th September 2022, presented in *Attachment 3*, be noted.**
- (8) That the Treasury Management Mid-Year Update report 2022/23 considered by the Audit & Governance Committee on 28th November 2022, presented in *Attachment 4*, be noted.**
- (9) That the draft Treasury Management Strategy 2023/24 considered by the Audit & Governance Committee on 13th February 2023 and recommended for Council approval, presented in *Attachment 5*, be approved; and**

(10) That the draft Capital Strategy 2023/24 to 2025/26, considered by the Audit & Governance Committee on 13th February 2023, presented in *Attachment 6*, be approved.

1. Executive Summary

- 1.1 The first major milestone in the Financial Planning Framework (FPF) for 2023/24 to 2027/28 was reached on 10th October 2022, with Cabinet receiving and considering an updated Medium-Term Financial Plan (MTFP). The MTFP revealed a projected deficit of £4.126 million for 2023/24 on the General Fund; it is a deficit that required eliminating in full for the Council is to fulfil its legal obligation to set a balanced budget for the forthcoming financial year.
- 1.2 The MTFP identified a projected surplus of £0.682 million on the Housing Revenue Account (HRA) for 2023/24, with a breakeven position anticipated over the five-year period.
- 1.3 Acting on the strategic direction provided by Cabinet on 10th October 2021, officers provisionally bridged the General Fund deficit, and further developed the other revenue and capital elements of the wider budget for 2023/24, presenting an initial draft – balanced – budget to Cabinet on 20th December 2022. The Local Government Finance Settlement 2023/24 was also announced in December 2022, and the initial draft budget was scrutinised by the Stronger Council Select Committee on 24th January 2023.
- 1.4 Final budget proposals for 2023/24 were considered and recommended for approval by Cabinet on 6th February 2023 and are presented in ***Attachment 1***.
- 1.5 The *Revenue* elements (***Attachment 1a***) of the proposed Budget for 2023/24 comprise the following:
 - The General Fund final budget proposal for 2023/24 comprises Net Expenditure of £17.641 million, which includes a contribution of £0.263 million to the General Fund Reserve. The provisional Local Government Finance Settlement 2023/24 was slightly higher than expected, which has helped fund a contingency budget of £0.4 million for the Waste Management service, which is an area coming under significant financial pressure. The Settlement has also enabled a proposed Council Tax increase of 2.98%; a reduced assumption compared to a £5.00 increase in the December 2022 (initial) draft budget; and
 - The HRA final budget proposal for 2023/24 anticipates a surplus of £0.364 million and assumes an average – below inflation – Housing Rent increase of 7.0% (in accordance with the Government rent cap).
- 1.6 The *Capital* elements (***Attachment 1b***) of the proposed Programme for 2023/24 to 2027/28 comprise the following:
 - The General Fund Capital Programme comprises total expenditure of £108.655 million over the five-year period 2023/24 to 2027/28, including £57.561 million in 2023/24; and
 - The HRA Capital Programme comprises total expenditure of £165.925 million over the five-year period 2023/24 to 2027/28, including £35.019 million in 2023/24.
- 1.7 ***Attachment 1c*** also presents the proposed Fees & Charges that support the draft budget for 2023/24. This comprises both General Fund and HRA.

- 1.8 Looking further ahead, an updated Medium-Term Financial Plan covering both the General Fund and the HRA was also considered and recommended for approval by the Cabinet on 6th February 2023 and is also included in **Attachment 1d**; the numbers reflect the draft budget proposals for 2023/24.
- 1.9 In addition, the Council's Section 151 Officer has a duty under Section 25 of the Local Government Act 2003 to report on the robustness of the budget estimates and the adequacy of the Council's proposed financial reserves. Members attention is therefore drawn to the comments made in **Attachment 2**, which is for consideration and noting.
- 1.10 In considering the Council's contingency reserves, extant professional guidance in the form of the recommended principles contained in "*LAAP Bulletin 99: Local Authority Reserves and Balances (issued July 2014)*" is followed. On that basis, taking account of the strategic, operational, and financial risks facing the Council, the maintenance of a £4.0 million minimum contingency balance of unallocated reserves in the General Fund Reserve is recommended. This is an underlying assumption in the Council's updated Medium-Term Financial Plan 2023/24 to 2027/28, although the latest forecast for 2022/23 (as at 31st December 2022) anticipates that the Council is likely to fall below the recommended minimum in the short term; it nevertheless remains an important medium-term objective.
- 1.11 Turning to Treasury Management, under delegated arrangements with the Audit & Governance Committee, full Council retains full oversight and control of Treasury Management matters. Accordingly, the Treasury Management Outturn report 2021/22 (**Attachment 3**) and the Treasury Management Update report 2022/23 (**Attachment 4**) – considered by the Audit & Governance Committee on 29th September and 28th November 2022 respectively – are presented for noting.
- 1.12 In addition, the draft Treasury Management Strategy 2023/24 (**Attachment 5**) – considered by the Audit & Governance Committee on 13th February 2023 – is presented and recommended for approval.
- 1.13 And finally, the draft Capital Strategy 2023/24 to 2025/26 (**Attachment 6**) was also presented to the Audit & Governance Committee on 13th February 2023 and is also recommended for approval (including embedded Prudential Indicators 2023/24 to 2025/26).

2. Resource Implications

- 2.1 There are significant resource implications, which are covered in detail in the report.

3. Legal and Governance Implications

- 3.1 The Council has a legal duty under the Local Government Finance Act 1992 to set a balanced budget. This report sets out a recommended budget for 2023/24 which fully meets the legal requirements.
- 3.2 The Council has a duty to consult employees and trade unions under Section 188 of the 1992 Trade Union and Labour Relations (Consolidation) Act ("TULRCA") where 20 or more potential staff redundancies are proposed. The requirement was triggered by the staff savings that were developed in order to achieve a balanced budget for 2023/24.

4. Safer, Cleaner and Greener Implications

- 4.1 None.

5. Consultation Undertaken

- 5.1 The preparation of the 2023/24 budget proposals, including the recommended Council Tax increase has been the subject of extensive scrutiny and consultation. The Cabinet – at its meeting held on 6th February 2023 – considered comments on the budget proposals, made by the Stronger Council Select Committee at its meeting held on 24th January 2023.
- 5.2 The statutory process described above in Paragraph 3.2 commenced on 9th January 2023 – with affected staff and trade unions consulted – in accordance with the TULRCA 1992.