**Cabinet**
**01 February 2022**

# Budget for 2022/23

**Cabinet Member**: Cllr Andrew Moore, Cabinet Member for Finance
**Responsible Officer**: Andrew Jarrett, Deputy Chief Executive (S151)

**Reason for Report:** This report provides the budget proposals for the General Fund and the Housing Revenue Account for the year 2022/23 and recommends the Band D Council Tax charge for 2022/23.

**RECOMMENDATIONS:**

**Cabinet are asked to recommend to Full Council that:**

1. **A Council Tax Requirement of £6,523,930, calculated using a Council Tax of £218.84 for a Band D property, an increase of £5 or 2.34% from 2021/22 and a Tax Base of 29,811.41, in accordance with the Local Authorities (Calculation of Tax Base) Regulation 1992, as amended, after the relevant adjustments in respect of the Council tax support scheme approved by Cabinet on 4 January 2022;**
2. **The overall budgeted Cost of Services within the General Fund budget of £14,785,295 for 2022/23 is approved as detailed across Appendices 1 – 3;**
3. **The 2022/23 budget requires no transfer from the General Fund Balance;**
4. **A further temporary transfer of £144,879 from the New Homes Bonus EMR to balance the General Fund Budget in addition to the £258,808 already included within previous budget assumptions;**
5. **HRA budget for 2022/23 be approved – Appendix 4;**
6. **HRA fees/charges are approved based on the attached Appendix 5a - b;**
7. **Work on strategic planning for delivering a balanced budget for 2023/24 is commenced in the Spring.**

**Relationship to Corporate Plan:** This budget delivers the Corporate Plan priorities within existing financial resources.

**Financial Implications:** This is a financial report and the implications are contained within it. This report proposes a balanced GF and HRA budget for 2022/23 without reducing service delivery.

**Legal Implications:** None directly arising from this report, although there is a legal obligation to balance the budget. There are legal implications arising from any future consequential decisions to change service provision, but these would be assessed at the time.

**Risk Assessment:** In order to comply with the requirement to set a balanced budget, management must ensure that the proposed savings are robust and achievable. We must also ensure that the assumptions we have used are realistic and prudent. Failure to set a robust deliverable budget puts the Council at risk of not being able to meet its commitments and casts doubt on its “going concern” and “Value for Money” status.

**Equality Impact Assessment**: There are no Equalities Impact implications relating to the content of this report.

**Climate Change Assessment:** The General Fund, Capital Programme and the Housing Revenue Account all contain significant investment in order to work towards the Council's Carbon Reduction Pledge.

## 1 Introduction

1.1. The balancing of the Council's budget continues to be a challenge year-on-year following the Government's austerity measures and the subsequent reduction in funding. Further, the financial impacts of Covid-19 continue to disrupt service delivery and reduce fee income whilst government support to the Council has ceased (insofar as it has been announced to date).

1.2. To mitigate these austerity measures, the Council has already secured and delivered significant savings for over a decade in order to "balance the books" and maintain service delivery during that austerity period.

1.3. Leadership Team, Corporate Managers and the Finance Team have been involved in discussions to secure savings, without reducing service delivery as far as possible. However it is now a more difficult challenge year-on-year and therefore, looking to the future, a new more strategic process will be required to match service provision to available funding.

1.4. In October, the General Fund (GF) indicated a budget deficit of £1.072m in 2022/23 rising to over £1.6m by the end of the 5-year timeframe, based upon a number of key assumptions (e.g. Government funding, inflation rates, pay award, Council Tax level, use of balances/reserves, Covid-19 etc.). Following further review, the 2022/23 deficit had increased to £1.427m as reported to Cabinet on 4 January 2022. Within that January report, a savings target was issued to the Cabinet and Policy Development Groups to try to identify additional savings/income to help balance the 2022/23 Budget.

1.5. This report shows the progress made towards balancing the 2022/23 Budget, and recommends the General Fund and the associated Band D Council Tax charge for 2022/23 and summarises the Capital Programme and Housing Revenue Account for the year 2022/23.

## 2. January PDGs and Cabinet – Budget Update

2.1. Policy Development Group (PDG) and Scrutiny meetings in January received an update on the latest budget shortfall position, which had reduced to £947k due to minor alterations to staffing budgets and a thorough review of the Capital Financing implications flowing from a largely finalised Capital Programme, which has enable greater use of internal balances to fund the planned capital expenditure.

2.2. Throughout the budget process the PDGs have been kept informed and have considered various options during the drafting of the proposed 2022/23 Budget. During their January meetings, the individual PDGs agreed to make the following recommendations to Cabinet to help reduce the budget deficit:

2.2.1. Environment Policy Development Group

- To recommend the move to 3-weekly waste collection. However, the committee felt it more prudent to not include any expected budget savings in 2022/23, instead advised to retain flexibility to assist with the implementation costs.
- To consider including an assumption that income generated from the Share Waste Savings scheme could recover further in 2022/23.

2.2.2. Economy Policy Development Group

- To consider including an assumption that income generated from Car Parking could recover further in 2022/23.
- To take ownership of the development of both motorway junctions in the district to ensure that the wider economic benefits arising are captured.

2.2.3. Homes Policy Development Group

- To promote the Piper Alarm scheme to increase the customer base for this important service to the community.
- To increase the stock of housing units available to support the homeless and thereby reduce the B&B costs incurred by the Council.

2.2.4. The Community Policy Development Group meeting will be held after this report has been published. Therefore any recommendations coming from that meeting will be verbally presented to Cabinet at the meeting. Should Cabinet support any of those suggestions, which are not already part of the proposed budget, the budget will be updated through an equal and opposite adjustment to the proposed use of New Homes Bonus.

2.3. Some of the options discussed by the Committees have variable savings levels, or involve lead times meaning that the proposal is unlikely to help with the 2022/23 budget deficit. However, these options are still important and should continue to be assessed to assist with future year's budgets. Officers will bring back proposals for discussion once further developed.

## 3. The Corporate Plan

3.1. The new Corporate Plan was presented to Cabinet on 16 January 2020. It sets the overarching direction of travel for the Council and will guide all future decision making through to 2024.

## 4. Key Assumptions for the 2022/23 Budget

4.1. The Council has carefully scrutinised all existing budgets and the service risks associated with delivering them. It has also examined all material income sources, especially the ones which are most at risk due to the impact of Covid-19 which has led to continuing fluctuations in demand and price movements e.g. recycling products, planning, car parking and leisure services income.

4.2. In such rapidly and frequently changing circumstances (not to mention unprecedented) assumptions soon become superseded by events. Given the success of the vaccine programme rolling out across the country, it does not seem unreasonable to assume that "things" will continue to slowly return to some version of normal in the latter half of 2022. This budget therefore assumes that early in the budget year we will enter a recovery phase with services activity and income growing accordingly.

4.3. In addition to the above, regard has been made to our existing and future levels of reserves and balances which are required. We have a number of ongoing commitments already made against these reserves and balances (e.g. future capital contributions, economic development and building projects, "spend to save" projects, business transformation, town centre regeneration, future grant settlements).

4.4. However, given the prevalence of uncertainty, it should be noted this budget may well vary to a material extent. The Deputy Chief Executive (S151 Officer) proposes this budget on the basis of the information that is available at this time and his judgement of the most likely outcomes. Any adverse movement in these numbers will require support from other areas of the General Fund, or potentially Reserves as a last resort. Therefore there will be a need for much earlier intervention on reducing spend if financial monitoring indicates a shortfall position at the year end.

4.5. In January 2019 Cabinet amended the minimum level of general reserves required to be maintained at £2m. This level continues to be prudent due to the resilience offered by the level of Earmarked Reserves which the Council holds for specific projects. Using these reserves to fund recurrent General Fund expenditure must be considered an option of last resort. It is inherently unsustainable (they can only be spent once) and with the forecast financial challenges this Council will face in the coming years, post Covid-19, it is imperative that they are maintained at the highest level possible.

4.6. Corporate Managers, in conjunction with the Finance Team, review all areas of income and expenditure for known increases / decreases based on both prevailing and predicted changes in demand, price inflation, contractual obligations, etc., when proposing the 2022/23 budget. More volatile budgets are subject to sensitivity analysis and a reasonably prudent assessment is made.

## 5. Requirements for Council Tax Setting

5.1. In recent years the Government (via the DLUHC) has become far more prescriptive with regard to acceptable levels of Council Tax increase. The implementation of the Localism Act has effectively replaced Government set "capping limits" and replaced them with principles that allow the local electorate to call for a referendum if the Council is planning to increase its Council Tax above an acceptable level. The level for District Councils announced as part of the Settlement was set at a maximum of the greater of 2% or £5 for the 2022/23 budget year.

5.2. The 'acceptable level' is defined by the Chancellor as part of the national budget-setting process and all government calculations on 'spending power' of local authorities are on the basis that authorities increase Council Tax to the maximum amount permitted.

5.3. The Council Tax income included in the proposed budget includes a £5.00 (2.34%) increase. This equates to a Band D charge of £218.84. (A 1% variation to our Council Tax changes the income generated by approximately £60k).

## 6. General Fund Budget 2022/23

6.1. The proposals contained in this report result in a balanced budget for the General Fund (see **Appendix 1**). The forecast budget deficit last reported to Cabinet stood at £1,427k. After the updated budget report was considered by the PDGs and Cabinet in January there was still an outstanding budget gap of £947k. The top portion of the following table shows the amendments to the position presented to PDGs and to Cabinet and the remainder show the proposed actions necessary to move towards a balanced position.

*Table 1 – Reconciliation of further movements*

| **Movements** | **Amount £k** |
|---|---|
| **2022/23 Budget Shortfall (Cabinet Report 04/01/22)** | **1,427** |
| Further revision to Pay Award Adjustment and staffing Establishment | - 60 |
| Adjustment to Capital Financing estimates following finalisation of Capital Programme | - 420 |
| **Updated Budget Shortfall presented to PDG's / Scrutiny** | **947** |
| Further Service Savings identified | - 42 |
| Further Release / Adjustments to Earmarked Reserves | - 195 |
| Finalisation of the recharges to HRA | - 141 |
| Further Business Rates Growth | - 342 |
| Further increase in the Council Tax in-year collection surplus | - 24 |
| Further refinement of Capital Financing estimates | - 58 |
| **Current Budget Shortfall for 2022/23** (see 6.8) | **145** |

6.2. Despite additional analysis work and discussions with Members and Budget Holders, it was not possible to identify the full £500k ongoing savings target set for the PDGs. However, a number of other options were identified by officers that help to reduce the gap further.

6.3. In addition, the budget shortfall has been reduced on a one-off basis in the very short term by the use of reserves. Following a thorough review, a number of Earmarked Reserves have been deemed to no longer be required, or deemed a lower priority, and therefore have been released.

6.4. The recharge to the Housing Revenue Account has been reviewed and finalised for 2022/23. It has increased year-on-year due to the increase in the staffing establishment and the assumed pay awards coverings 2021/22 and 2022/23. In addition, greater clarity has been provided by our insurers on the breakdown of the various insurance premiums. This enables a more relevant apportionment of the costs, which has seen the HRA pick up a larger proportion.

6.5. We have now completed our Business Rates NNDR1 return which is included as a separate report on this meeting's agenda. This has shown a healthy increase in the rateable value of the businesses within the district arising from a few large new hereditaments completing in 2021/22, e.g. the new supermarket in Tiverton. These are partially offset by some reductions and further softened by the freezing of the NNDR multiplier within the Chancellor's Budget Statement in October. The net impact is a year-on-year increase in the overall rateable value of c.£1,000k leading to an increase in the retained value of £380k (some £340k above the previous assumption). The ever-present risk of appeals, which the Valuation Office consider on a daily basis, and the heighten risk of bad debts arising necessitates that we prudently set aside significant funds in a provision in our Business Rates Smoothing Reserve to mitigate these risks.

6.6. Similarly, we have seen growth in the Council Tax tax base and less of a reduction in the collectable amount than expected which has led to a collection surplus. This has now been finalised for the year and shows a further increase of £24k above the previous forecast.

6.7. Finally, following a technical review of the capital financing arrangements, we have altered the profile of the Minimum Revenue Provision[1] which has reduced the charge by £58k.

6.8. To set a balanced budget, that continues to provide the current level of service provision, will require an additional use of £145k from the New Homes Bonus Earmarked Reserve, subject to any additional proposals put forward by the Community PDG. Any such proposals agreed, will reduce the need to draw further from this reserve.

## 7. Future Funding Concerns/Cost Pressures

7.1. It is clear that members' preference is to explore all revenue-raising options before cutting services. However, due to the increasing pressures on our budgets and the continuing reduction in our Central Government funding, the Council will need to reassess its overall corporate priorities and therefore where it allocates future budgets, it will also need to consider:

- Statutory vs Discretionary service provision;
- Resident priorities – as per the recent consultation undertaken;
- How it can work more closely with Towns/Parishes;
- Explore more commercial and regeneration opportunities (being aware of the risks);
- Continue to consider any partnership possibilities;
- Review Treasury options;
- Maximise all income possibilities;
- Impact of funding changes: Fair Funding Review; NNDR baseline reset; changes to NHB;

[1] the minimum amount which a Council must charge to its revenue budget each year, to set aside a provision for repaying external borrowing

- Ongoing impacts of Covid-19 especially with regard to service income losses and recovery periods which in some cases may be measured in years rather than months;
- The need to create investable propositions for our carbon reduction ambitions.

7.2. The Council has stated its intent to try and achieve a net zero carbon operation by 2030. There remains a substantial challenge ahead if this target is to be achieved. From a carbon accounting perspective, the fact that we retain direct control (and ownership) over the majority of services means that while our influence is unfettered by long-term commissioning or contractual arrangements, we retain ownership of the significant challenges around decarbonisation. The future year's Capital Programme includes a range of investments in improving the energy efficiency of our property estate, subject to securing sufficient funding.

7.3. Not least in the area of social housing provision, where we have to balance the long-term viability of our social housing stock for the needs of future generations, with the need to invest substantially to reduce emissions (housing stock makes up the bulk of MDDC emissions). The Capital Programme includes a number of substantial housing developments increasing the amount of housing stock with highly efficient (zero carbon) modular buildings, subject to securing sufficient external funding. This continues across the 5-year Medium Term Financial Plan with the aim of developing 500 new properties.

7.4. Changes to vehicles, operations and processes can all deliver incremental gains, and we have an important scheme planned to deliver hydroelectric power from the River Exe, as well as various tree-planting projects to help offset emissions. However, with limited funding available from Government, and any such funding subject to a bidding process, in the short term we will be trying to achieve the maximum possible locally, while taking every opportunity to bid into future funding pots as they arise.

7.5. The NHB grant monies have been considered at risk for some time. It remains the expectation that 2022/23 will be the final year for the scheme, at least in its current guise. However, as announced in the Funding Settlement, MDDC benefitted from an allocation for 2022/23 of £259k which has been used to support the budget. It remains unclear what will happen to the funding associated with the current scheme. The Government has stated, again, its intention to consult on changes to the New Homes Bonus scheme to make it more effective. While we do not yet know what these changes might include, it can be assumed that meeting and exceeding our growth targets will be critical to ensuring that we access whatever revised distribution methodology the government implements.

7.6. What is clear is that local authorities are in desperate need of a multi-year funding agreement rather than the current year-to-year arrangements which do not allow a considered medium term view of the resources that will be available, and, how these may be managed to optimise service provision within the scope of the Corporate Plan.

7.7. It's important to highlight how much New Homes Bonus is being used to help fund our General Fund and Capital Budgets in 2022/23. A total transfer of

£483k is being used to contribute towards various one-off General Fund projects, including:

- £190k towards the ICT equipment sinking fund;
- £168k towards the Cullompton HAZ;
- £80k towards Business Development; and
- £45k to Community Development.

In addition, £259k is underpinning the 2022/23 Budget and to close the budget gap, it is recommended that this be increased by a further £145k, as referred to in **Recommendation 4** of this report. NHB amounting to £102k is also used to fund part of the Capital Programme (£81k supporting the GF, £21k supporting the HRA – please see Capital Programme report also on this agenda). This gives a total of £989k to be utilised in 2022/23 (if the additional balancing drawdown is approved). With the future of the scheme at risk and no assurance of any further funding from 2023/24 onwards, the Council will need to be mindful of the future funding available and agree service level changes accordingly.

7.8. Proposals for future year's budgets requiring additional work over the coming months including a range of revenue-raising options to reduce the net revenue requirement, and these will be considered to reduce the need to cut public-facing services.

## 8. Overall General Fund (GF) position at 31 March 2022

8.1. Recent verbal updates on the in-year budget position indicates that it is trending towards or close to the original budget position. If the Outturn position does continue as forecast, the General Fund Reserve balance should remain at least, or close to, the current £2,168k. This position remains close to the proposed minimum level of £2,000k.

## 9. Transfers To and (From) Earmarked Reserves

9.1. **Appendix 3** shows in detail which amounts are being contributed to, or are being drawn down from, various earmarked reserves in 2022/23.

9.2. It is proposed to transfer £1,759k into earmarked reserves to help mitigate future pressures. This includes:

- £460k into the New Homes Bonus reserve (being the residual of the 2022/23 grant allocation not supporting the budget – prior to the proposed £145k balance adjustment through NHB;
- £100k into the Statutory Development Plan; and
- £1,199k being the balance into various Sinking Funds.

9.3. However, it is also proposed to drawdown £2,614k to fund expenditure in 2022/23. This includes:

- £188k release of funds no longer needing to be set aside;
- £338k supporting the investment in our property maintenance;

- £310k supporting the development of the Garden Village;
- £493k supporting the vehicle fleet; and
- £174k supporting the Statutory Development Plan.

This gives a net reduction in earmarked reserves of £856k, prior to the proposed £145k balance adjustment through NHB.

## 10. Housing Revenue Account Budget 2022/23

10.1. The Housing Revenue Account (HRA) is ring fenced and accounts for the income and expenditure associated with the Council's statutory housing obligations to its tenants. The HRA has an obligation to provide a high quality, value for money service for its tenants coupled with affordable rent levels.

10.2. The Council continues to undertake valuable benchmarking work in conjunction with Housemark. These findings are then used to inform the budget setting process. In doing so, MDDC are able to better identify their position in relation to other authorities in the sector and identify areas for improved efficiency.

10.3. The overall HRA budget has been constructed on a detailed line-by-line examination of expenditure and income, having regard to last year's outturn, this year's forecast position and the on-going improvement of the housing service.

10.4. Some items of expenditure can be defined quite accurately whilst others require managers to exercise business judgement based upon their experience, particularly in the case of new commitments. Where such judgement has been applied, the proposals before Members are based upon realistic assumptions.

10.5. The recent budget proposals that went before the Homes PDG have resulted in a balanced draft budget for the Housing Revenue Account for 2022/23 as shown at **Appendix 4**.

10.6. The main proposals for the 2022/23 budget can be summarised as follows:

- An increase of CPI plus 1% (4.1%) is proposed on existing rents;
- Garage rents to be frozen, remaining unchanged at £10.71 per week;
- Garage plot ground rents to be frozen, remaining unchanged at £275 per annum.

10.7. The main factors influencing this year's budget are as detailed below:

10.7.1. The overall rental income was materially affected by the Governments previous policy to reduce Rents by 1% each year for four consecutive years. We estimate that the budget is therefore c£2m lower per annum. The current policy is to enable rents to be increased by 1% above inflation. A more detailed analysis of the proposed rent increase can be found in **Appendix 5a** that shows that the average housing rent will increase to £83.92 on a 52 week basis.

10.7.2. The roll-out of Universal Credit in Mid Devon continues and we continue to monitor the impact. We anticipate that this may have an increasing impact upon revenue into the HRA due to the expected rise in the level of rent arrears.

10.7.3. Current legislation on Right to Buy means that we're likely to sell several properties in future years. We forecast that 25 will be sold, while 3 will be repurchased, giving a net reduction of 22 properties per annum.

10.7.4. Similarly, we forecast that we will have a number of void properties during the year. We have a prudent forecast of 75 voids across the year which is higher than in previous years to reflect the financial implications on tenants of the move to Universal Credit and Covid-19. This is in line with the forecast Council Tax collection rate of 97.5%. Combined, these reductions affect our ability to fund property maintenance and development as well as servicing any existing or new debt.

10.7.5. Budget has been included to address recent legislation post Grenfell and to undertake the remedial action required to mitigate the recommendations from the recent Fire Risk Assessment Audit. Similarly, budget has been included to further contribute to the decarbonisation of the Housing Estate, in line with the Council's commitment. However, significant further investment will be required to achieve Net Zero by 2030.

10.8. It has been deemed as prudent to maintain the HRA reserve balance at £2,000k and it is expected to remain so throughout 2022/23. At the start of 2021/22, other HRA reserves totalled £19,567k. This included £15,121k in the Housing Maintenance Fund (HMF); £701k in the Renewable Energy Fund (REF) and £199k in Major Repairs Reserve. It is intended that any expenditure funded from the REF monies be used on renewable energy schemes.

10.9. The final budget summary for the 2022/23 HRA is shown in **Appendix 4**. It will continue to provide for an enhanced housing service which will allow for more capital investment and additions to our existing stock.

10.10. The ambition to build a significant number of new properties continues across the 5-year Medium Term Financial Plan. The prospect of building new social housing raises the issue of significant future capital financing requirements. £1,514k is included within the future years of the MTFP to finance the build of a number of new highly efficient (zero carbon) modular buildings, subject to securing sufficient funding. Members are reminded that the constraint on increasing stock is still an issue of affordability, not the access to borrowing.

## 11. Capital Programme 2022/23

11.1. Full detail on this matter is included within in a separate agenda item on this meeting.

11.2. In summary, it shows that the 2022/23 programme totals £34,303k. This is a significant increase on previous years due to a significant plan to increase the HRA Housing stock directly through the HRA (£7,435k) and plans to fund housing developments through 3Rivers (£3,534k). In addition, plans continue with the HIF projects in Cullompton and Tiverton at a cost of £13,054k. The funding associated with the Cullompton project is yet to be identified but the Council is actively pursuing all avenues. As with all capital projects, these are all subject to a full appraisal.

11.3. A prudent assumption has been included for the utilisation of 1-4-1 receipts or for additional grant funding to be made available from Homes England; although a substantial element of the cost remains with the Council.

11.4. The most significant funding source required to support the 2022/23 programme is the £12,426k of borrowing from the Public Works Loan Board (PWLB). The associated capital financing costs are included within the relevant GF or HRA budget.

11.5. The future year's Capital Programme shows increased investment in improving the energy efficiency of our property estate and the continuation of investment in increasing the HRA Housing stock. The overall borrowing requirement increases accordingly and therefore so does the capital financing costs within the Revenue Budget. These projects will be further refined over time and will be subject to sufficient funding being available.

## 12. Updated MTFP position

12.1. The new MTFP summary position is shown in the table below. It shows a cumulative shortfall over the remaining four-years of this MTFP of £2,165k remains to be addressed.

*Table 2 – Future Medium Term Financial Plan*

| | **2023/24 £k** | **2024/25 £k** | **2025/26 £k** | **2026/27 £k** |
|---|---|---|---|---|
| **Annual Surplus / Deficit** | 1,703 | 531 | (61) | (8) |
| **Cumulative Surplus/Deficit** | **1,703** | **2,234** | **2,173** | **2,165** |

12.2. The underlying budget shortfall falls largely in 2023/24. This is in part due to the "cliff-edge" currently assumed for the Funding settlement while we await clarity on future funding mechanisms, but also in part due to a number of one-off funding options being used to balance the 2022/23 budget (for example release of earmarked reserves). The latter years are forecast to be broadly balanced, with assumed inflationary increases offset by increases in Business Rates and Council Tax.

12.3. This forecast position also makes a number of prudent assumptions, including:

- No new grant due to MDDC within the replacement New Homes Bonus Scheme and no further one-off allocations of NHB.
- A loss of historic growth in business rates above the baseline, on reset of the business rates system
- No income from business rates pooling, which would probably not continue after a reset of the system
- No further continuation of the allocation of Lower-Tier Services grant (initially announced as one-off)

- No continuation of the new 2022/23 Services Grant (announced as one-off)
- The continuation of the current Council Tax referendum principles
- Pay Award and general inflation in line with assumptions included within the 2022/23 budget

12.4. The same level of uncertainty will be facing all local authorities across the country.

## 13. Conclusion

### General Fund

13.1. The General Fund budget has been set against a back drop of over a decade of cuts to Public Sector funding. However, the proposed balanced budget protects service delivery at current levels. This has been achieved with the use of a small amount of one-off funding from reserves and balances. Therefore, further ongoing budget savings options will need to be identified to mitigate the underlying budget shortfall across the remainder of this MTFP.

13.2. Significant uncertainty remains for the future funding of Local Government. Further delays were announced to the outcomes of the Fair Funding Review and potential changes to both Business Rates and New Homes Bonus. These changes are now planned to be due in 2023/24.

13.3. The financial implications of Covid-19 continue and appear likely to take some time to diminish adding further ambiguity; income losses prove slow to recover and services are impacted each time the government extends its containment measures. However central support, as far as it has been announced to date, has ceased.

### HRA

13.4. The HRA budget for 2022/23 addresses a number of important factors, such as the Post Grenfell and Fire Risk Assessment requirements, increased decarbonisation of the housing stock, and a marked increase in the overall number of units through significant investment. These investments continue across the whole 5-year MTFP period.

13.5. Rents are proposed to increase by 4.1% in line with the Government's guidance and neighbouring authorities. A prudent allowance has been made for voids and non-collection, in line with that applied to Council Tax, taking into account the current economic climate.

13.6. This report has set out a proposed balanced budget for the HRA for 2022/23, with appendices attached showing the following:

Appendix 4 – The overall makeup of the budget at summary level
Appendix 5a – The proposed rent for 2022/23
Appendix 5b – The proposed fees and charges for 2022/23

### Capital Programme

13.7. The Capital Programme for 2022/23 includes the beginning of a programme of significant investment in social and affordable housing. The capital MTFP also includes investment into improving the energy efficiency of our property estate, and in the economic regeneration of the district. However these projects, as with any capital project, is subject to the Council receiving sufficient grant funding and a robust business case.

13.8. Therefore assumptions are built in that the Council will be successful in attracting funding through the increasing number of bid schemes for grant funding. Additional borrowing is also projected which is forecast to increase our Capital Financing Requirement to c.£112m (see Treasury Management Strategy included elsewhere on this agenda). The Revenue MTFP includes the associated financing implications.

13.9. It is, therefore, imperative that capital funds are only spent on those projects that enable the Council to deliver its Corporate Plan objectives, reduce operational cost, or generate a financial return.

**Future Budgets**

13.10. The Council will need to prepare for the future in a timely manner and this is why it will continue to discuss how it can provide a wide range of services in a much reduced funding envelope. The process will continue to involve all staff, Members and our local residents/businesses.

13.11. Cabinet are asked to agree the contents of this report and recommended its approval by Full Council in February 2022.


| | |
|---|---|
| **Contact for more information:** | Andrew Jarrett, Deputy Chief Executive (S151)<br>01884 234242 (ajarrett@middevon.gov.uk)<br><br>Paul Deal, Corporate Manager for Financial Services<br>pdeal@middevon.gov.uk |


| | |
|---|---|
| **Circulation of the Report:** | Leadership Team, Cabinet |
| **Background Papers:** | October, November & January Cabinet & PDG's (MTFP, Budget Draft and Budget Update reports) |