

2023/24 Budget Update

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

Reason for Report: To present to Member's the updated 2023/24 Budget position and to discuss further options for cost savings or income generation. The first draft of the General Fund budget for 2023/24 indicated a deficit of £2,111k, potentially falling to £1,111k if all initial proposals were adopted. This report updates that deficit to the current position of £960k based on updated assumptions and forecasts where applicable and the recommendations from the Policy Development Groups. Note this is subject to any alterations the Community PDG may wish to recommend. The PDG's are requested to discuss further changes required in order for the Council to move towards a balanced budget for 2023/24.

The Capital Programme shows an increase to £130m, up from £126m within the original estimate. However, following updated assumptions, the level of borrowing required has reduced from £56m to £49m.

The overall 5-year deficit on the Housing Revenue Account has reduced by £2,779k following the changes to a number of assumptions, with 2023/24 looking indicatively balanced.

RECOMMENDATION: For Cabinet to:

- 1. Consider the updated 2023/24 budget position for the General Fund, Capital Programme and the HRA following a review of proposals by the various Policy Development Groups;**
- 2. Agree the proposals included within Appendix 2, subject to any alterations the Community PDG may wish to recommend;**
- 3. Agree the proposed new Fees and Charges included within the various annexes to Appendix 3 and the associated proposed implementation dates;**
- 4. Consider further options to balance the remaining shortfall and circulate them to the Policy Development Groups for further input during their January suite of meetings prior to the formal recommendation back to Cabinet and Council in February.**

Relationship to Corporate Plan: The Annual Budget sets out the financial resources available for the year to deliver the Council's ongoing Corporate Plan priorities.

Financial Implications: The current budget for the General Fund shows a deficit of £960k. In addition, as shown in the October report, a funding deficit is also projected in future years. This highlights the need to take steps to plan for further reductions to our ongoing expenditure levels. The Capital Programme shows over £4m further investment is planned, while the deficit on the HRA has fallen by £2,779k.

Budget and Policy Framework: The Annual Budget provides an overarching steer of what the Council can afford to deliver in the year.

Legal Implications: None directly arising from this report, although the Local Government Finance Act 1992 places a legal requirement on the Council to approve a balanced 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: The current forecast continues to make a number of financial assumptions based on a sensible/prudent approach, taking account of the most up to date professional advice that is available. Management must ensure that any proposed savings required to balance the budget are robust and achievable

Equality Impact Assessment: No implications arising from this report.

Climate Change Assessment: The allocation of resources will impact upon the Council's ability to implement/fund new activities linked to climate change.

1 Introduction to the Medium Term Financial Plan

- 1.1 On 1 November, the first draft of the Medium Term Financial Plan covering the period 2023/24 to 2027/28 for the General Fund (GF), Capital Programme and Housing Revenue Account (HRA) was presented to Cabinet. The GF indicated a deficit of over £5,219k by the end of the 5-year timeframe, with the increase largely due to the implications of the cost of living crisis. The Capital Programme showed significant investment, subject to appropriate business cases and funding available, mainly in the development of additional housing, and therefore an associated increase in the capital financing requirement;. The HRA also showed a deficit position again across the MTFP timeframe, largely due to the rising interest rates associated with the required debt financing for the planned housing developments.
- 1.2 This report provides an updated position across those three strands of the Council's finances following a detailed budgetary review and seeks agreement to the various Budget Options and Fees and Charges recommended by the PDGs.

2 2023/24 General Fund Budget – Revised Position

- 2.1 The draft budget deficit for 2023/24 can decrease to £960k if the updated assumptions and recommendations from the PDG's are accepted, with the current position included with **Appendix 1** showing the movement at service level. Following ratification by the various PDG's, the main reasons for this are:
 - Inclusion of initial Budget Option proposals and the levels recommended by the PDGs;
 - Updated projected income levels as a result of a review of Fees and charges, as recommended by the PDG's.

- Updated assumptions in some areas, for example revised costs associated with the forecast pay award and income generated following the increase in the referendum limit.

2.2 **Appendix 2** shows the movement from the original projected deficit of £2,111k for 2023/24, with the budget options relevant to Cabinet for discussion, the updated budget options and income forecasts recommended by the PDGs (subject to any alterations the Community PDG may wish to recommend) and updated assumptions.

2.3 In addition the following proposed fees and charges are included as **Appendix 3 (Confidential – Part II)** for approval and implementation as soon as possible (dates will differ depending on the process required, including consultation requirements, to implement the revised charges):

Annex	Service
3a	Bereavement Services
3b	Parks and Open Spaces
3c	Public Transport
3d	Waste
3e	Car Parking
3f	Pannier Market
3g	Public Sector Housing
3h	HRA

Based on the recommendation from the PDG's, a further £286k income above the original budget assumptions could be generated if the proposed fee increases are approved, plus or minus any alterations the PDG may wish to recommend regarding Leisure income. Given some of the fees are due to be implemented in-year, there will also be some additional benefit to 2022/23, potentially £30k.

2.4 The other contributing factor to the movement from the original position is an update to some of the original assumptions. These include:

2.4.1 Pension costs – the initial results of the latest 3-year Pension Valuation have been received. This indicates a positive movement over the last three years lowering the outstanding pension deficit. However, the current economic impacts on the future costs, leading to an increase in the Contribution Rate from 16.6% to 19.0% and an additional pressure of £50k.

2.4.2 Council Tax – following the finalisation of the 2023/24 Taxbase, the Council Tax income has been updated. This also includes the financial implication of the change in the Local Council Tax Reduction Policy. However, the Autumn Statement announced the relaxation of the Referendum Limit applied in previous years. This increased the allowable uplift increases to 3%, giving the Council an additional £65k. It must be highlighted that a higher increase in the charge could cause additional pressures on households leading to lower rates of collection. The assumption built into the Taxbase is a collection rate of 96.5% (down from 97.5% in the current year), but this is only an assumption.

- 2.4.3 Pay award – following comparison with peer councils in the region, the assumed 5% pay award for 2023/24 was found to be the highest, with the majority budgeting for 3%. In addition, the Government have been stating their desire to restrain the Public Sector Pay Award to 2% next year. Therefore, we have revised the current working assumption down to 3% - subject to further announcements/review.
- 2.5 Although the assumptions have not yet been updated, further information is enabling the refinement of the following assumptions:
- 2.5.1 Service Income – although the Services Fees and Charges has been reviewed and challenged by the PDGs, there is income generated that is either raised through fees set by government, i.e. Planning and Licensing Fees, or where the potential level is best assessed by the appropriate service managers, for example recycling income. These budgets assumptions have also been updated as appropriate and are included within Appendix 2.
- 2.5.2 Inflation – Final figures are also overdue on the energy costs for the period October 2022 to September 2023. This is due to the changing support provided to homes and businesses by the Government.
- 2.5.3 Interest – with the rise in the bank base rate, both the cost of borrowing and interest earned on investments is increasing. However, the 50-year PWLB rate has fallen nearly 1% since the middle of October. This will move again once the Chancellor announces the Autumn Budget – which way will depend on how the market reacts to the plans. Interest Receivable is now much higher than assumed in the current budget, however until the Capital Financing Requirement is finalised, the forecast level of investments available is not known.
- 2.5.4 Business Rates – 2023 is the start of the next revaluation period, therefore there will be movement in the Rateable Values of properties, but overall we have assumed this to be cost neutral. This also enables a window of opportunity for a raft of other changes to be implemented, which the Autumn Statement confirmed the Council will be fully compensated for, such as:
- ‘Multipliers’ have been frozen given the rate on inflation as this would increase rates payable at a time of recession. The Council should be fully compensated for this.
 - A new ‘Transitional Scheme’ from 1 April 2023 has been announced providing support to ratepayers facing large bill increases following the revaluation. “The ‘upward caps’ will be 5%, 15% and 30%, respectively, for small, medium, and large properties in 2023-24. Full details are not yet known.
 - Increasing relief for retail, hospitality and leisure from 50% to 75% business rates relief up to £110,000 per business in 2023-24;
 - Additional support for small businesses – “the smallest businesses losing eligibility or seeing reductions in SBRR or Rural Rate Relief (RRR) will be capped at £600 per year from 1 April 2023. This means no small business

losing eligibility for SBRR or RRR will see a bill increase of more than £50 per month in 2023-24”;

- A new improvement relief to ensure ratepayers do not see an increase in their rates for 12 months as a result of making qualifying improvements to a property they occupy. This will now be introduced from April 2024. This relief will be available until 2028.

The timing of these changes is likely to be too late for billing, meaning rebilling in April / May is likely to be required. This might have knock-on financial implications into 2024/25.

2.5.5 There has also been notification of an “Alternative Funding” scheme to help consumers’ energy bills for those not directly contracted with a domestic electricity supplier. The Council may also administer another scheme for “Alternative Fuel Payments” for those who use alternative fuels such as heating oil. These schemes will once again be based upon Council Tax data.

2.5.6 Government Grants – Since becoming Prime Minister, Rishi Sunak has highlighted the need to make cuts to balance the budget, indicating a £55bn deficit. Although the Autumn Statement reaffirmed the DLUHC departmental budget would not reduce, there is no guarantee that the grant will be allocated in the same proportions as before. This could mean that some Councils receive lower funding, as monies are redirected to higher priorities, such as Social Care.

3 Next Steps

3.1 A significant GF budget deficit still remains and therefore further action is required. The Cabinet and PDG committees will therefore be challenged to find further budget reductions to the value of £1,000k. Although this is in excess of the current projected shortfall, it is prudent to identify options that allow a degree of choice, or should any assumptions prove to be under or overvalued.

3.2 Budget reductions can consist of reductions to expenditure or increases in income. This value is apportioned over the various committees in line with the value of the baseline budget of the services reporting to them, as follows:

	2022/23 Budget	% Share	Share of £1,000k Requirement
Cabinet	6,199,314	41.9%	419,300
Community	3,842,427	26.0%	259,900
Environment	4,495,403	30.4%	304,000
Economy¹	(19,550)	-0.1%	(1,300)
Homes	267,702	1.8%	18,100
	14,785,296		1,000,000

¹ Note, as this is an income budget, the PDG is tasked with identifying additional income, not cost reductions.

- 3.3 It is critical that the challenge to find £1,000k of additional budget reductions is embraced. Without these new options, the Council may be forced to consider taking more from reserves and risks leaving the Council in an imprudent position.
- 3.4 The above apportionment method is purely a mathematical exercise – Leadership Team will review with a more scientific approach using their expertise in the relevant service areas to identify further savings options. Therefore these may differ from the allocations set out above.

4 Capital Programme

4.1 A revised summary of the Capital Programme expenditure and funding is included in **Appendix 4**. This includes the refinement of the Housing Development programme within the HRA. Specifically:

- Post Hill – following planning approval, dialogue has progressed with Homes England regarding the potential for grant funding to be made available. Therefore an assumption has been included that 30% of the cost could be met by grant. However, given the inflationary impact on material prices, the build costs have been increased. The Tender for bids has been published and we await to see the level of interest in the development and the prices quoted.
- One Public Estate – following the success of the bid for grant funding for development on brownfield sites for the current Modular homes, the assumption has been amended to include £15k of grant funding across all brownfield sites with additional units planned.
- An assumption has been included to utilise £5m of the Housing Maintenance Fund (HMF) over the assumed 50 year life of the modular homes; essentially £100k per year. This will help meet the capital financing costs or the ongoing maintenance of the units.
- The refreshed Business Plan from 3Rivers has not been reflected following delays to the approval by Cabinet – now scheduled for January 2023. The approved financial implications will be included in the next budget update, also scheduled for January.

4.2 The delivery of housing development will continue to be refined following further work and the latest survey assessments. This has reduced the borrowing requirement and the associated impact on the HRA.

5 Housing Revenue Account

5.1 As outlined within the section above, the assumptions around the planned housing developments for the HRA have been through a detailed review since the original MTFP position was presented. The revised position now shows the HRA at a breakeven position for 2023/24 – see **Appendix 5**, although there is

still a large deficit over the MTFP timeframe. Options will continue to be investigated and assumptions updated as we progress through the years.

- 5.2 An update on the latest housing development plans, and the likely level of rent required will be reviewed and finalised at the January Homes PDG and recommended to Cabinet.
- 5.3 In line with the reduction in the General Fund, the 5% assumed Pay Award has also been reduced to 3% for 2023/24.
- 5.4 The Autumn Statement announced that rents on Social Housing were to be capped at a maximum of 7% for 2023/24. This has been reflected in the updated assumption.
- 5.5 These changes in assumptions have enabled the 2023/24 budget to be balanced. Further work will continue to refine the detail within the budget but at this point in time, the 2023/24 budget appears to be balanced.

6 Conclusion

- 6.1 The significant budget deficit remaining is a challenge and the identification of a further £1,000k of budget reduction is critical to balancing the budget for 2023/24.
- 6.2 Moving forward Members and Officers need to look to reduce the pressures over the next few years reflected in our MTFP and will need to identify ongoing savings to prevent the reliance upon reserves.
- 6.3 In order to conclude the statutory budget setting process, this updated draft budget position will go through another round of PDG's in January, a final meeting of the Cabinet before being agreed at Full Council on the 22 February 2023. During this period Officers will continue to identify and examine further savings possibilities that can reduce the longer term budget gap.

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