

Homes Policy Development Group 17 JANUARY 2023

2023/24 Budget Update

Cabinet Member Cllr Bob Deed, Leader and Cabinet Member for Finance
Responsible Officer Andrew Jarrett – Deputy Chief Executive (S151)

Reason for Report: This report updates the General Fund deficit to the current position of £905k and proposes options to consider to achieve the statutorily required neutrality. The HRA Budget position shows a balanced position for 2023/24 and a reduced shortfall across the remainder of the MTFP.

RECOMMENDATION: That PDG Members review the General Fund options included within the Appendices and recommend to Cabinet the way forwards, noting that if the committee doesn't support any options, alternative suggestions should be made. In addition, to review the specific HRA related Appendices (4 -6) and make any suggestions/recommendations to Cabinet.

Relationship to Corporate Plan: To deliver the Council's ongoing Corporate Plan priorities within financial resources.

Financial Implications: The current budget for the General Fund shows a deficit of £905k. This highlights the need to take steps to plan for further reductions to our ongoing expenditure levels. The HRA Budget position shows a balanced position for 2023/24 and a reduced shortfall across the remainder of the MTFP.

Budget and Policy Framework: The Council has an annual legal requirement to set a balanced budget.

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 VFM status.

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. Some provision has already been included in the Capital Programme and General Fund base budget in order to work towards the Council's Carbon Reduction Pledge.

1 Background and Introduction

- 1.1 Update reports have previously been taken through Cabinet on 1 November and 29 November 2022. The latest update report is scheduled for 3 January 2023 showing the current shortfall position. Members are asked to refer to those reports for the background.
- 1.2 This report provides an updated position across the General Fund and Capital Programme following a detailed budgetary review. However, the budget position is a moving feast as more information becomes available. One such aspect is the outcome of the “Provisional Local Government Finance Settlement: England, 2023 to 2024” published (19 December 2022). A summary document will be shared with the Committee prior to the meeting.
- 1.3 A summary of the results of the budget section within the Residents Survey recently undertaken will also be shared with the Committee prior to the meeting. Members should consider this feedback when reviewing the movements in the budget and when reviewing and identifying new budget options to propose to Cabinet. All of the other feedback from the survey will be reviewed (including any associated action plans) in a Cabinet report in February 2023.

2 2023/24 General Fund Budget Update – Revised Position

- 2.1 Following identification of the proposed options shown in the last Cabinet update report, and updates to reflect known changes and assumptions, the draft budget deficit for 2023/24 is £905k. **Appendix 1** shows the movement at a granular service level relevant to this committee.
- 2.2 The main reasons for the movement from the previously reported £960k shortfall are:
 - Significantly higher than expected rise in Energy costs covering the period October 2022 to March 2024;
 - Likely increase in Business Rates income following the national revaluation – this is subject to further guidance and clarification from Government, part of which forms part of the Local Government Funding Settlement which will be published on 21 December 2022 (an update paper will be provided prior to the meeting);
 - Likely increase in the treasury returns – subject to finalisation of the Capital Programme and borrowing/lending levels and approval of the 3 Rivers Developments Ltd Business Plan;
 - Increased staffing FTE to combat the need for expensive short term agency cover;
 - Updated recharges to and from the HRA based upon updated Salary Estimates; and
 - Updates to the assumed savings and pressures previously included.
- 2.3 There is still a way to go to balance the 2023/24 budget. **Appendix 2** shows further budget options for the Cabinet and the January Policy Development Groups to consider.

2.4 Following consideration of the updated forecast position, and the feedback from the Residents Survey, the committee is asked the following question in respect of the services it is responsible for:

- **Which services do you most want to protect from any budget or service provision reductions, and which do you accept could be reduced?**

2.5 Officers have considered further savings options (collectively included within Row C with Appendix 2). This can be used as a guide to where officers believe further savings could be identified with least impact – note this does not mean they have no impact, but could be considered the “least-worst” options. The relevant service areas are:

Responsible Committee	Service Area	
Environment	SPS09	Property Services Staff Unit
Environment	SGM01	Grounds Maintenance
Economy	SPR06	Economic Development
Community	SES16	ES Staff Units/Recharges
Community	SRS01	Recreation And Sport
Community	SPR03	Development Control
Community	SCS22	Customer First
Cabinet	SFP01	Accountancy Services
Cabinet	SFP04 / 05	Purchase / Sales Ledger
Cabinet	SRB03 /04 / 06	Housing Benefit Admin & Fraud Housing Benefit Subsidy Debt Recovery
Cabinet	SIT03	IT Information Technology
Cabinet	SCM02	Corporate Functions
Cabinet	SHR01	Human Resources

2.6 The request for you to indicate the areas that you wish to be most protected and those where you feel a reduction could be achieved will be used to inform the Vacancy Freeze: not filling vacancies arising in these services areas will be considered as the first port of call against a targeted saving.

2.7 This committee has limited General Fund budgets, and those it does have responsibility for are largely funded via external ring-fenced grant funding. Therefore in reality there is little scope for this committee to make meaningful cost savings. However, there is a budget shortfall and savings need to be made somewhere. Therefore the committee is asked to identify any options from across the Council where it feels savings should be considered.

3 Capital Programme

3.1 The revised Capital Programme is included in **Appendix 3**. The overall Capital Programme for 2023/24 is forecast at £98,375k, with the deliverable budget for the year of £30,034k. The level of borrowing required in 2023/24 stands at

£20,304k, split £12,695k for the General Fund and £7,609k for the HRA. It continues to include assumptions of significant 1-4-1 receipts and grant funding to support the ambitious Housing Development programme within the HRA.

- 3.2 This includes the financial implications of the 3 Rivers Developments Ltd Business Plan considered by the recent Scrutiny and Audit Committees. Once the final Business Plan is approved, this will be updated as necessary.
- 3.3 The delivery of housing development will continue to be refined following further work and the latest survey assessments, as will all projects.
- 3.4 The committee is encouraged to review the detailed investment proposals and provide any comments / suggestions for Cabinet to consider.

4 Housing Revenue Account

- 4.1 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.
- 4.2 The recent updated to Cabinet have shown it is possible to balance the HRA budget for 2023/24 based on some key assumptions, including:

Expenditure:

- An update to the base budget to reflect the additional cost of the higher than expected pay award for 2022/23;
- An assumed 3% pay award for 2023/24;
- An Increase in the Pension Contribution rate of 2.4% to 19.0%;
- Increased energy costs of c180% and fuel costs of c40%, along with a significant increase in waste disposal costs;
- The increase financing costs associated with the ambitious development programme.

Income:

- An increase on existing rents of 7% is proposed – based on government guidance;
 - Garage rents and Garage plot ground rents to be frozen, remaining unchanged at £10.71 per week and £275 per annum respectively.
 - Increased interest yields on balances held.
- 4.3 Normally the increase in rents is restricted to CPI +1%, but given that inflation has been higher than 10% for the last six months and is forecast to remain high for the next year or so, the Government have capped the increased to 7%. It is assumed the Council will apply this maximum increase at it is less than inflation.
 - 4.4 In line with regulatory requirements and good practice, Mid Devon Housing (MDH) publicised the Government's consultation on the rent cap using social media on 27 September and again on 4 October 2022; and by providing a link to this in the consultation hub on the housing-related pages on the Council's

website. In the latest edition of our tenant newsletter, dated October 2022, which was sent to all tenants and published online on our web pages, reference was made to the rent increase with a note that discussions were starting about this. The article said: “In order to inform our decision, we would like to hear from you about the challenges you face and what may impact your ability to pay your rent”. Very limited feedback was received.

- 4.5 Voids and Right-to-buys have left largely at current levels although the bad debt provision has been increased to reflect the risks associated with the cost of living crisis. This equates to a similar reduction in collectable income to that applied to the Council Tax income within the General Fund.
- 4.6 The current forecast allows for a contribution of £141k to be made to the Housing Maintenance reserve. It has been deemed as prudent to maintain the HRA reserve balance at £2,000k and it is expected to remain so throughout 2023/24.
- 4.7 The draft budget summary for the 2023/24 HRA is shown in Appendix 4. The calculations supporting the income are included within Appendices 5 and 6 for consideration. In respect of the Lifeline Community Alarm increases, this is a carefully balanced increase for a vulnerable customer group which is possible without additional delivery resource. The increase has been benchmarked against local LA and Age UK competitors and remains closely competitive with an incentive of 13-months for 12 for new customers.
- 4.8 Overall, this budget will continue to provide for an enhanced housing service which will allow for more capital investment and additions to our existing stock.

5 Conclusion

- 5.1 Like all councils, Mid Devon is facing an ongoing and very challenging financial future. The PDGs will continue to play a pro-active role in both reducing ongoing service costs and exploring new possibilities to raise additional income. The committee’s recommendations will be taken forward for consideration by Cabinet in setting the 2023/24 budget in February 2023.

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Circulation of the Report: Cabinet, Leadership Team