

REPORT TO: CABINET

DATE: 27 JANUARY 2022

TITLE: GENERAL FUND BUDGET 2022/23

PORTFOLIO HOLDER: COUNCILLOR JAMES LEPPARD, PORTFOLIO HOLDER FOR FINANCE

LEAD OFFICERS: SIMON FREEMAN, DEPUTY TO THE CHIEF EXECUTIVE AND DIRECTOR OF FINANCE (01279) 446228

SENIOR MANAGEMENT BOARD (01279) 446004

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This is a Key Decision

It is on the Forward Plan as Decision Number I012621

The decision is not subject to Call-in Procedures for the following reason:

The decision stands as a recommendation to Full Council.

This decision will affect no ward specifically.

RECOMMENDED that Cabinet recommends to Full Council that:

- A** The General Fund estimates for 2022/23, as set out in Appendix A to the report, are approved.
- B** The proposed transfers between the General Fund and Earmarked Reserves, referred to within the report and set out in Appendix C to the report, are approved.
- C** The proposed Fees and Charges, as set out in Appendix E to the report, are approved.
- D** The Pay Policy Statement, as set out in Appendix G to the report, is approved.
- E** The Council's Band D Council Tax for 2022/23 is set at £288.90 representing a reversal of the proposed 1.99 percent increase as set out in the 2021/2022 MTFS meaning that eligible households will pay £55.75 less than previously forecast in the 2021/22 MTFS.
- F** That the proposals set out in the report are approved allowing a £50 Efficiency Dividend be made to eligible households in 2022/23.

REASON FOR DECISION

- A** The Council must approve an annual budget and Council Tax charge for the forthcoming year under legislation.
- B** To agree a budget proposal for the 2022/23 financial year which supports the delivery of the key themes and objectives set out within the new Corporate Strategy and especially the commitment to become a lower tax authority.

BACKGROUND

1. The 2022/23 General Fund Budget is prepared alongside the Medium Term Financial Strategy (MTFS) with the MTFS covering the period 2022/23 to 2024/25. This report sets the detailed budget requirement for the forthcoming financial year and proposes the resulting Council Tax charge required to deliver the required balanced budget for 2022/23.
2. In formulating spending priorities reflected in the MTFS and the 2022/23 budget, the Administration and Senior Management Board have been mindful of protecting front line services and key operations carried out by the Council whilst mitigating against the impact of the Covid-19 pandemic.
3. The 2022/23 budget and the proposals set out within this report do not contemplate any reductions to such services. The Corporate Strategy 2021/23 approved at Council on 9 December 2021 has set short, medium and long term priorities and ambitions for the Council and the budget proposals continue to underpin their delivery.

Government Grant

4. The 2022/23 draft one year finance settlement was announced on 16 December 2021 and the details have been incorporated into this report.

Proposed General Fund Budget 2022/23

5. In January 2021, the Council approved an MTFS which assumed a 1.99 percent increase in the level of Council Tax in 2022/23 and forecast a budget shortfall of £185,000. The 1.99 percent increase has been removed and the budget shortfall met through department efficiencies whilst protecting discretionary services.
6. The Council's latest MTFS shows projected General Fund expenditure and funding over the three year period 2022/23 to 2024/25. The budget for 2022/23 shows details for every service and reflects continuing pressures on the Council's finances.
7. Meanwhile, work to deliver a balanced budget for 2022/23 has identified a small number of areas of the Council's budget where further savings can be delivered. These are detailed in Appendix B to this report.

8. The table in Appendix A shows a summary of the proposed budget for 2022/23, together with the budget for the current year approved last February. The summary shows the budgets for each service together with other key estimate headings and contributions to and from reserves.
9. The main changes in the proposed 2022/23 budget compared with the January 2021 MTFS are shown in Table 1 below.

Table 1 – Changes in 2022/23 Budget Compared with Assumptions in MTFS (as originally approved in January 2021)

	£'000	£'000
Original MTFS Savings Target (January 2021)		185
Changes from January 2021 assumptions :		
Impact of reversing proposed 1.99% Council Tax increase (HDC element)	160	
Increased National Insurance contributions	100	
Energy price increases	40	
IT Licensing	80	
Budget provision to cover potential ECC funding loss	70	
		450
Updated budget gap		635
Financed By:		
New identified / potential Savings		
Building Control JV	(100)	
Community Safety	(55)	
Planning Fees	(50)	
Crematorium income share	(50)	
Tax base growth	(160)	
Innovation Park	(100)	
Commercialisation Target	(100)	
Other Minor Changes	(20)	
Total Pressures / Savings		(635)
Revised Budget Gap		0

10. The pay award for 2022/23 has not yet been finalised and the budget has therefore allowed for an increase of two per cent.

11. Provision has been included in individual budgets for anticipated price changes in Business Rates, energy costs and external contracts. In accordance with the normal practice, supplies and services budgets have not, in general, been increased to allow for inflationary increases in costs. Instead, managers are required to meet these increases from within their existing budgets, where it is possible to do so, as the Council continues to deliver ongoing efficiencies in the way it conducts its day to day business as set out in as a key ambition within the Corporate Strategy.

Council Tax

12. The MTFS agreed by Full Council in January 2021 was based on a 2022/23 Council Tax increase of 1.99 percent and an assumption that future years' increases would be no greater than the maximum amount permissible as determined by the Government. The draft Local Government Finance Settlement (LGFS) published on 16 December 2021 has confirmed that the maximum permissible increase for 2022/23 will be two per cent (or £5 whichever is the greater). The budget proposals set out in this report and the MTFS plan for a 0 percent Council Tax increase in the HDC element of council tax for 2022/3, 2023/4 and 2024/25
13. The Council's 2022/23 tax base (the number of Band D equivalent dwellings in the area), which is used to determine the level of Council Tax charged to each dwelling by the Council and the preceptors, has been calculated as 27,950 (2021/22 - 27,386).
14. The Council is required to forecast the surplus or deficit on the Council Tax element of the Collection Fund (the account which contains the amounts collected from taxpayers and distributed to local authorities) at 31 March 2022. This amount has been forecast to be £0.4 million surplus.

Business Rates

15. The Council is also required to forecast the surplus or deficit on the Business Rates element of the Collection Fund at 31 March 2022. The deficit has been forecast to be £1.4 million as at 31 March 2022.
16. Cabinet has previously been advised of the high risk of year-on-year income variations in Business Rates income, and the Council has established a reserve to mitigate against such volatility. Funding is proposed to be drawn down from the reserve in 2022/23 to offset the impact of the accumulated deficit detailed in paragraph 14 above.

Income

17. As part of the 2022/23 budget setting process, income has been reviewed and the income budgets for next year have only been increased where it is absolutely necessary or there is a national/legal requirement to do so. The proposals are set out in Appendix E.

Pay Policy Statement

18. Incidental to the Council's staffing budgets is the Council's Pay Policy Statement which must be prepared annually and approved by the Council before the 31 March of the preceding financial year. The statement relates to the remuneration of chief officers and of the lowest-paid employees; and the relationship between the remuneration of chief officers and of all other staff. The statement is attached as Appendix F to the report.

Robustness of Estimates

19. The Council's Director of Finance is required by statute to report to the Council, when it is considering the budget and level of Council Tax, on the robustness of the estimates made. The Council must have regard to the report when making its decisions.
20. The Council's Director of Finance reports that, following consultation with senior officers of the Council, it is his view that the estimates contained in this report are reasonable, robust and based on prudent assumptions. Nevertheless, as outlined in Appendix D to the report, there are a number of risks and opportunities that will require careful and ongoing management.

Discretionary Services Fund

21. The Discretionary Services Fund (DSF) is a reserve which provides time-limited funding to support discretionary services pending the identification of alternative means of provision and/or sources of finance. Over the medium term of the MTFS it is anticipated that through the delivery of both the ambition to drive efficiency and the expansion of commercialisation that those services currently funded from the DSF will be returned to be funded by the General Fund. The DSF will be set at 31 March 2022 to the highest level compared with any time in the previous five years at £2,945,082 providing sufficient funding for almost six years.

New Homes Bonus

22. The actual amount to be received will be included in the final LGFS referred to above. The amount currently forecast for 2022/23 is £1.165 million (2021/22 – £1.079 million) based on the draft settlement announcement. £830,000 will be utilised to support the Efficiency Dividend The remaining £335,000 will be contributed to the Budget Resilience Reserve and be applied to support the general fund budget in 2023/24 and 2024/25

General Fund Reserve

23. Table 2 shows the anticipated position for the uncommitted General Fund Reserve taking into account in-year changes arising from consideration of the budget monitoring position reported to Cabinet in December 2021.

Table 2 – Uncommitted General Fund Reserve

	£millions
Balance at 1 April 2021	3.031
Approved by Cabinet / Council - budget carry forwards from 2020/21	(0.242)
Forecast budget variations in 2021/22	(0.252)
Contribution from Budget Resilience Reserve	0.252
Reimbursement of General Fund re Pensions Upfront Payment	0.803
Projected balance at 31 March 2022	3.592
Final Reimbursement of General Fund re Pensions Upfront Payment 22/23	0.803
Adjusted Balance at 1 April 2022	4.395

24. The Council's Director of Finance is required by statute to report to the Council on the adequacy of its reserves when the Budget and Council Tax are set. The report is attached as Appendix D. It recommends that the minimum level of the uncommitted Reserve (the General Fund balance) is set at £2.5 million to reflect adequate provision to meet known or potential future risks. Uncommitted reserves are currently forecast at £4.395 million.

Earmarked Reserves

25. The Council has both General Fund and HRA earmarked reserves. Full details of all General Fund reserves are contained in Appendix C to this report,

Council Tax Levels

26. The proposed Budget is based on 0 percent increase in the council's element of Band D Council Tax, and reversing the previous forecast increase of 1.99 percent and meaning that the 2022/23 charge will be £288.90. After allowing for the original MTFs assumptions for an increase of 1.99 percent and the £50 efficiency dividend the Band D tax will be £55.75 lower in 2022/23 than previously forecast.

27. The final composite level of Council Tax depends on decisions by Essex County Council and the Essex Police, Fire and Crime Commissioner. Both bodies are due to meet to set their elements of the Council Tax on dates after the Cabinet meeting. Full Council will meet again on 24 February 2022 to approve the composite Council Tax and the formal Council Tax resolution.

Efficiency Dividend/(Tax Rebate)

28. As set out elsewhere on the Cabinet agenda, the Council has delivered significant savings across its general fund budget for many years in response to reduced Government funding. In addition the Council has also, through strong financial management across its services, delivered significant annual underspends which have been utilised to support its reserves and to fund one off initiatives across the town and its communities. Work has been undertaken to thoroughly review the overall reserves position as part of the 2022/23 budget process. In line with the ambition to become a low tax authority and in recognition of the hardship caused by the Covid pandemic the 2022/23 budget proposes to make a one off efficiency dividend payment of up to £50 to local residents' council tax accounts.
29. The general power of competence under Section 1 of the Localism Act 2011 provides the Council with the power to pay the proposed dividend. The rationale is to pay the dividend to those residents that pay Council Tax rather than to all residents. The proposal would be for those in receipt of partial LCTS to receive the dividend only to the value of the share of Council Tax they pay themselves up to the maximum dividend the Council decides to pay. The dividend will only be paid to those who pay their own Council Tax. It would not be paid to those in receipt of a full exemption e.g. students and other exempt properties.
30. Eligibility criteria for the efficiency dividend payment are set out below;
- a) The £50 dividend will be made to residents of the Harlow District Council who, on or before 1 April 2022, are known by the Council to be liable to pay Council Tax on 1 April 2022.
 - b) The dividend will not be made where the Council Tax liabilities are in respect of:
 - i) Student halls of residence and other properties occupied entirely by students;
 - ii) 100 percent reduction under the Local Council Tax Support Scheme; and
 - iii) Other exempt properties.
 - c) The dividend will be credited to the resident's Council Tax account, reducing the 2022-23 council tax liability by £50 (or a proportional amount according to the proportion of Council Tax paid).
 - d) Where a resident is due to pay less than £50 council tax for the year 2022-23, the dividend will be of the amount due.
 - e) Initially the dividends will be made at the time the 2022-23 Council Tax bills are prepared, in the week commencing 28 February 2022. Residents who meet the condition defined in (a) above but who first

become liable after the bills are prepared or whose liability is made known to the Council after that date will have their Council Tax accounts credited by up to £50 later, probably at the end of April.

31. The scheme has been designed specifically to treat all resident Council taxpayers fairly (irrespective of any protected characteristics) and to proportionately benefit those on lower incomes. Those due to pay less than £50 to the Council will receive an amount equivalent to the amount due. Residents who do not pay Council tax will not receive a dividend. While it is technically possible to operate a graduated scheme based on Council tax band, this would make the scheme significantly more difficult to implement and introduce a disproportionate element of complexity to an otherwise easily understood scheme.

IMPLICATIONS

Strategic Growth and Regeneration

As contained within the report.

Author: Andrew Bramidge, Director of Strategic Growth and Regeneration

Finance

Implications are contained within the report.

Author: Simon Freeman, Deputy to the Chief Executive and Director of Finance

Housing

None other than as contained within the report.

Author: Andrew Murray, Director of Housing

Communities and Environment

Implications are contained within the report.

Author: Jane Greer, Director of Communities and Environment

Governance and Corporate Services

Implications are contained within the report. Consultation with unions will continue on employee related issues.

Author: Simon Hill, Director of Governance and Corporate Services

Appendices

Appendix A – General Fund Budget Summary

Appendix B – Efficiency savings (B1), schedule of pressures (B2) and income (B3)

Appendix C – Projected Earmarked Reserves balances

Appendix D – Statement of the Chief Financial Officer

Appendix E – Analysis of Fees and Charges 2022/23

Appendix F – Pay Policy Statement 2022/23

Background Papers

None.

Glossary of terms/abbreviations used

DSF – Discretionary Services Fund

LGFS – Local Government Finance Settlement

MTFS – Medium Term Financial Strategy

NHB – New Homes Bonus