

REPORT TO: CABINET

DATE: 16 FEBRUARY 2023

TITLE: GENERAL FUND BUDGET 2023/24

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

CONTRIBUTING OFFICER: JACQUELINE VAN MELLAERTS, ASSISTANT DIRECTOR FINANCE (01279) 446251

This is a Key Decision

It is on the Forward Plan as Decision Number I013863

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 2023/24, 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 F to the report, is approved.
- E** The Council's Band D Council Tax for 2023/24 is set at £288.90 representing a 0% increase as set out in the 2023/24 MTFS.

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 2023/24 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 2023/24 General Fund Budget is prepared alongside the Medium Term Financial Strategy (MTFS) with the MTFS covering the period 2023/24 to 2025/26. 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 2023/24.
2. In formulating spending priorities reflected in the MTFS and the 2023/24 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 2023/24 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. Any Elimination or reduction in current vacancies will have no adverse impact on service quality or delivery.

Government Grant

4. The 2023/24 draft one year finance settlement was announced on 19 December 2022. The final one-year settlement was announced on 6 February 2023 and the details have been incorporated into this report. The Council is expected to receive a Funding Guarantee Grant of £686,112 and a Service Grant of £126,113. There were no overall total funding changes to the Council from the draft to the final settlement, but the split between grant allocations were amended.

Proposed General Fund Budget 2023/24

5. In February 2022, the Council approved an MTFS which assumed a 0% increase in the level of Council Tax in 2022/23 and allowed a £50 efficiency dividend made to eligible households.
6. The Council's latest MTFS shows projected General Fund expenditure and funding over the three year period 2023/24 to 2025/26. The budget for 2023/24 shows details for every service and reflects continuing pressures on the Council's finances.

7. Meanwhile, work to deliver a balanced budget for 2023/24 has identified a 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 2023/24, 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 pay award for 2023/24 has not yet been finalised and the budget has therefore allowed for an increase of 4%.
10. 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

11. The MTFS agreed by Full Council in February 2022 was based on a 0% Council Tax increase in the HDC element of Council Tax for 2022/23, 2023/24 and 2024/25. The draft Local Government Finance Settlement (LGFS) published on 19 December 2022 has confirmed that the maximum permissible increase for 2023/24 will be 3% (or £5 whichever is the greater). The budget proposals set out in this report and the MTFS plan for a 0% Council Tax increase in the HDC element of council tax for the period of the MTFS.
12. The Council's 2023/24 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 28,483 (2022/23 - 27,950).
13. 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 2023. This amount has been forecast to be £17,300 deficit.

Business Rates

14. The Council is also required to forecast the surplus or deficit on the Business Rates element of the Collection Fund at 31 March 2023. The deficit has been forecast to be £1.879m as at 31 March 2023. The deficit will be offset in 2023/24 by previously received section 31 grants that have been specifically earmarked for this purpose.

15. 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 to offset the impact of the accumulated deficit detailed in paragraph 14 above when required.

Income – Fees & Charges

16. As part of the 2023/24 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

17. 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

18. 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.
19. 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

20. 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 forecasted value for the Discretionary services are £444k which will be funded from earmarked reserves in 2023/24. If discretionary services are to consistently cost the same as 2023/24 forecasts, they'll be approximately 3.6 years left in the reserve to cover this activity. The MTFS assumes £75k will be brought into the base budget year on year to cover the cost of discretionary services in future years.

New Homes Bonus

21. The actual amount to be received will be included in the final LGFS referred to above. The amount currently forecast for 2023/24 is £572,205 (2022/23 – £1.165 million) based on the draft settlement announcement. As previously advised in February 2022, new homes bonus will be contributed to the Budget Resilience Reserve and be applied to support the general fund budget.

General Fund Reserve

22. 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 2022.

Table 2 – Uncommitted General Fund Reserve

	£millions
Balance at 1 April 2022	3.371
Forecast budget variations in 2022/23	(0.666)
Projected balance at 31 March 2023	2.705

23. 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 forecasted at £2.705 million.

Earmarked Reserves

24. The Council has both General Fund and HRA earmarked reserves. The earmarked reserves have been categorised to provide further explanation of their purpose.

25. The categories are as follows:

Mitigation – Earmarked specifically to mitigate future financial risks to the Council.

Service – Set aside for services to be used on specific investment Initiatives or projects.

Capital – Earmarked to contribute towards the Capital Programme.

26. Full details of all General Fund and HRA reserves and their categorisation are contained in Appendix C to this report.

Council Tax Levels

27. The proposed Budget is based on 0% increase in the HDC element of Band D Council Tax, meaning that the 2023/24 charge will be £288.90.
28. 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 reports were published for this Cabinet meeting. Full Council will meet on 23 February 2023 to approve the composite Council Tax and the formal Council Tax resolution.

IMPLICATIONS

Strategic Growth and Regeneration

As contained within the report.

Author: Andrew Bramidge, Chief Executive

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 Support

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 2023/24

Appendix F – Pay Policy Statement 2023/24

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