

# **CORPORATE SERVICES POLICY**

## **ADVISORY COMMITTEE**

### **6 February 2023**

## **Medium Term Financial Strategy and Budget Proposals 2023/24**

|   |   |
|---|---|
| <b>Final Decision-Maker</b>               | Council   |
| <b>Lead Head of Service/Lead Director</b> | Mark Green, Director of Finance, Resources and Business Improvement |
| <b>Lead Officer and Report Author</b>     | Mark Green, Director of Finance, Resources and Business Improvement |
| <b>Classification</b>                     | Public  |
| <b>Wards affected</b>                     | All   |

### **Executive Summary**

This report represents the final stage in the consideration of the budget for 2023/24. It brings together revenue and capital budget proposals for 2023/24, including a proposed level of Council Tax, so that a balanced budget may be recommended to Council on 22<sup>nd</sup> February 2023. The budget proposals are consistent with the Medium Term Financial Strategy approved by the Executive on 23<sup>rd</sup> November 2022. The budget proposals have been considered by the Policy Advisory Committees and the Executive. An amendment proposed by the Planning and Infrastructure PAC and a request by the Executive for inclusion of an additional 2% increase in the budget envelope for pay are included within this report.

The report also deals with the proposed capital programme 2023/24 to 2027/28 and the Council's level of reserves.

### **Recommendations to the Corporate Services Policy Advisory Committee:**

That the Committee recommends to the Executive that it:

1. Notes the outcomes of consideration of budget proposals by the Policy Advisory Committees;
2. Agrees the Budget Growth and Savings Proposals set out in Appendix A;
3. Agrees that the first £300,000 of 2023/24 unringfenced government grant be allocated for spatial policy and planmaking, with the balance transferred to the Housing Investment Fund, to be used to subsidise the Council's Affordable Housing programme;
4. Agrees the updated Strategic Revenue Projection set out in Appendix B;
5. Agrees a £8.19 annual increase in Band D Council Tax for 2023/24 for recommendation to Council;
6. Agrees the Revised Estimates for 2022/23 and the Budget Estimates for 2023/24 set out in Appendix C for recommendation to Council;

7. Agrees the Capital Programme set out at Appendix D for recommendation to Council;
8. Agrees the Treasury Management Strategy, Investment Strategy and Capital Strategy set out in Appendix E for recommendation to Council;
9. Notes that the projected level of General Fund balances in Appendix F exceeds the agreed minimum level of £4 million;
10. Agrees the updated Medium Term Financial Strategy set out in Appendix G;
11. Recommends to Council the appropriate matters for decision to set a balanced budget for 2023/24 and the necessary level of Council Tax in accordance with the Local Government Finance Act 1992 and the Localism Act 2011 including the decisions made above.
12. Recommends to the Council that it makes provision to implement with effect from 1 April 2024 the measures in the Regeneration and Levelling-up Bill to reduce the period before charging a Council Tax premium on empty property from two years to one and to charge a Council Tax premium on second homes.

***Further recommendation:***

13. Considers the options, consequences and risks regarding the allocation of resources for pay set out in paragraph 2.18.

**Timetable**

| <b>Meeting</b>                               | <b>Date</b>      |
|--|------------------|
| Corporate Services Policy Advisory Committee | 6 February 2023  |
| Executive                                    | 8 February 2023  |
| Council                                      | 22 February 2023 |

# Medium Term Financial Strategy and Budget Proposals

## 1. CROSS-CUTTING ISSUES AND IMPLICATIONS

| <b>Issue</b>                          | <b>Implications</b>  | <b>Sign-off</b>  |
|---------------------------------------|--|--|
| <b>Impact on Corporate Priorities</b> | The Medium Term Financial Strategy (MTFS) and the budget are a re-statement in financial terms of the priorities set out in the strategic plan. They reflect the Council's decisions on the allocation of resources to all objectives of the strategic plan.   | Section 151 Officer & Finance Team                         |
| <b>Cross Cutting Objectives</b>       | The MTFS and the budget support the cross-cutting objectives in the same way that they support the Council's strategic priorities.   | Section 151 Officer & Finance Team                         |
| <b>Risk Management</b>                | This has been addressed in section 5 of the report.  | Section 151 Officer & Finance Team                         |
| <b>Financial</b>                      | The budget strategy and the MTFS impact upon all activities of the Council. The future availability of resources to address specific issues is planned through this process. It is important that the committee gives consideration to the strategic financial consequences of the recommendations in this report.   | Section 151 Officer & Finance Team                         |
| <b>Staffing</b>                       | The process of developing the budget strategy will identify the level of resources available for staffing over the medium term.  | Section 151 Officer & Finance Team                         |
| <b>Legal</b>                          | <p>Under Section 151 of the Local Government Act 1972 (LGA 1972) the Section 151 Officer has statutory duties in relation to the financial administration and stewardship of the authority, including securing effective arrangements for treasury management. The legal implications are detailed within the body of the report which is compliant with statutory and legal regulations such as the CIPFA Code of Practice on Treasury Management in Local Authorities.</p> <p>The Council is required to set a council tax by the 11 March in any year and has a statutory obligation to set a balanced budget. The budget requirements and basic amount of Council Tax must be calculated in accordance</p> | Interim Team Leader (Contentious and Corporate Governance) |

|  |   |   |
|--|---|---|
|  | <p>with the requirements of sections 31A and 31B to the Local Government Finance Act 1992 (as amended by sections 73-79 of the Localism Act 2011).</p> <p>The Council is required to determine whether the basic amount of council tax is excessive as prescribed in regulations - section 52ZB of the 1992 Act as inserted under Schedule 5 to the Localism Act 2011. The Council is required to hold a referendum of all registered electors in the borough if the prescribed requirements regarding whether the increase is excessive are met.</p> <p>Approval of the budget is a matter reserved for full Council upon recommendation by the Executive.</p> |   |
| <b>Privacy and Data Protection</b>     | Privacy and Data Protection is considered as part of the development of new budget proposals. There are no specific implications arising from this report.  | Policy and Information Team             |
| <b>Equalities</b>                      | The MFTS report scopes the possible impact of the Council's future financial position on service delivery. When a policy, service or function is developed, changed or reviewed, an evidence-based equalities impact assessment will be undertaken. Should an impact be identified appropriate mitigations will be sought.  | Equalities and Communities Officer      |
| <b>Public Health</b>                   | The resources to achieve the Council's objectives are allocated through the development of the Medium Term Financial Strategy.  | Public Health Officer                   |
| <b>Crime and Disorder</b>              | The resources to achieve the Council's objectives are allocated through the development of the Medium Term Financial Strategy.  | Section 151 Officer & Finance Team      |
| <b>Procurement</b>                     | The resources to achieve the Council's objectives are allocated through the development of the Medium Term Financial Strategy.  | Section 151 Officer & Finance Team      |
| <b>Biodiversity and Climate Change</b> | The resources to achieve the Council's objectives are allocated through the development of the Medium Term Financial Strategy.  | Biodiversity and Climate Change Manager |

## **2. INTRODUCTION AND BACKGROUND**

2.1 This section sets out revenue and capital budget proposals for 2023/24 as follows:

- Background
- Feedback from Policy Advisory Committees on budget proposals
- Updates to budget proposals
- Updates to Strategic Revenue Projection
- Revenue Estimates
- Capital Programme
- Treasury Management Strategy
- Balances / Earmarked Reserves

### **Background**

- 2.2 The framework for the annual budget setting process is set out in the Medium Term Financial Strategy (MTFS). The MTFS 2023/24 – 2027/28 was considered by this Policy Advisory Committee on 16 November 2022 and subsequently approved by the Executive at its meeting on 23 November 2022.
- 2.3 The core MTFS scenario (Scenario 4) assumed that, even after increasing the Council Tax by the maximum possible within the referendum threshold, there would still be a budget gap of £2.5 million in 2023/24, mainly owing to the impact of inflation on the Council's costs, with a steadily increasing budget gap in subsequent years.
- 2.4 This position has now improved, following the Chancellor's Autumn Statement on 17 November 2022 and the Provisional Local Government Finance Settlement, announced on 19 December 2022. In addition, savings proposals totalling £1.1 million for 2023/24 have been developed. Whilst the longer term position remains challenging, these recent developments have had a positive impact, such that the Council can set a balanced budget for 2023/24, provided that the savings proposals are adopted and Council Tax is increased up to the referendum threshold.
- 2.5 Separately from ongoing income from Council Tax and Business Rates, the Local Government Finance Settlement confirmed the following unringfenced government grants:

|                   | 2023/24      |
|-------------------|--------------|
|                   | £000         |
| New Homes Bonus   | 1,889        |
| Services Grant    | 127          |
| Funding Guarantee | 2,640        |
| <b>Total</b>      | <b>4,656</b> |

The Funding Guarantee effectively substitutes for New Homes Bonus, which has reduced from £4.2 million in 2022/23 to £1.9 million in 2023/24.

- 2.6 The Council has had a longstanding policy of deploying New Homes Bonus to support the capital programme. This has helped the Council to

implement an ambitious programme, including major new developments at Union Street and Brunswick Street, together with the acquisition of the Lockmeadow Leisure Complex and Maidstone House, whilst employing minimal external borrowing and containing pressure on the revenue budget.

- 2.7 In the Autumn of 2021, the Leader of the Council announced his ambition for the council to build 1,000 affordable homes in the shortest period possible. This will require external borrowing on a scale not previously undertaken by the Council. In order to ensure the availability of funds for the first phase of this programme at a guaranteed cost, the Council has committed to forward borrowing of £80 million, to be drawn down between 2024 to 2026. Any such borrowing must meet the Prudential Code requirement to be sustainable and affordable.
- 2.8 The provision of affordable housing involves an inherent requirement for subsidy, as the level of borrowing required could not be sustained by affordable rents alone. It is anticipated that some of this subsidy will be met through external grant, but there will be a residual requirement for the Council to provide a subsidy, which has been estimated as £50,000 per unit.
- 2.9 Accordingly, in 2022/23 New Homes Bonus was set aside for a Housing Investment Fund, from which the subsidy element of each new unit of affordable housing will be funded as and when they are brought into use. It is envisaged that the residual amount of 2023/24 unringfenced government grants shown in paragraph 2.5 will likewise be transferred to the Housing Investment Fund. This is consistent with previous decisions of the Council and with the Medium Term Financial Strategy, which has been considered regularly by the Policy Advisory Committees and the Executive throughout the last 12 months.
- 2.10 In 2022/23 New Homes Bonus was also subject to a top slice of £1 million for strategic and spatial policy and plan making, in recognition of the requirement for a range of policies including a new Town Centre Strategy and the need to complete the review of the Local Plan including the Examination. It is estimated that ongoing Local Plan expenditure amounts to £500,000 per annum, of which £200,000 is already included in the base budget. It is therefore now proposed that £300,000 of unringfenced government grant for 2023/24 will be set aside for the unavoidable costs of spatial policy and plan making, with this sum being built into the revenue budget on an ongoing basis ie in subsequent years savings will be needed elsewhere in the council's budgets to make base budget provision for spatial planning/plan making.
- 2.11 Drawing £300,000 from unringfenced government grant will leave £4.356 million. A further potential drawing of £400,000 from unringfenced government grant is also set out as an option in paragraph 2.18 below at the request of the Executive, in order to provide an expanded budget envelope for staff pay.

### **Feedback from Policy Advisory Committees and Executive on Budget Proposals**

- 2.12 Economic Regeneration and Leisure Policy Advisory Committee (10 January 2023)

It was recommended that the Executive approve the revenue budget proposals for services within the remit of the Committee.

#### 2.13 Planning and Infrastructure Committee (11 January 2023)

It was recommended that the Executive approve the revenue budget proposals for services within the remit of the Committee, subject to one amendment as set out below.

#### 2.14 Communities, Housing and Environment Policy Advisory Committee (17 January 2023)

It was recommended that the Executive approve the revenue budget proposals for services within the remit of the Committee.

#### 2.15 Corporate Services Policy Advisory Committee (18 January 2023)

It was recommended that the Executive approve the revenue budget proposals for services within the remit of the Committee.

#### 2.16 Executive (25 January 2023)

The revenue budget proposals were approved. In addition, the Executive requested that officers include in the 2023/24 budget report a further 2% to supplement the pay budget by using the government's Funding Guarantee.

### **Updates to budget proposals**

#### *Parking income*

2.17 The Planning and Infrastructure Policy Advisory Committee has recommended that the proposed saving of £100,000 from adjusting parking fees be removed and that this be replaced by an increase of £100,000 in parking income, deriving from increased activity. Volumes in the current financial year provide a reasonable level of assurance that this alternative savings proposal can be delivered. The change has no net impact on the budget.

#### *Pay budget*

2.18 The Executive has proposed that the staff pay budget be increased by a further 2%; the proposals that have been subject to consultation through the budget making process to date include an increase in the pay budget of 5% for pay increases for staff in general and 1% to accommodate incremental progression ie 6% in total. An additional 2% provision amounts to approximately £400,000. The Executive have expressed a preference for this to be drawn from the Funding Guarantee.

2.19 This has the effect of reducing the amount available for the Affordable Housing programme by £400,000. The amount of subsidy per home has been estimated at £50,000, so to deliver the programme over a period of ten years, £5 million has to be set aside every year. It should be noted that

the figure of £50,000 is an estimate, and could be significantly higher if less subsidy is received from external funders (eg Homes England) and/or construction costs escalate.

2.20 To date, £3.2 million has been set aside. See table below.

|   | Notional funding required<br>(A) | Transfer to Housing Investment Fund<br>(B) | Notional shortfall<br>(A-B) | Cumulative shortfall |
|---|----------------------------------|--|-----------------------------|----------------------|
|   | £000                             | £000                                       | £000                        | £000                 |
| 2022/23   | 5,000                            | 3,216                                      | 1,784                       | 1,784                |
| 2023/24 (initial proposal)  | 5,000                            | 4,356                                      | 644                         | 2,428                |
| <b>Alternative proposal</b><br>2023/24 (amount transferred reduced by £400,000) | 5,000                            | 3,956                                      | 1,044                       | 2,828                |

It can be seen that reducing the transfer to the Housing Investment Fund by £400,000 will make it even more difficult to subsidise the Affordable Housing programme.

2.21 The challenge is compounded because an increase in the pay budget in 2023/24 will, broadly speaking, reduce the amount of available funds by £400,000 for every subsequent year. There is no guarantee that the Funding Guarantee will continue to be paid at the same level as in 2023/24, which poses a risk of a greater budget gap in future.

2.22 A critical issue here is the date, currently projected to be 2027/28, on which the Council opens a Housing Revenue Account (HRA), which it is required to do if it provides 200 or more affordable homes. The transfer of housing into an HRA must be at a level which ensures it does not require further subsidy, so the Housing Investment Fund will need to provide the necessary subsidy for these homes – currently assumed to be £10 million (£50,000 x 200) - at the point of transfer.

2.23 An alternative approach to funding the £400,000 would be identify further savings from the base budget. In the process of developing budget proposals, a number of savings were considered and rejected without being brought to the Policy Advisory Committees. These savings proposals could be revisited.

#### *Legal charges*

2.24 The Executive approved an hourly rate of £258 for legal services, being an increase of 10%, rather than 5.56% as set out in the original fees and charges proposals considered in December 2022.

## **Other updates to Strategic Revenue Projection**

### Council Tax

2.25 The Executive agreed at its meeting on 25 January 2023 that the Council Tax Base for 2023/24 would be 67,161.69. This is in line with the increase in the Council Tax Base assumed in the MTFS. The agreed Council Tax Base will yield total Council Tax income of £19,106,829 if Band D Council Tax is increased by 3% (£8.19).

2.26 Assuming the maximum potential increases in precepts from other organisations, the overall level of Band D Council Tax would be as follows:

|                                    | % change<br>from last year | £                |
|------------------------------------|----------------------------|------------------|
| Kent County Council                | 5.0                        | 1,287.99         |
| Kent Police and Crime Commissioner | 6.6                        | 243.15           |
| Kent Fire and Rescue Service       | 6.1                        | 87.35            |
| Maidstone Borough Council          | 3.0                        | 284.49           |
| <b>ANNUAL CHARGE FOR 2023/24</b>   | <b>4.9</b>                 | <b>£2,149.22</b> |

2.27 The Council Tax base report to the Executive on 25 January 2023 projected a surplus of £616,000 as at 31 March 2023, which will be credited to the General Fund in 2023/24. This amount is after an adjustment to spread the abnormal deficit suffered in 2021/22 across three years, as prescribed by legislation.

2.28 Within the Council Tax base, allowance has been made for the Council Tax that may currently be collected on empty homes and second properties. However, the Regeneration and Levelling-Up Bill that is currently passing through Parliament will allow Councils to collect further Council Tax on such properties.

2.29 Currently, if a property has been unoccupied and unfurnished for 2 years but less than 5 years, then a 100% council tax premium can be applied to the property. The Bill is proposing to shorten that 2-year period to 1 year. This will encourage owners to bring properties back into use so they are not left empty for extended periods.

2.30 So far as second homes are concerned, it will become possible to charge a council tax premium on second homes. Second homes are already liable for Council Tax, but the Bill proposes that councils may apply a 100% council tax premium on second homes. This would mean an owner of a second home in the borough would pay double the normal council tax charge.

2.31 The earliest that both of these changes can come into effect is 1 April 2024. However, approval must be granted by the Council to implement the changes at least 12 months before then, so it is proposed to include a provision to do so in this year's budget.

## **Business Rates**

- 2.32 The Business Rates income estimate for 2023/24 is based on the recently completed NNDR1 return that has to be provided to the Department for Levelling Up Housing and Communities each January.
- 2.33 The Business Rates baseline, ie the notional amount of business rates due to the Council, after payments to preceptors and the government's tariff, excluding any growth, is £4.186 million, as set out in the Provisional Local Government Finance Settlement. As described above, the government has increased the Business Rates baseline by inflation even though business rate payers will not face an increase. This is worth an additional £592,000 compared with the amount anticipated in the MTFS.
- 2.34 The NNDR1 return indicates that, as in previous years, business rates will be higher than the baseline, owing to growth in excess of inflation over the years since the baseline was set in 2013/14.
- 2.35 Kent County Council and eight of the Kent districts continue to pool their business rates growth, which has the effect of reducing the levy on business rates growth that would otherwise be payable to central government. As previously agreed by Council, Maidstone's 30% share of the saving on the levy is ringfenced for investment in the Council's economic development strategy. A further 30% represents a Growth Fund, spent in consultation with Kent County Council. Neither of these amounts are reflected in the Strategic Revenue Projection, as they have been earmarked for specific purposes.
- 2.36 As with Council Tax income, an adjustment is made in respect of the deficit arising in 2022/23.

## **Unringfenced government grant**

- 2.37 As announced in the Local Government Finance Settlement, unringfenced government grant will be received in 2023/24 comprising New Homes Bonus (£1.9 million), Services Grant (£127,000) and the Funding Guarantee Grant (£2.6 million). These are unringfenced revenue grants that may be deployed by the Council at its discretion, so for accounting purposes they are included within the Council's revenue resources along with Council Tax and Business Rates.
- 2.38 The Council has previously ringfenced New Homes Bonus payments for capital expenditure. Similarly, in 2022/23, £3.2 million was transferred to a Housing Investment Fund, which will be used to subsidise the Council's Affordable Housing programme. It is proposed that the residual amount of unringfenced government grants will be transferred to the Housing Investment Fund in 2023/24. As set out in paragraph 2.20 above, the initial budget proposals presented to the Policy Advisory Committees included a proposed transfer of £4.356 million. An alternative proposal has been put forward by the Executive which would mean transferring £3.956 million.

## **Fees and Charges**

2.39 The level of fees and charges made by each Service Area was considered by Policy Advisory Committees and the Executive at their meetings in December 2022. The combined effect of changes in fees and charges has been incorporated in the projections in Appendix B. An adjustment has been made in respect of the further increase in legal charges agreed by the Executive at its meeting on 25<sup>th</sup> January. The latest projection is £55,000 more than in the MTFS.

## **Inflation**

2.40 For the purpose of the draft Medium Term Financial Strategy presented to the Executive in November 2022, it was assumed that the cost services would increase by 5% for the rate of inflation was assumed. The detailed budget proposals in the SRP at Appendix 2 now include line-by-line estimates for individual categories of expenditure. In some cases the assumption is for a higher increase, eg where contract prices are linked to inflation indices.

2.41 The assumption in relation to pay costs in the Medium Term Financial Strategy was a 6% increase in the pay envelope, representing 5% for basic pay and 1% to allow for increments awarded as staff move up the spine points on their pay grade. The Executive has now recommended that the staff pay budget be increased by 2%, which amounts to approximately £400,000. Under the Constitution, responsibility for undertaking negotiations and consultation with staff through their trade unions on all matters relating to employment lies with the Chief Executive as the Head of Paid Service. These matters include the annual pay settlement, as the Council is not part of any national pay agreements. An increased budget envelope would give the Chief Executive greater flexibility in agreeing a pay settlement for 2023/24 and this is included amongst the available options in section 3 below.

## **Revenue costs of capital programme**

2.42 A review of the budget provision for the revenue costs of the capital programme, ie financing costs and Minimum Revenue Provision, in the light of the 5-year capital programme proposals, indicates that the budget does not need to be increased for 2023/24. It will increase in subsequent years in line with the expansion of the capital programme.

## **Summary**

2.43 In summary, the impact of the above changes to the Strategic Revenue Projection for 2023/24, as compared with the position shown in the scenario 4 within the Medium Term Financial Strategy agreed by the Executive on 23 November 2022, is as follows:

|  | £000 | £000    |
|--|------|---------|
| Projected budget deficit for 2023/24 as per MTFS presented to Executive 23.11.2022 |      | (2,544) |
| <u>Less:</u>   |      |         |
| Council Tax:   |      |         |
| - Increase in Council Tax base   | 77   |         |
| - Increase in referendum limit   | 186  | 263     |
| Business Rates:  |      |         |
| - Increase in baseline   | 592  |         |
| - Additional growth  | 762  | 1,354   |
| Increase in other income   |      | 55      |
| Reduction in pension deficit repayments  |      | 541     |
| New and amended savings  |      | 690     |
|  |      | 2,903   |
| <u>Add:</u>  |      |         |
| Increased cost of services   |      | (417)   |
| Collection Fund adjustments  |      | 31      |
| Budget surplus brought forward from 2022/23  |      | 76      |
| Updated budget surplus – see Appendix B  |      | 49      |

2.44 The updated Strategic Revenue Projections indicate that there will be a budget gap in 2024/25. The likely impact of a business rates reset and the implementation of fair funding means that a still larger deficit is projected in 2025/26, and this deficit will increase over the remaining term of the MTFS.

### **Revenue Estimates**

2.45 Attached at Appendix C is a summary of the revenue budget for 2023/24, based on the assumptions above. The summary shows the Original Estimate 2022/23 as approved by Council in February 2022; the Revised Estimate 2022/23 calculated as part of the budget development work completed this year; and the Estimate for 2023/24 based upon the details set out in this report. The Estimate for 2023/24 is analysed between gross expenditure, income and net expenditure, so that Members may see clearly how income generated by the Council contributes towards expenditure budgets.

2.46 Appendix C presents the Committee with the budget structured in line with the relevant Policy Advisory Committees and separately structured in line with the strategic priorities set out in the Strategic Plan.

2.47 The Revised Estimate 2022/23 shown in Appendix C totals £23.232 million. This figure is net of all income with the exception of the use of balances and the council tax requirement.

2.48 The Estimate for 2023/24 shown in Appendix C totals £25.664 million. This incorporates all the items discussed above. The figure is net of all income with the exception of Council Tax and Business Rates income. It excludes precepts.

### **Capital Programme**

2.49 A draft Capital Programme was reported to the Executive at its meeting on 25 January 2023. The Capital Programme totals £202 million over five years. Details are set out Appendix D.

### **Treasury Management Strategy**

2.50 The framework for funding the capital programme and the Council's activities generally is set out in the Treasury Management Strategy. The Council has adopted CIPFA's Code of Practice for Treasury Management in Public Services, which requires the Council to produce three linked strategy documents: a Treasury Management Strategy, an Investment Strategy and a Capital Strategy. These are included as Appendix E and have already been considered by the Audit, Governance and Standards Committee at its meeting on 16<sup>th</sup> January 2023.

2.51 In summary, the Treasury Management Strategy envisages that the capital programme will be funded by borrowing, as permitted subject to the guidance set out in the Prudential Code. In 2012 the Council approved in principle the use of prudential borrowing. The proposals set out in this report indicate a need for up to £194 million of prudential borrowing over the lifetime of the capital programme. The revenue costs of this borrowing are reflected in the Strategic Revenue Projections.

### **Balances / Earmarked Reserves**

2.52 Attached at Appendix F is a statement of general fund balances and details of earmarked reserves. The earmarked reserves incorporate a capital reserve that includes all of the retained New Homes Bonus and other revenue support to the capital programme available from previous years.

2.53 Unallocated General fund balances are estimated to be £11.362 million by 31 March 2023. In considering the level of reserves that should be maintained the Committee should consider the minimum below which the Committee cannot approve the use of balances without agreement by the Council. It was agreed by Council at its meeting on 24 February 2021 that the minimum level of balances be increased to £4 million and no change is proposed to this amount.

2.54 It can be seen that the level of reserves is comfortably in excess of the minimum level of £4 million.

## **Medium Term Financial Strategy**

- 2.55 Attached as Appendix G is the Medium Term Financial Strategy, updated to reflect the latest position as described in this report.
- 2.56 The financial projection that complements the Medium Term Financial Strategy is the Strategic Revenue Projection given at Appendix B. The financial projection considers the need for growth and savings over the period of the Medium Term Financial Strategy and incorporates assumptions about inflation and changes in local and national pressures.
- 2.57 The financial projection that complements the Capital Medium Term Financial Strategy Statement is the capital programme given at Appendix E.
- 2.58 Amendments to the Strategy may be recommended by the Policy Advisory Committee. The Strategy may require amendment following the Executive's consideration of this report or following consideration by Council on 22nd February 2023. The final versions will be published as part of the budget documents on the Council's website following the Council meeting.
- 

## **3 AVAILABLE OPTIONS**

- 3.1 **Option 1:** To recommend a budget as set out in this report, including the proposed increase in Council Tax.

The Council is statutorily required to set a balanced budget in time for the new financial year and in time for council tax billing to be achieved. This option allows this requirement to be met.

- 3.2 **Option 2:** To recommend a budget as set out in this report, with a further £400,000 being added to the pay budget envelope, this amount to be funded by drawing on unringfenced government grant (see paragraph 2.18).

This option allows a balanced budget to be set for 2023/24. However, as any additional pay award would be built into staff salaries, it would require ongoing funding. There is no guarantee that the amounts of unringfenced government grant will be maintained at the same levels as in 2023/24. Drawing on these grants also reduces the amount available to subsidise the 1,000 Affordable Homes programme.

- 3.3 **Option 3:** To recommend a budget as set out in this report, with a further £400,000 being added to the pay budget envelope, this amount to be funded by making further budget savings (see paragraph 2.23).

This option allows a balanced budget to be set for 2023/24. Further ongoing annual savings would need to be selected amounting to £400,000.

---

## **4 PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS**

- 4.1 Option 2 is not recommended, as the use of unringfenced government grant to fund additional pay depletes the available resources for the 1,000 Affordable Homes programme. Whilst the exact amount of subsidy required over the lifetime of the programme cannot be calculated precisely at this stage, it would be prudent to maximise the amount of the transfer to the Housing Investment Fund, given the risks associated with delivering capital projects at a time of high inflation and extreme pressure on resources in the construction sector.
  - 4.2 Option 3 is acceptable in terms of setting a balanced budget, but would require further savings to be made above and beyond those already considered by the Policy Advisory Committees.
  - 4.3 The preferred option is accordingly Option 1. This ensures a balanced budget, avoids the need to make further savings above and beyond those already considered by the Policy Advisory Committees and maximises the resources available for the 1,000 Affordable Homes programme.
- 

## **5 RISKS**

- 5.1 The Council's finances are subject to a high degree of risk and uncertainty. The draft MTFS includes an evaluation of the Council's financial resilience, from which it can be seen that it has adequate, but not excessive, reserves and is positioned well to manage the financial challenges that it faces.
  - 5.2 In order to address risk on an ongoing basis in a structured way and to ensure that appropriate mitigations are developed, the Council has developed a budget risk register. This seeks to capture all known budget risks and to present them in a readily comprehensible way. The budget risk register is updated regularly and is reviewed by the Audit, Governance and Standards Committee at each of its meetings.
- 

## **6 CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK**

- 6.1 The Executive received an initial report on the MTFS at its meeting on 20 July 2022 and has subsequently received further reports on the development of the budget for 2023/24.
  - 6.2 A Residents' Survey was carried out in Autumn 2022 to obtain their views on the issues to be considered when setting a budget. The findings were reported to Policy Advisory Committees and the Executive in January 2023.
  - 6.3 Detailed budget proposals were considered by the Policy Advisory Committees. The outcomes of this consultation are set out in this report at paragraphs 2.12 to 2.15.
-

## **7 NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION**

7.1 The timetable for setting the budget for 2023/24 is set out below.

| <b><i>Date</i></b> | <b><i>Meeting</i></b> | <b><i>Action</i></b>   |
|--------------------|-----------------------|--|
| 8 February 2023    | Executive             | Agree 2023/24 budget proposals for recommendation to Council |
| 22 February 2023   | Council               | Approve 2023/24 budget                                       |

---

## **8 REPORT APPENDICES**

The following documents are to be published with this report and form part of the report:

- Appendix A: Budget Savings Proposals 2023/24 to 2027/28
  - Appendix B: Strategic Revenue Projection 2023/24 to 2027/28
  - Appendix C: Revised Estimates for 2022/23 and Draft Budget Estimates for 2023/24
  - Appendix D: Capital Programme 2023/24 to 2027/28
  - Appendix E: Treasury Management Strategy, Investment Strategy and Capital Strategy
  - Appendix F: Statement of General Fund Balances and Earmarked Reserves
  - Appendix G: Updated Medium Term Financial Strategy 2023/24 to 2027/28
- 

## **9 BACKGROUND PAPERS**

There are no background papers.