



## OPEN REPORT COUNCIL

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**Council – 2 March 2023**

### **REVENUE BUDGET AND SERVICE PLANS 2023/24**

#### **Report of the Director of Resources**

##### **Report Author and Contact Details**

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##### **Wards Affected**

District-wide

##### **Report Summary**

This report seeks approval for the District Council's Service Plans and Revenue Budget for 2023/24 and updated Medium Term Financial Plan.

##### **Recommendations**

1. That the level of the Derbyshire Dales District Council's Council Tax (excluding parish requirements) for 2023/24 be increased by £6.58 per band D (2.94%) from the 2022/23 level, i.e. to £230.10 for Band D.
2. That the estimated net revenue expenditure for 2023/24 totalling £13,667,041 as detailed in the Summary Revenue Account in Appendix 2, be approved.
3. That the net revenue expenditure for 2022/23 (revised budget) totalling £11,854,818 as detailed in the Summary Revenue Account in Appendix 2, is approved.
4. That, when identified after 31 March 2023, the actual under- or over-spend for 2022/23 will be treated as follows:
  - underspending – transfer to the general reserve;
  - overspending – amounts taken from relevant reserves where appropriate, with balance from the general reserve.
5. The minimum level of uncommitted working balances be approved at £1,000,000 at 1<sup>st</sup> April 2023, and £1,000,000 at 1<sup>st</sup> April 2024.
6. The net sum of £1,464,926 be transferred from strategic reserves in 2023/24, as shown in Appendix 2 and detailed in Appendix 5.

7. The net sum of £2,333,002 be transferred to strategic reserves in 2022/23 (revised budget), as shown in Appendix 2 and detailed in Appendix 5.
8. The following amounts are calculated by the Council for the chargeable financial year 2022/23 in accordance with Section 31A of the Localism Act 2011:-
  - i. aggregate of the amounts which the Council estimates for the items set out in Section 31A(2)(a) to (f) thereof is £34,407,190;
  - ii. aggregate of the amounts which the Council estimates for the items set out in Section 31A(3)(a) to (d) thereof is £25,383,396;
  - iii. calculation under Section 31A(4) being the amount of which the aggregate at (i) above exceeds the aggregate of (ii) above, as the Council Tax Requirement for 2023/24 is £9,023,794.
9. That the updated Medium Term Financial Plan, shown in Appendix 4, be approved.
10. That service reductions to achieve the Corporate Savings Target “Continue a programme to identify efficiency savings and/or additional income of £286,000 a year by 2024/25” and that savings for 2025/26 and beyond be put on hold pending the outcome of the government reviews of Council funding.
11. That the Director of Resources’ report on the robustness of the budget and the adequacy of reserves in accordance with clause 25 of the Local Government Act 2003 be noted.
12. That Council adopts the Pay Policy Statement for 2023/24, set out in Appendix 9 to this report.
13. That the Derbyshire Dales District Council Service Plans (as set out in Appendix 10) are approved.

## **List of Appendices**

Appendix 1 Service Summary

Appendix 2 Summary Revenue Account

Appendix 3a Variations in spending proposals for proposed revised budget for 2022/23 compared to 2022/23 original estimate

Appendix 3b Variations in spending proposals for proposed budget for 2023/24 compared to 2022/23 original estimate

Appendix 4 Medium Term Financial Plan

Appendix 5 Transfers to and from Strategic Reserves

Appendix 6 Summary of Revenue Balances, Provisions and Strategic Reserves

Appendix 7 Annual Review of Strategic Reserves

Appendix 8 Parish Precepts

Appendix 9 Pay Policy Statement

Appendix 10 Draft service plans for each service

### **Background Papers**

| Date       | Description  | Location  |
|------------|--|---|
| 06/02/2023 | Details of Final Local Government Finance Settlement | Local authorities' individual allocations can be found in the <a href="#">final 2023/24 Local Government Finance settlement</a> |

### **Consideration of report by Council or other committee**

N/A

### **Council Approval Required**

Yes

### **Exempt from Press or Public**

No

## **Revenue Budget and Service Plans 2023/24**

### **1. Introduction**

- 1.1 Revenue spending proposals for all the Council's services and activities are given in Appendix 1 to this report. These are linked to the service plans for 2023/24 (circulated separately).
- 1.2 The forecasts of revenue spending requirements include both the revenue financing costs and running/operating expenditure associated with the Capital Programme.
- 1.3 In addition to considering the spending proposals for the forthcoming year, the CIPFA's Financial Management Code requires the preparation of a Medium Term Financial Plan. This shows the known changes in financial commitments for future years, in order that the implications for future spending requirements are identified in advance and included in the strategic planning process. An updated Medium Term Financial Plan is provided in Appendix 4.
- 1.4 Service plans and annual revenue budgets are prepared as an integrated process to ensure that plans are resourced. The draft service plans, which seek to set out actions necessary to deliver the Council's priorities, are set out in the "Service Plans" booklet, are shown at Appendix 10 to this report. These service plans incorporate summary budget data with other service information to clarify the link between service levels and resources.

### **2. Key Issues**

#### **2.1 Local Government Finance Settlement for 2023/24**

##### **2.1.1 Introduction**

Details of the final Local Government Finance Settlement for 2023/24 were announced by government on 6th February 2023 via a written statement available [here](#). The final settlement was broadly in line with the 2023/24 provisional settlement which was published in December 2022, with no change in Core Spending Power from the provisional settlement.

Although the Council is only in receipt of a small number of government grants the settlement still has a significant impact on the council's finances. The key points of the final settlement relevant to the District Council are set out below.

##### **2.1.2 The national context**

- i. It is a one-year settlement for 2023/24, with some indications about funding for 2024/25. This is the fifth one-year settlement in a row for councils, and the Local Government Association continues to make the case for multi-year settlements that provide sufficient funding to meet underlying and future needs.

- ii. There is a new **one-off** funding guarantee that ensures all local authorities will see a minimum 3% increase in their Core Spending Power before any local decisions on raising Council Tax.
- iii. An additional year (2023/24) of New Homes Bonus (NHB) has been announced. There is no indication about the future of NHB in 2024/25 and beyond.
- iv. Rural Services Delivery Grant (RSDG) has increased from the provisional settlement;
- v. Shire district councils will be permitted to raise council tax by up to 3% or £5 without the need for a referendum.
- vi. Core Spending Power assumes that authorities apply the maximum increase in Band D, and that tax-base rises in line with the 4-year average for the authority.
- vii. There is new funding for local authorities to support the most vulnerable households in England. This funding will allow councils to deliver additional support to the 3.8 million households already receiving Council Tax support, whilst also providing councils with the resources and flexibility to determine the local approaches to support other vulnerable households in their area. This was reported to Council on 26 January in the report on the Local Council Tax Support Scheme for 2023/24.
- viii. Ministers will be re-starting the local government funding reforms in the spring. This means that the Fair Funding Review and baseline business rates reset are both going to be under consideration again, for possible implementation in 2025/26.

### 2.1.3 The local context

- A. The **core spending power** for this Council has increased from £10,008,000 in 2022/23 to £10,637,000 in 2023/24 (an increase of £509,000, 5%). The table below shows how the core spending power for Derbyshire Dales District Council is calculated and the elements of change:

**Table 1: Core spending power 2023/24 compared with 2022/23**

| Source of Funding   | 2022/23<br>Adjusted | 2023/24<br>Provisional<br>Settlement | 2023/24<br>Final<br>Settlement | Change<br>2022/23<br>to<br>2023/24<br>Final | Change<br>% | Comments   |
|---|---------------------|--------------------------------------|--------------------------------|---|-------------|--|
|   | £000s               | £000s                                | £000s                          | £000s                                       |             |  |
| Settlement Funding Assessment                                 | 1,675               | 1,802                                | 1,802                          | 127   | 7.6%        |  |
| Compensation for under-indexing the business rates multiplier | 171                 | 296                                  | 296                            | 125   | 73.1%       |  |
| New Homes Bonus   | 778                 | 241                                  | 241                            | -537  | -69.0%      | CT base growth lower than prior year   |
| Rural Services Delivery Grant                                 | 421                 | 421                                  | 471                            | 50  | 11.9%       |  |
| Council Tax (excl. parish precepts)                           | 6,826               | 7,133                                | 7,133                          | 307   | 4.5%        | Core Spending Power assumes that authorities apply the maximum increase in Band D (3% for DDDC), and that taxbase rises in line with the 4-year average for the authority                                    |
| Lower Tier Services Grant                                     | 77                  | 0                                    | 0                              | -77   | -100.0%     | One-off for 2022/23  |
| Services Grant  | 116                 | 65                                   | 67                             | -49   | -42.2%      |  |
| Grants rolled in  | 64                  | 0                                    | 0                              | -64   | -100.0%     | One-off for 2022/23  |
| Funding Guarantee   | 0                   | 679                                  | 627                            | 627   |             | This new guarantee will ensure that all councils will see at least a 3% increase in their core spending power before any decisions about organisational efficiencies, use of reserves or council tax levels. |
| <b>Total Core Spending Power</b>                              | <b>10,128</b>       | <b>10,637</b>                        | <b>10,637</b>                  | <b>509</b>                                  | <b>5.0%</b> |  |

- B. The 2023/24 **Settlement Funding Assessment** of £1.802 is an increase of 7.6% on 2022/23. This is £93,000 more than the amount assumed in the Council's Medium Term Financial Plan for 2023/24 (approved in March 2022) where an inflationary increase of 2% had been expected;
- C. **Negative Revenue Support Grant** has been funded in the settlement so is no longer a cost pressure in 2023/24. The MTFP had assumed a cost of £400,000;
- D. **Compensation for under-indexing the business rates multiplier** has increased by £122,000 (70%) compared with the MTFP, but this is to compensate for a reduction in business rates income so there will be no overall impact on the Council's financial position.
- E. The **Lower Tier Services Grant** has been abolished; £79,000 was anticipated in the MTFP.
- F. There is an unexpected additional **New Homes Bonus** (NHB) payment (£241,000). We had expected 2022/23 to be the last year so no NHB had been anticipated in the MTFP beyond 2022/23.
- G. **Services Grant** has been reduced from £116,000 in 2022/23 to £67,000 in 2023/24, but the MTFP had assumed that this grant would not be paid in 2023/24.
- H. **Rural Services Delivery Grant** has been increased from £421,000 in 2022/23 (assumed in the MTFP and included in the provisional settlement) to £471,000 for 2023/24.
- I. There is a new **Funding Guarantee** that will ensure that all councils will see at least a 3% increase in their core spending power before any decisions about organisational efficiencies, use of reserves or council tax levels. This was set at £679,000 for 2023/24 in the provisional settlement but reduced to £627,000 in the final settlement. This new grant had not been anticipated in the MTFP.
- J. The **increase in the Council Tax** income shown in the table above at 4.5% assumes the maximum 3% increase (£6.70 on Band D), as well as an increase in the council tax base that reflects new homes. The MTFP assumed a council tax increase of 1.94% (£4.34 on Band D).

The increases in grants and council tax over the assumptions in our medium term financial plan amount to an increase in funding over the MTFP of £1.623m (18%) for 2023/24 as shown in table 2 below.

| Table 2: Funding in 2023/24 settlement compared with MTFP*    |                |   |                              |                 |              |   |
|---|----------------|---|------------------------------|-----------------|--------------|---|
| Source of Funding   | MTFP*<br>£000s | 2023/24<br>Provisional<br>Settlement<br>£000s | Final<br>Settlement<br>£000s | Change<br>£000s | Change<br>%  | Comments  |
| Settlement Funding Assessment                                 | 1,709          | 1,802   | 1,802                        | 93              | 5.4%         | MTFP assumed inflationary increase of 2%  |
| Negative RSG  | -400           | 0   | 0                            | 400             | -100.0%      | Negative RSG removed from settlement  |
| Compensation for under-indexing the business rates multiplier | 174            | 296   | 296                          | 122             | 70.1%        |   |
| Lower Tier Services Grant                                     | 79             | 0   | 0                            | -79             | -100.0%      | One-off for 2022/23   |
| New Homes Bonus   | 0              | 241   | 241                          | 241             |              | MTFP assumed that this grant would be discontinued  |
| Services Grant  | 0              | 65  | 67                           | 67              | #DIV/0!      | MTFP assumed that this grant would be discontinued  |
| Rural Services Delivery Grant                                 | 421            | 421   | 471                          | 50              | 11.9%        |   |
| Council Tax (excl. parish precepts)                           | 7,031          | 7,133   | 7,133                        | 102             | 1.5%         | Core Spending Power assumes that authorities apply the maximum increase in Band D (3% for DDDC), and that taxbase rises in line with the 4-year average for the authority. MTFP assumed 1.94% increase in Band D. |
| Grants rolled in  | 0              | 0   | 0                            | 0               |              | One-off for 2022/23   |
| Funding Guarantee   |                | 679   | 627                          | 627             |              | This new guarantee will ensure that all councils will see at least a 3% increase in their core spending power before any decisions about organisational efficiencies, use of reserves or council tax levels.      |
| <b>Total Core Spending Power</b>                              | <b>9,014</b>   | <b>10,637</b>                                 | <b>10,637</b>                | <b>1,623</b>    | <b>18.0%</b> |   |
| *The MTFP was last approved in March 2022                     |                |   |                              |                 |              |   |

## 2.1.4 Officer comments

- 2.1.4.1 This settlement relates to 2023/24 only and there is no certainty that this increased level of funding will continue into future years. It should be noted that it assumes a 3% increase in the council tax.
- 2.1.4.2 While the settlement results in significantly more grant (and council tax) being received for 2023/24 than had been anticipated in the medium term financial plan, it is not sufficient to cover the inflationary pressures facing the council in respect of pay awards, increases on contracts etc.
- 2.1.4.3 The settlement for 2023/24 should not be taken as an indication of the likely funding position in future years. It is more difficult to predict the level of finance settlement that might be received from 2024/25 onwards given the lack of clarity over future funding levels. It should be noted that the Fair Funding Review and baseline business rates reset are both going to be under consideration again, for possible implementation in 2025/26, meaning that there is no certainty that this level of funding will continue into the medium term. "Levelling Up" is also on the government's agenda. Significant changes in local government finance are expected to take place from 2025/26, which could have a significant impact on the Council's revenue account. For example, the settlement funding assessment of £1.802m for 2023/24 could be reduced significantly as part of the government's reviews and it is possible that 'Negative Revenue Support Grant' could re-emerge.

2.1.4.4 Most of the financial uncertainties for future years, that have been explained repeatedly, still remain. There is a lot of uncertainty relating to future levels of inflation, interest rates and government funding (especially the outcome of government reviews into 'fair funding' and 'business rates retention'), all of which could have a significant impact on the Council's financial position. This settlement helps greatly for 2023/24 and we will be able to balance the 2023/24 budget with moderate use of reserves but the financial uncertainties and need for corporate savings and investment for capital projects remain for subsequent years, due mainly to the lack of a multi-year settlement and inflationary pressures. This means that during 2024/25 officers will be working with members to prioritise spending and to ensure that a sustainable balanced budget can be set for 2024/25 onwards.

#### 2.1.5 Local Government Finance Settlement: Conclusion

The settlement for 2023/24 is more favourable than expected but it assumes a 3% increase in the council tax and will not be sufficient to address all inflationary pressures, especially for years beyond 2023/24. There is a great deal of uncertainty relating to levels of inflation, interest rates and government funding. This means that that, while it will be possible to set a balanced budget for 2023/24 with moderate use of reserves, tough decisions will need to be taken to achieve a sustainable, balanced budget for 2024/25 and beyond.

## 2.2 Net spending and council tax requirement

2.2.1 The net cost of services is detailed in Appendix 1. The Summary Revenue Account (Appendix 2) sets out the spending proposals for this Council and the precepts of the Town/Parish Councils for 2023/24. The estimates of cost reflect the spending needs of the current service plans and policies of the Council. Following the transfers to/from reserves, there is a breakeven position in the 2023/24 budget, with expenditure matched by income.

2.2.2 The calculation of net revenue expenditure and the Council Tax requirement is shown in detail in the Summary Revenue Account in Appendix 2 and is summarised in the table below:-



**Table 3 – Summary Revenue Account**

|   | Estimate<br>2022/23<br>£ | Revised<br>Estimate<br>2022/23<br>£ | Estimate<br>2023/24<br>£ |
|---|--------------------------|-------------------------------------|--------------------------|
| Net Cost of Services (as Appendix 1)                              | 10,962,818               | 11,557,601                          | 13,569,674               |
| Income from investment properties                                 | (102,556)                | (102,556)                           | (102,556)                |
| Net interest  | 188,000                  | 188,000                             | (11,850)                 |
| Statutory sum for debt repayment                                  | 211,773                  | 211,773                             | 211,773                  |
| <b>Net revenue expenditure</b>                                    | <b>11,260,035</b>        | <b>11,854,818</b>                   | <b>13,667,041</b>        |
| Transfer to/(from) strategic reserves<br>(detailed in Appendix 5) | (1,738,219)              | (2,333,002)                         | (1,464,926)              |
| <b>External Funding Requirement</b>                               | <b>9,521,816</b>         | <b>9,521,816</b>                    | <b>12,202,115</b>        |
| <b>Funded by:</b>   |                          |                                     |                          |
| Retained Business Rates (NDR)                                     | (3,412,804)              | (3,412,804)                         | (3,977,147)              |
| NDR collection fund deficit                                       | 2,087,317                | 2,087,317                           | 201,550                  |
| Revenue Support Grant   | (266)                    | (266)                               | (64,574)                 |
| New Homes Bonus   | (777,636)                | (777,636)                           | (241,183)                |
| Rural Services Delivery Grant                                     | (420,990)                | (420,990)                           | (471,000)                |
| Council tax collection fund deficit                               | 20,838                   | 20,838                              | 100,322                  |
| Lower Tier Services Grant   | (76,631)                 | (76,631)                            | 0                        |
| 3% Funding Guarantee Grant  | 0                        | 0                                   | (626,887)                |
| Other Government Grants   | (115,477)                | (115,477)                           | (67,748)                 |
| <b>Total external funding<br/>(excl. council tax)</b>             | <b>(2,695,649)</b>       | <b>(2,695,649)</b>                  | <b>(5,146,667)</b>       |
| DDDC Council Tax Requirement                                      | (6,826,167)              | (6,826,167)                         | (7,055,448)              |
| Town and Parish Council Precepts                                  | (1,892,616)              | (1,892,616)                         | (1,968,346)              |
| <b>Council Tax Requirement Incl.<br/>Parishes (Appendix 2)</b>    | <b>(8,718,783)</b>       | <b>(8,718,783)</b>                  | <b>(9,023,794)</b>       |
| <b>Total (External Funding + Council<br/>Tax, excl. parishes)</b> | <b>(9,521,816)</b>       | <b>(9,521,816)</b>                  | <b>(12,202,115)</b>      |

2.2.3 At Net Cost of Services level, the revised estimates for 2022/23 result in an over-spend of £595,783 against the original budget for 2022/23. A summary of variances is shown in Appendix 3a. This overspend has been financed as follows:

- £408,983 transferred from the General Reserve;
- £71,800 from Committed Expenditure Reserve
- £60,000 from Local Plan Reserve
- £25,000 from Revenue Grants Unapplied Reserve, and
- £30,000 from Waste & Recycling Reserve

These were all approved by Members or under delegated approval during 2022/23.

2.2.4 The Accounts and Audit Regulations 2015 require the Statement of Accounts for 2022/23 to be published by 31 May 2023. Usually, the Director of Resources would present a Revenue & Capital Out-turn Report to Council before the accounts publication deadline, in order to inform members of the out-turn and to seek approval for the necessary transfers to and from reserves. Due to the forthcoming elections on 4 May, there isn't a Council meeting before 31 May where such a report could be presented. Therefore, it is recommended that arrangements be put in place for transfers to and from reserves in 2022/23. Therefore, the following recommendation is proposed in this report:

*That, when identified after 31 March 2023, the actual under- or over-spend for 2022/23 will be treated as follows:*

*-underspending – transfer to the general reserve;*

*-overspending – amounts taken from relevant reserves where appropriate, with balance from the general reserve.*

2.2.5 The estimates for 2023/24 (excluding parish precepts) result in an increased council tax requirement of £229,281 against the original budget for 2022/23. In preparing proposed budgets for 2023/24 service managers have taken account of any ongoing under- or over-spending that has been identified in 2021/22 and 2022/23. A summary of variances when comparing the 2023/24 estimates to the 2022/23 original estimates is given in Appendix 3b. Significant variances (over £100,000) are shown in the table below:-

**Table 4 – Variances for proposed budget 2023/24 over original budget 2022/23**

| <b>Budget Head</b>  | <b>Variance £000</b> |
|---|----------------------|
| Increase to staffing budgets for establishment changes, 22/23 and forecast 23/24 pay award and changes to pension contributions | 548                  |
| Electricity inflation pressure partially offset by savings generated from solar panels  | 118                  |
| Waste contract inflation  | 544                  |
| Waste contract additional services relating to change of location for disposal of organic waste                                 | 695                  |
| Reduction in composting gate fees after change of location for disposal of organic waste  | (260)                |
| Reduction to recycling credits budget   | 324                  |
| Reduction to highways cleansing income budget   | 193                  |
| District Elections (funded by use of elections reserve and new burdens grant)   | 239                  |
| Removal of 22/23 Levelling up funding budget  | (280)                |
| Housing Benefits Rent Allowances and Discretionary Payments budget  | 100                  |
| Other movements   | 385                  |
| <b>Change in net cost of services</b>   | <b>2,606</b>         |
| Increase in interest receivable   | (200)                |
| Reduced use of reserves and balances  | 273                  |
| <b>Increase in net spending</b>   | <b>2,679</b>         |
|   |                      |
| Decrease in Business Rate Collection Fund Deficit   | (1,886)              |
| Retained Business Rates   | (564)                |
| Increase in Council Tax Deficit   | 79                   |
| Net increase in Government Grants   | (80)                 |
| <b>Increase in External Funding</b>   | <b>(2,451)</b>       |
|   |                      |
| <b>Increase in District Council Tax Requirement</b>   | <b>(228)</b>         |

2.2.6 No significant growth items have been added to the council tax requirement for 2023/34. All of the items in the table above relate to inflation, changes in service demands (e.g. housing benefits), the impact of changes in circumstances in 2022/23 (e.g. change of location for disposal of organic waste) or they are offset by a transfer from an earmarked reserve (e.g. election costs).

2.2.7 The table above shows that the Authority is facing significant inflationary pressures. The most significant items are:

|   |             |
|---|-------------|
| Increase due to pay award and pension changes | £548,000    |
| Energy inflation                              | £118,000    |
| Waste contract inflation                      | £544,000    |
| Total   | £1,210,000. |

In comparison, the increase in Core Spending Power in the Local Government Finance Settlement for 2023/24 was £509,000, including £307,000 for an expected council tax increase. The difference between the inflationary pressures shown above and the increase in core spending power is £701,000, which the Authority has to find through a combination of savings, additional income (fees and charges) and use of reserves.

## **2.3 Council Tax**

### Council Tax Collection Fund Balance

2.3.7 In determining its demand on the Council Tax, the Council must take account of any balances relating to Council Tax transactions, reflecting the difference between anticipated yield and collection rate compared to those actually achieved.

2.3.8 At 31<sup>st</sup> March 2023 there is expected to be a deficit on the Council Tax collection fund. The District Council's share of the deficit is £100,322, which has to be taken into account in setting the 2023/24 Council Tax level.

### Non-domestic Rates Collection Fund Balance

2.3.9 In determining its demand on the Council Tax, the Council must take account of any balances relating to Non-Domestic Rates transactions, reflecting the difference between anticipated yield and collection rate compared to those actually achieved.

2.3.10 At 31<sup>st</sup> March 2023 there is expected to be a deficit on the non-domestic rates collection fund. The District Council's share of the deficit is £201,550, which has to be taken into account in setting the 2023/24 Council Tax level. The deficit is offset by a transfer from reserves in 2023/24, reflecting a government grant received in 2021/22 and carried forward through reserves.

### Council Tax Requirement and Proposed Council Tax Increase

2.3.11 The Council Tax is calculated by dividing the Council's Council Tax Requirement by its Council Tax Base. Taking the above factors into account, this Council's requirement (excluding parish council precepts) from the Council Tax for 2023/24, including a comparison with 2022/23, is calculated as follows:-

**Table 5 – Council Tax Calculation**

|                                | <b>2023/24</b> | <b>2022/23</b> |
|--------------------------------|----------------|----------------|
| Council Tax Requirement (DDDC) | £7,055,448     | £6,826,167     |
| Council Tax Base               | 30,662.53      | 30,539.40      |
| DDDC Council Tax - Band D      | £230.10        | £223.52        |
| <b>Increase per band D</b>     | <b>£6.58</b>   | <b>£4.25</b>   |
| <b>Increase %</b>              | <b>2.94%</b>   | <b>1.94%</b>   |

2.3.12 The council tax referendum principles for 2023/24 were approved by the House of Commons on 9 February 2023. The following principle applies in relation to shire district councils:

*“a referendum will be required if the authority sets an increase of 3% (or more than 3%), or more than £5, whichever is greater”.*

The recommendations in this report do not exceed 3%.

2.3.13 The table below shows the proposed band D Council tax and % increase for 2023/24, with data for the previous 5 years:-

**Table 6 – Council Tax Levels since 2018/19**

| Financial Year          | Band D Council Tax | Increase on Previous Year |
|-------------------------|--------------------|---------------------------|
| 2018/19                 | £204.27            | 2.99%                     |
| 2019/20                 | £209.27            | 2.45%                     |
| 2020/21                 | £214.27            | 2.39%                     |
| 2021/22                 | £219.27            | 2.33%                     |
| 2022/23                 | £223.52            | 1.94%                     |
| <b>Proposed 2023/24</b> | <b>£230.10</b>     | <b>2.94%</b>              |

It is important to note that the proposed increase in council tax for 2023/24 will benefit each subsequent financial year, when the council faces uncertainty on levels of government funding and the impact of inflationary pressures.

2.3.14 As mentioned in paragraph 2.1.2 above, there is new funding for local authorities to support the most vulnerable households already receiving Council Tax support. This was reported to Council on 26 January in the report on the Local Council Tax Support Scheme for 2023/24. Officers have now modelled the scheme and plans are being made to award an extra £30 (or the balance of the council tax bill if that is less than £30) in Council Tax Support to qualifying households.

## 2.4 Medium Term Financial Plan

2.4.7 In considering its spending requirements the Council must have regard to its future commitments and its ability to finance those requirements either internally through balances or through its precept on the Council Tax. It is necessary, within the limitations inherent in any forward planning exercise, to consider the implications of future spending needs and produce a financial strategy to deal with them.

2.4.8 The Medium Term Financial Plan, which is summarised in the table below and shown in detail at Appendix 4, sets out in broad terms the anticipated future spending requirements. This takes account of current and known additional requirements. The quantified additional requirements are based on the planned intentions of the Council and any future impact of decisions already implemented, but cannot be conclusive, as other changes will undoubtedly occur over time.

**Table 7 – Summarised Medium Term Financial Plan**

|                                 | Original Budget<br>2022/23<br>£000s | Revised Budget<br>2022/23<br>£000s | Proposed Budget<br>2023/24<br>£000s | Forecast<br>2024/25<br>£000s | Forecast<br>2025/26<br>£000s | Forecast<br>2026/27<br>£000s | Forecast<br>2027/28<br>£000s |
|---------------------------------|-------------------------------------|------------------------------------|-------------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| <b>Forecast spending</b>        | <b>11,260</b>                       | <b>11,855</b>                      | <b>13,667</b>                       | <b>13,656</b>                | <b>13,954</b>                | <b>14,248</b>                | <b>14,627</b>                |
| Transfers to/(from) reserves    | (1,738)                             | (2,333)                            | (1,465)                             | (305)                        | 351                          | 392                          | 393                          |
| <b>Net Spending Requirement</b> | <b>9,522</b>                        | <b>9,522</b>                       | <b>12,202</b>                       | <b>13,351</b>                | <b>14,304</b>                | <b>14,640</b>                | <b>15,021</b>                |
| <b>Funded By:</b>               |                                     |                                    |                                     |                              |                              |                              |                              |
| Income from Council Tax         | (6,805)                             | (6,805)                            | (6,955)                             | (7,528)                      | (7,715)                      | (7,906)                      | (8,103)                      |
| Income from Business Rates      | (1,326)                             | (1,326)                            | (3,775)                             | (4,021)                      | (4,066)                      | (4,112)                      | (4,160)                      |
| 3% Funding Guarantee            | 0                                   | 0                                  | (627)                               | (666)                        | 0                            | 0                            | 0                            |
| Revenue Support Grant           | 0                                   | 0                                  | (65)                                | (69)                         | 762                          | 788                          | 816                          |
| Rural Services Delivery Grant   | (421)                               | (421)                              | (471)                               | (471)                        | (471)                        | (471)                        | (471)                        |
| New Homes Bonus                 | (778)                               | (778)                              | (241)                               | (241)                        | 0                            | 0                            | 0                            |
| Services Grant                  | (115)                               | (115)                              | (68)                                | (68)                         | 0                            | 0                            | 0                            |
| Lower Tier Services Grant       | (77)                                | (77)                               | 0                                   | 0                            | 0                            | 0                            | 0                            |
| <b>Total funding</b>            | <b>(9,522)</b>                      | <b>(9,522)</b>                     | <b>(12,202)</b>                     | <b>(13,064)</b>              | <b>(11,490)</b>              | <b>(11,701)</b>              | <b>(11,918)</b>              |
| <b>Savings to be achieved</b>   | <b>(0)</b>                          | <b>(0)</b>                         | <b>0</b>                            | <b>286</b>                   | <b>2,815</b>                 | <b>2,939</b>                 | <b>3,102</b>                 |

2.4.9 The Medium Term Financial Plan demonstrates that, with the proposed increase in council tax and use of reserves, there is a balanced budget for 2023/24, with savings of £286,000 being required to balance the budget for 2024/25. However, the Medium Term Financial Plan shows that further grant losses are expected from 2025/26 onwards (see below) and that, as a result, there is a need to identify additional savings or income of almost £3m a year from then. The approach to savings is set out in section 2.6 of this report.

2.4.10 Several funding streams (New Homes Bonus, Funding Guarantee, Rural Services Delivery Grant and Revenue Support Grant) received from Government, all have a significant direct impact on the Council. The Department for Levelling Up, Communities and Housing (DLUCH) has previously indicated all of these funding streams might reduce and the information received has been used to model the Council's future MTFP.

- 2.4.11 The DLUCH continues to review the arrangements for Local Government financing. However, as experienced in the 2023/24 settlement, changes to allocations can be received late in the day. As the provisional and final settlements are not normally received until December and January respectively (February this time) prior to financial year start, the Council has limited time to respond to changes introduced by the DLUCH.
- 2.4.12 The Council has reserves and balances that it is recommended to use to balance the budget for 2023/24. It is proposed that, during 2023/24, a thorough review of income and expenditure should be undertaken and an action plan developed to address to the £386,000 savings gap for 2024/25. For years from 2025/26 onwards, at circa £3m the savings gap represents almost a quarter of net revenue spending so it will be very challenging to meet this target and difficult decisions will need to be taken.
- 2.4.13 The MTFP includes the impact of several key developments for the council over the MTFP period. These include the estimated potential increased costs of pay and price inflation, ongoing increased costs of the waste contract (especially the impact of relocating the disposal site for collection of organic waste), potential costs arising from the triennial review of the pension fund, as well as additional revenue income arising from investments being made through the capital programme e.g. climate change, housing and regeneration projects. As stated earlier in this report, the MTFP assumes a significant reduction in government grants, which it is assumed will reduce from £1.5m in 2024/25 to £0.3m a year thereafter.
- 2.4.14 The assumptions made in preparing the MTFP are shown in Appendix 4. A prudent approach has been taken. It is possible that some of these assumptions may turn out to be too cautious. A more optimistic version of the MTFP has been produced to reflect the following changes in assumptions:
- Government grants retained at same levels as 2023/24, rather than significant reductions;
  - Council tax increase of 2.94% p.a. from 2023/24 onwards (rather than 1.94%)
  - Business Rates income increased by 3% p.a. from 2024/25 (rather than 2%)
  - No increase in pension costs at next revaluation
  - Waste contract - assume savings equal to 50% of extra cost of organics disposal i.e. £400,000 p.a. from 2024/25.

The results of the more optimistic assumptions are set out below in a revised MTFP:

***Table 8 – Summarised Medium Term Financial Plan  
(More Optimistic Version)***

|                                 | Original Budget 2022/23<br>£000s | Revised Budget 2022/23<br>£000s | Proposed Budget 2023/24<br>£000s | Forecast 2024/25<br>£000s | Forecast 2025/26<br>£000s | Forecast 2026/27<br>£000s | Forecast 2027/28<br>£000s |
|---------------------------------|----------------------------------|---------------------------------|----------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| <b>Forecast spending</b>        | <b>11,260</b>                    | <b>11,855</b>                   | <b>13,667</b>                    | <b>13,256</b>             | <b>13,555</b>             | <b>13,699</b>             | <b>14,078</b>             |
| Transfers to/(from) reserves    | (1,738)                          | (2,333)                         | (1,465)                          | (144)                     | 352                       | 394                       | 394                       |
| <b>Net Spending Requirement</b> | <b>9,522</b>                     | <b>9,522</b>                    | <b>12,202</b>                    | <b>13,112</b>             | <b>13,907</b>             | <b>14,093</b>             | <b>14,472</b>             |
| <b>Funded By:</b>               |                                  |                                 |                                  |                           |                           |                           |                           |
| Income from Council Tax         | (6,805)                          | (6,805)                         | (6,955)                          | (7,599)                   | (7,861)                   | (8,133)                   | (8,414)                   |
| Income from Business Rates      | (1,326)                          | (1,326)                         | (3,775)                          | (4,041)                   | (4,108)                   | (4,176)                   | (4,247)                   |
| 3% Funding Guarantee            | 0                                | 0                               | (627)                            | (627)                     | (627)                     | (627)                     | (627)                     |
| Revenue Support Grant           | 0                                | 0                               | (65)                             | (65)                      | (65)                      | (65)                      | (65)                      |
| Rural Services Delivery Grant   | (421)                            | (421)                           | (471)                            | (471)                     | (471)                     | (471)                     | (471)                     |
| New Homes Bonus                 | (778)                            | (778)                           | (241)                            | (241)                     | (241)                     | (241)                     | (241)                     |
| Services Grant                  | (115)                            | (115)                           | (68)                             | (68)                      | (68)                      | (68)                      | (68)                      |
| Lower Tier Services Grant       | (77)                             | (77)                            | 0                                | 0                         | 0                         | 0                         | 0                         |
| <b>Total funding</b>            | <b>(9,522)</b>                   | <b>(9,522)</b>                  | <b>(12,202)</b>                  | <b>(13,112)</b>           | <b>(13,441)</b>           | <b>(13,781)</b>           | <b>(14,133)</b>           |
| <b>Savings to be achieved</b>   | <b>0</b>                         | <b>0</b>                        | <b>0</b>                         | <b>0</b>                  | <b>466</b>                | <b>312</b>                | <b>339</b>                |

2.4.9 Given the uncertainties involved in forecasting beyond 2024/25, and the current levels of the general reserve and working balances (see below), it is recommended that that savings for 2025/26 and beyond be put on hold pending the outcome of the government reviews of Council funding.

## 2.5 Reserves and Balances

2.5.1 In examining the immediate and longer term spending plans, for both revenue and capital, it is necessary to consider the levels of balances which are available and, of those, the ones that will be required to meet spending plans. Transfers to/from reserves are detailed in Appendix 5. The estimated position on the Council's Reserves and Balances as at 31st March 2023 and 31st March 2024 is detailed in Appendix 6. A number of points need to be taken into account and these are set out below.

### Working Balances

2.5.2 It is considered essential that the Council retains a level of uncommitted balances to meet emergency, unforeseen and unknown eventualities. This includes positive opportunities that may arise as well as disastrous or onerous liabilities.

2.5.3 *In the absence of these balances any such expenditure would fall directly on the General Fund and Council Tax requirement. This could result in significant financial consequences for service provision. As budgets have been tightened and contingencies removed, the need for adequate working balances becomes even more important. Whilst it is impossible to advise on the precise level because of the uncertainty involved, it is considered prudent to retain uncommitted working balances of approximately 10% of net revenue expenditure. Working balances at 31st March 2024 are set at £1,000,000, which is considered adequate for the purpose described above.*

### Use of Balances



- 2.5.4 The effect of the Council's spending proposals and commitments on the General Reserve is shown in the Medium Term Financial Plan in Appendix 4 and a summary of reserves is given in Appendix 6. It can be seen that the estimated General Reserve balance is £2,626,152 at 31st March 2024.
- 2.5.5 Balances, by their very nature, can be used only once. Therefore, the continued use of balances to support ongoing spending is not sustainable beyond the life of the available amount. A strategy which is based on the continued use of balances to support regular spending can only have a finite life. Therefore, in looking at the use of available balances regard must be taken of the future demands upon them in terms of both capital and revenue spending. In addition, interest is earned on the investment of unused balances (albeit at very low interest rates at the current time). Utilisation of balances will therefore reduce the interest earned in future years.
- 2.5.6 It should be noted that the Medium Term Financial Strategy (approved in March 2021) allows the General Reserve to be used for meeting "one-off" expenditure or for "invest-to-save" proposals, but restricts its use for funding ongoing revenue expenditure to exceptional circumstances.

### Strategic Reserves

- 2.5.7 The Council has strategic reserves for specific purposes and these should continue to be earmarked for the identified purpose. This ensures the availability of the amounts in these reserves for those purposes and defrays demands on the revenue spending and general balances. Details of transfers to/from reserves are shown in Appendix 5 and details of strategic reserves are given in Appendix 6.
- 2.5.8 It is important that reserves are reviewed on at least an annual basis to ensure they are adequate for the purpose, but not excessive, based on an assessment of needs, an understanding of risks, and taking into account the opportunity costs of maintaining reserves. An annual review of strategic reserves is given at Appendix 7. The statement lists the various strategic reserves, the purposes for which they are held, and the forecast levels at 31<sup>st</sup> March 2024, based on the requirements shown in the proposed budget for 2023/24 and the Medium Term Financial Plan. The outcome of the review is reflected in the Statutory Report in Section 2.7 below.
- 2.5.9 Following this review of reserves, strategic reserves are estimated to total £12 million at 31<sup>st</sup> March 2023, reducing to £6 million at 31<sup>st</sup> March 2024

## **2.6 Savings**

- 2.6.1 The Council has worked hard over past years to make substantial savings that have enabled the organisation to present a balanced budget each year. These savings have been achieved through exploring different ways of delivering services, e.g. outsourcing, shared services, the introduction of new revenue income streams and through a series of service reviews that have examined each service area and made significant efficiencies. The service reviews that have been undertaken have not only generated efficiency savings but have also introduced service improvements for customers /

residents. The Corporate Leadership Team has also carried out a detailed scrutiny of every service budget and removed any that the trends indicate may not be required in future years. Any underspends made each year are also analysed to identify those that can be classed as ongoing savings.

- 2.6.2 The need to achieve further savings or identify new revenue income streams is set out in the Medium Term Financial Plan (see Appendix 4 and section 2.4 of this report). The approach to achieving the savings is set out in the Council's Medium Term Financial Strategy. Given the amount set aside in usable revenue reserves, the timing of the required savings, and the uncertainty surrounding council funding (arising mainly from the outcome of the anticipated level of the government's Fair Funding Review and its review of the Business Rates Retention scheme), the Council's approach to meeting the Corporate Savings Target and closing the budget gap is to "Continue a programme to identify efficiency savings and/or additional income of £286,000 a year by 2024/25" and that savings for 2025/26 and beyond be put on hold pending the outcome of the government reviews of Council funding. The Council will continue to explore commercial and investment opportunities to help it to achieve a sustainable financial future. The overall aim of this approach is that the Council will be far less reliant on government funding and will become more self-sufficient. The approach will focus on income generation and investment in economic development that will lead to growth. In the longer term, and any savings cuts will be focussed on low priority services. This approach will provide the Council with more financial resilience than depending on government grants and should have less impact on priority services.

## **2.7 Chief Finance Officer's Statutory Report**

- 2.7.1 Clause 25 of Part 2 of the Local Government Act 2003 requires that the Officer appointed for the purposes of Section 151 of the Local Government Act 1972 must, when calculating the net budget requirement, report to Members on:-
- the robustness of the estimates made for the purposes of the calculation;
  - the adequacy of the proposed financial reserves.

The Council is required to take the report into account when making the calculations for its budget.

### **Robustness of estimates**

- 2.7.2 In accordance with this requirement, the Director of Resources is of the opinion that the processes used in calculating the net budget requirement for 2023/24 are robust and accurate, while depending on estimation. In reaching this opinion, the Director of Resources is satisfied that adequate account has been taken of the following factors:-
- last year's outturn;
  - the current year's income and expenditure to date;
  - expected pay & price increases;
  - pension contributions;
  - the impact of interest rate movements;
  - demand for services;
  - the revenue impact of capital investment;
  - local predictions of future government grant allocations;

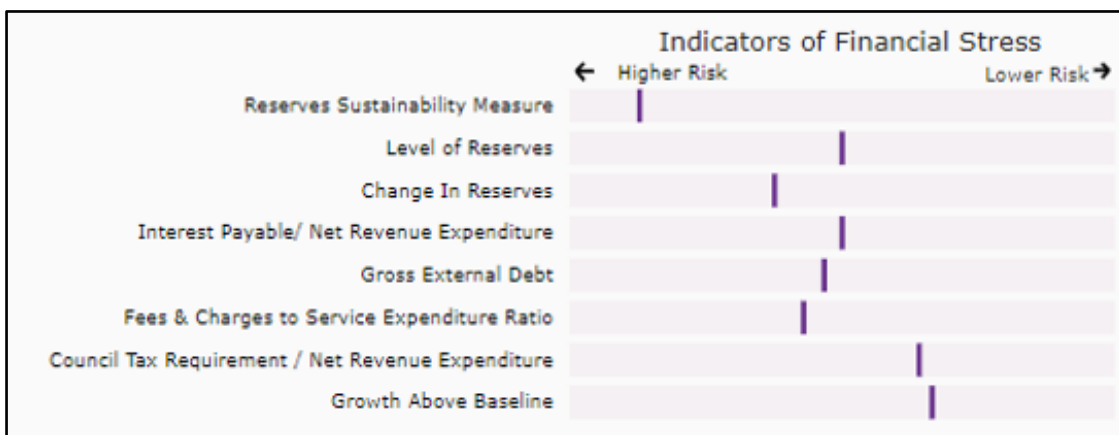
- debt recovery performance;
- future Council Tax Base changes;
- future increases in Council Tax;
- expected income from business rates;
- the timing and level of capital receipts;
- expected revenue income streams resulting from capital investment;
- a realistic forecast has been made of major income streams, e.g. car parks income;
- resource allocations are in line with the Corporate plan priorities and service plans;
- the budget process is supported by clear guidelines in the approved Medium Term Financial Strategy and Capital Strategy, financial regulations and a clear timetable with allocated roles and responsibilities;
- the process is underpinned by the Council's Risk Management framework.

## Financial Resilience

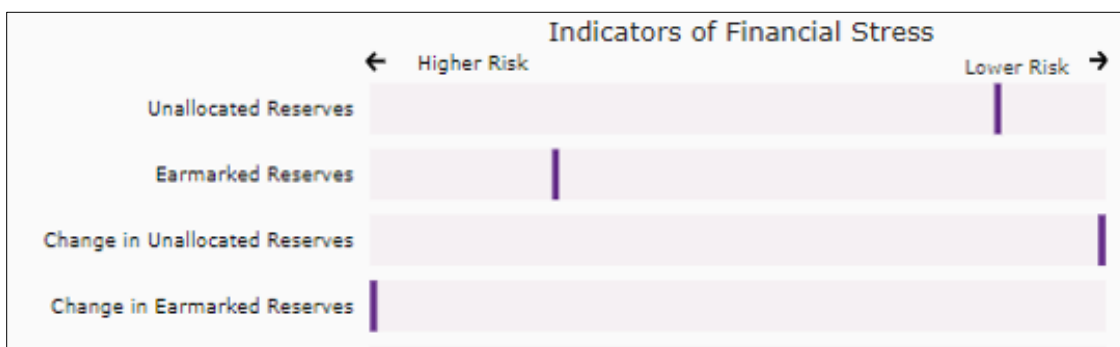
2.7.3 In simple terms, financial resilience is the ability, from a financial perspective, to respond to changes in delivery or demand without placing the organisation at risk of financial failure. This means having the agility and flexibility to forecast and manage both expenditure and income to meet requirements as they change while delivering a balanced budget.

2.7.4 The Chartered Institute of Public Finance and Accountancy (CIPFA) has developed a Financial Resilience Index, which is a comparative analytical tool designed to provide councils with a clear understanding on their position in terms of financial risk. The index is made up of set of indicators, which can be used to compare against similar authorities. The graphics below show an overview for this Council, based on information at 31 March 2022, with a comparison against similar authorities.

**Chart 1 – CIPFA Financial Resilience Index Summary 2021/22**



| Indicator   | Min    | Indicator Value | Max       |
|---|--------|-----------------|-----------|
| Reserves Sustainability Measure                   | 100.00 | 100.00          | 100.00    |
| Level of Reserves                                 | 72.67% | 188.66%         | 300.00%   |
| Change In Reserves                                | 14.41% | 34.86%          | 1,101.56% |
| Interest Payable/ Net Revenue Expenditure         | 0.00%  | 1.93%           | 23.66%    |
| Gross External Debt                               | £0k    | £5,450k         | £137,755k |
| Fees & Charges to Service Expenditure Ratio       | 8.99%  | 20.78%          | 49.61%    |
| Council Tax Requirement / Net Revenue Expenditure | 58.29% | 72.77%          | 100.00%   |
| Growth Above Baseline                             | 16.98% | 62.98%          | 131.37%   |



| Indicator                      | Min     | Indicator Value | Max       |
|--------------------------------|---------|-----------------|-----------|
| Unallocated Reserves           | 0.00%   | 95.73%          | 156.73%   |
| Earmarked Reserves             | 64.95%  | 92.94%          | 300.00%   |
| Change in Unallocated Reserves | -48.02% | 105.05%         | 105.05%   |
| Change in Earmarked Reserves   | -0.30%  | -0.30%          | 4,472.71% |

- 2.7.5 The most recent analysis (for 2021/22) shows that for most indicators the Council performs in the median range when compared to other similar councils, demonstrating a well-balanced approach to financial management against a backdrop of significant demand pressures and central government funding cuts. However, the Council ranks as higher risk for “Reserves Sustainability”.
- 2.7.6 The information set out above shows the position at 31 March 2022. It was expected that the Council would be in the higher risk area for reserve sustainability, as it has been apparent for some time that strategic reserves (especially those to fund the capital programme) are reducing. Appendix 6 shows that strategic reserves are forecast to reduce from £18 million at 31<sup>st</sup> March 2022 to £12 million at 31<sup>st</sup> March 2023 and £6 million at 31<sup>st</sup> March 2024; this will increase the Reserves Sustainability risk. This indicates that the Council will have reduced ability and flexibility to respond to changes in delivery or demand without placing the organisation at risk of financial failure.
- 2.7.7 In addition to the above, there is a need to build up a reserve to be utilised when the Council’s current fleet of waste vehicles require replacement in 6 years’ time, or to plan for increased annual revenue costs at the end of the current contract if future vehicles are to be leased. The current vehicles were acquired in 2020/21 and 2021/22 at a cost of £3.6m. It would be prudent to earmark a substantial sum from any increased government funding to build up a reserve for this purpose.

2.7.8 It is the Director of Resources' opinion that, while there are sufficient reserves at present to provide resilience for revenue spending, higher levels of reserves are required in the medium term to improve financial resilience and the provide for known future liabilities, such as replacement waste vehicles.

2.7.9 The Medium Term Financial Strategy suggests measures to address this. The approach taken by the Council has been supported by the external auditor in his Value For Money conclusion for the audit of the 2020/21 accounts, which was reported to the Governance and Resources Committee meeting on 24 March 2022. The Director of Resources is satisfied that the Council's Financial Reserves, as summarised in Appendices 6 & 7, are adequate. In reaching this opinion, the Director of Resources has taken into account the following factors:-

- the budget process is robust and accurate for the reasons given above;
- an assessment has been made of the major risks;
- the Bellwin scheme is a source of emergency financial assistance which "reimburses local authorities for costs incurred on, or in connection with, their immediate actions to safeguard life and property;
- the Council does not have a history or culture of overspending its budgets;
- the level of reserves has been determined with regard to CIPFA guidance on local authority reserves and balances;
- the Council has adequate systems of budgetary control throughout the year.

## **2.8 Financial Management Code**

2.8.1 CIPFA has published a Financial Management Code (the FM Code) to support good financial management, as well as demonstrating a local authority's financial sustainability. The Code is based on a series of principles supported by specific standards and statements which are considered necessary to managing its finances over both the short and medium term, managing financial resilience to meet foreseen demands on services and to manage unexpected shocks in its financial circumstances. Local authorities are required to evidence their performance against the standards from April 2021, though it has recently been announced that a "direction of travel" rather than full compliance will be acceptable at the start of the financial year. The FM Code will help external auditors in forming their value for money opinion as part of the audit of a local authorities' year-end accounts.

2.8.2 A review of the Council's financial management arrangements against the standards set out in the Code has been undertaken, which has identified some areas that need to be strengthened. Plans are in place to implement the improvements during 2023/24.

## **2.9 Town & Parish Council Precepts**

2.9.1 The precepts of Town/Parish Councils for 2023/24 are shown in Appendix 8 to this report and total £1,968,346, an increase of £75,730 (4%) over 2022/23. However, this has not resulted in a similar percentage increase in council tax for parishes, as there has been an increase in the council tax base. As shown 2022/23 to £64.19 in 2023/24, an increase of £2.22 (3.58%).

2.9.2 These precepts have to be shown as part of the District Council's requirements

as detailed in the Summary Revenue Account. As part of Council Tax setting, the individual Town/Parish precepts become a special expense chargeable against each specific area and are raised from the Council Tax levied on that area.

## **2.10 Pay Policy Statement**

2.10.1 The Localism Act 2011, requires relevant authorities to prepare and publish an annual pay policy statement for the coming financial year. The provisions add to the range of transparency obligations already placed upon local authorities i.e. the Accounts and Audit Regulations already require historic expenditure on chief officers within specified pay bands to be disclosed in the accounts.

2.10 The Localism Act specifically refers adoption of the Pay Statement to the Council as a responsibility it cannot discharge. It requires the statement to be approved before 31 March immediately preceding the financial year to which it relates i.e. it must be approved by a resolution of the authority before it comes into force. It is not always possible to forecast figures as this is dependent on the timing of settlement of the national Local Government pay awards (although awards are effective from 1 April each year).

2.10.3 The Statement for 2023/24 is attached at appendix 9.

2.10.4 Negotiations at the national level for the pay award effective 1 April 2023 have recently commenced so it is not known when these negotiations will be concluded. When they are, the Pay Policy Statement 2023/24 will be updated and published on the District Council's website. Until then, the rates on pay in this Statement will prevail.

## **3 Options Considered and Recommended Proposal**

3.1 Other options for the level of council tax increase were considered and the impact of several options on the Council's income was discussed at member briefings. The recommended increase of 2.94% was chosen as this gives the maximum council tax increase without the need for a referendum, it is close to the 3% that the government have assumed will be applied when they issued the Local Government Finance Settlement and taking this action now will give a higher starting point in future years to assist in balancing the budget in futures years (we forecast a gap of circa £3m from 2025/26). The proposed increase of 2.94% is much less than current levels of inflation (CPI is 10.1% and the rate of pay growth for total pay (including bonuses) and for regular pay were both 6.4%). A council tax freeze would have meant taking around £200k from reserves or making savings of that magnitude.

## **4 Consultation**

4.1 Consultation with residents was carried out at the Area Community Forums in November 2022. The Director of Resources gave a presentation on the District Council's spending plans, highlighting the budgetary pressures that the council is facing. It was explained to residents that the combination of rising service cost and falling government grants meant that difficult decisions would have to be made to make the savings required to balance the budget. A copy of the

presentation was placed on the council's website.

- 4.2 The statutory consultation with National Non-Domestic Ratepayers was carried out by providing a link to details of the Council's spending proposals in the Council's "Business News" e-newsletter. Businesses were sent an information leaflet relating to non-domestic rates. This consultation is due to end on 1 March 2023. If significant, details of consultation responses will be provided to councillors on 2 March 2023.

## **5 Timetable for Implementation**

- 5.1 The approved council tax increase will form part of the next agenda item for this meeting.
- 5.2 The budget will be updated shortly after notification of Council Approval and officers will have the authority to incur expenditure and raise income within set budgets.

## **6 Policy Implications**

- 6.1 All the Council's aims and priorities, as contained in the Corporate Plan targets for 2023/24 (to be considered elsewhere on the agenda for this Council meeting), and various service strategies, have been taken into account in determining these service plans and revenue spending proposals. Revenue spending proposals are shown in each of the draft service plans for 2023/24.

## **7 Financial and Resource Implications**

- 13.1 Significant risks within the revenue budget include:-
- Uncertainty about the level of Government funding, (especially New Homes Bonus, the Funding Guarantee, Rural services Delivery Grant, Lower Tier Services Grant and Negative Revenue Support Grant and the business rates retention scheme, from 2024/25 onwards. This financial risk is assessed as High.
  - Uncertainties relating to business rates income, which can be very volatile, and could be impacted by the outcome of the government review, which is due to come into effect from 2025/26. This risk is mitigated by the availability of the Business Rates Fluctuations Reserve, which reduces the risk from High to Medium.
  - Uncertainties relating to collection of council tax income and growth in the tax-base, which has been assessed as Medium to High.
  - Income from sales, fees and charges not being achieved. The Council has no direct control over, for example, the level of car parking income, which is affected by factors such as the weather. While there might be some support in additional government grants, it is unlikely that this will fully offset losses. This source of income is significant to the Council's budget process and, therefore, this financial risk is assessed as High.
  - Uncertainty due to the value of income from disposal of recycling material, though this is mitigated somewhat by the waste contract reserve. Given the volatility in the current markets for recyclable materials, this financial risk is assessed as High.
  - Uncertainty relating to the costs of unforeseen events, increasing service

demands or unexpected service costs, for example inflationary increases on contracts or energy prices being larger than budgeted or the costs of dealing with flooding. Such cost pressures might be partially offset by government grants, the remainder would need to be funded from the General Reserve or another relevant earmarked reserve. Given current exceptionally high rates of inflation, this financial risk is assessed as High.

- Targeted savings not being achieved. As stated in the body of the report, the Medium Term Financial Plan indicates that further grant losses are expected from 2024/25 onwards and that, as a result, there is a need to identify additional savings or income of around £286,000 to balance the budget for 2024/25. While it is hoped that additional government funding will help to close this gap, meeting it will be a significant challenge on top of savings that have already been made. This financial risk is therefore currently considered to be High.

- 13.2 The financial risk in respect of the Council's long-term financial position is assessed as "High". This mainly relates to the high risk relating to financial resilience, as described in section 2.7 of this report, rising to circa £3m a year from 2025/26 if the prudent assumptions of the MTFP become a reality. Should the Council receive a favourable outcome from the government's funding reviews, and especially if it covers more than one financial year, then this risk would be reduced if reserve balances were to be increased.

## **8 Legal Advice and Implications**

- 8.1 The Local Government Finance Act 1992 requires the Council to set the Council Tax by 11<sup>th</sup> March for the following financial year.
- 8.2 There are 13 decisions recommended within this report. The legal risk arising from the report at the current time has been assessed as low
- 8.3 A requirement (by way of Standing Order 2014 No. 165), to adopt a mandatory standing order came into force on 25 February, 2014.
- 8.4 The provisions require that immediately after any vote is taken at a budget decision meeting of an authority there must be a recorded vote in the minutes of the proceedings of that meeting showing the names of the persons who case a vote for the decision or against the decision or who abstained from voting.
- 8.5 Therefore, a recorded vote will be taken once a decision on this item has been taken.

## **9 Equalities Implications**

- 9.1 There are considered to be no equalities implications for this report.

## **10 Climate Change Implications**

- 10.1 There are not any direct climate change implications arising from the recommendations of this report however it is noted that the service plans contain detailed actions to deliver the commitments of the corporate plan in respect of climate change.



- 10.2 The revenue spending proposals for 2023/24 include £56,092 for climate change including the ongoing costs of employing a climate change officer, who is actively working to reduce the Council’s carbon emissions to meet the ‘net zero’ target by 2030. This additional capacity also enables the Council to access available capital grant funding for climate change projects when it becomes available through schemes like the Public Sector Decarbonisation Schemes.
- 10.3 As identified in the report, the lack of certainty in respect of funding for future years makes planning for the delivery of longer term climate change projects challenging. However, it should be recognised that there may some opportunities for the Council to explore new sources of revenue through investment in projects such as ground solar PV arrays – technical and financial feasibility studies are underway, and a report will come back to Council.

## 11. Risk Management

- 11.1 Financial and legal risks are explained above. As identified in the report, the key risks result from the need to make savings or raise additional revenue income in the medium term. Some of the savings cuts have the potential to damage the council’s reputation if not handled properly. This risk is considered to be Medium. The risk associated with financial sustainability is set out above; it has been reflected on the Council’s Strategic Risk Register, together with some mitigating actions, and it assessed as ‘High’.

### Report Authorisation

Approvals obtained from:-

|   | <b>Named Officer</b> | <b>Date</b> |
|---|----------------------|-------------|
| Chief Executive   | Paul Wilson          | 22/02/2023  |
| Director of Resources/ S.151 Officer<br>(or Financial Services Manager) | Karen Henriksen      | 22/02/2023  |
| Monitoring Officer<br>(or Legal Services Manager)                       | Kerry France         | 21/02/2023  |