



**REPORT of  
DIRECTOR OF RESOURCES**

---

to  
**STRATEGY AND RESOURCES COMMITTEE  
26 JANUARY 2023**

**2022 / 23 REVISED AND 2023 / 24 ORIGINAL BUDGET ESTIMATES**

**1. PURPOSE OF THE REPORT**

- 1.1 To note the Provisional Local Government Finance Settlement 2023 / 24 which was announced by the Government on 21 December 2022.
- 1.2 To present to the Council the revised 2022 / 23 and original 2023 / 24 General Fund Revenue Budget estimates for approval.
- 1.3 To present the options for proposed level of Council Tax increase for 2023 / 24 for approval.
- 1.4 To present for to the Council the policy on use of reserves for approval.

**2. RECOMMENDATIONS**

To the Council:

- (i) that the following be approved:
  - (a) the Revised 2022 / 23 and Original 2023 / 24 General Fund Revenue Budget Estimates (**APPENDICES 1, 2 and 3**),
  - (b) an average Band D council tax of £218.75 (excluding parish precepts) (£6.35 increase) for 2023 / 24 (**APPENDIX 1**),
  - (c) policies on the designated use of financial reserves (**APPENDIX 4**),
  - (d) maintain the current policy of a minimum general fund balance of £2,600,000.
- (ii) that the Council gives due regard to the Director of Resources' (Section 151 Officer) statement on the robustness of budgets and adequacy of reserves in **APPENDIX 5**.

**3. SUMMARY OF KEY ISSUES**

- 3.1 The Council no longer receives revenue support grant funding from the Government meaning that the majority of the funding for the Council's services is from income raised directly by the Authority. The main sources of funding are Council Tax, Fees and Charges and Business Rates.

3.2 The requirement to set a balanced budget has required stringent processes to deliver efficiencies, preserve as far as possible front-line services, retain the ability to generate income and to recognise the increasing demand for services.

3.3 It should be noted that, at the time of writing this report, the National Non-Domestic Rates Return (NNDR1) for 2023 / 24 was not completed and, therefore, the funding figures from Business Rates are likely to change, which will affect the contributions to / (from) balances as shown in **APPENDIX 1**.

### 3.4 **Provisional Local Government Finance Settlement 2023 / 24**

3.4.1 The provisional 2023 / 24 local government finance settlement was announced on 21 December 2022. The Settlement Funding Assessment is the amount of funding consisting the 50% of the Business Rates Baseline Funding Level uprated by the increase in the small business rates multiplier that is identified by the Government under the current system of 50% Business Rates Retention Scheme and adjusted for the tariff that the authority pays.

	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	£m	£m	£m	£m	£m	£m
<b>Settlement Funding Assessment – Maldon</b>	<b>1.474</b>	<b>1.508</b>	<b>1.532</b>	<b>1.532</b>	<b>1.532</b>	<b>1.670</b>
of which:						
Revenue Support Grant	0	0	0	0	0	0
Business Rates Baseline Funding under 50% Business Rates Retention (BRR)	1.474	1.508	1.532	1.532	1.532	1.670
Annual % Change	-7.9%	2.3%	1.6%	0.0%	0.0%	9.0%
Cumulative % Change	-25.0%	-23.2%	-22.0%	-22.0%	-22.0%	-15%

3.4.2 The Government each year also calculates an amount called the ‘Core Spending Power’ for each local authority which is an estimate of the amount of funding available to each authority to spend on their core services. It is made up of estimated Council Tax and Business Rates income, Revenue Support Grant, New Homes Bonus and a number of government grants.

CORE SPENDING POWER									
Please select authority									
Maldon									
Illustrative Core Spending Power of Local Government:									
	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
	£ millions	£ millions	£ millions	£ millions	£ millions	£ millions	£ millions	£ millions	£ millions
Settlement Funding Assessment	2.4	2.0	1.6	1.5	1.5	1.5	1.5	1.5	1.7
Compensation for under-indexing the business rates multiplier	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.2	0.3
Council Tax Requirement excluding parish precepts <sup>1</sup>	4.1	4.3	4.5	4.7	4.8	5.1	5.2	5.4	5.7
Improved Better Care Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
New Homes Bonus	0.6	0.8	0.8	0.7	0.8	0.9	0.9	1.0	0.5
New Homes Bonus returned funding	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Rural Services Delivery Grant	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transition Grant	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adult Social Care Support Grant	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Winter Pressures Grant <sup>2</sup>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Social Care Support Grant	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Social Care Grant <sup>3</sup>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Market Sustainability and Fair Cost of Care Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ASC Market Sustainability and Improvement Fund <sup>4</sup>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Lower Tier Services Grant	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.0
ASC Discharge Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Services Grant	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1
Grants rolled in	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0
Funding Guarantee	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.6
<b>Core Spending Power</b>	<b>7.3</b>	<b>7.2</b>	<b>7.0</b>	<b>7.0</b>	<b>7.3</b>	<b>7.7</b>	<b>7.9</b>	<b>8.4</b>	<b>8.8</b>
Change since 2015-16 (£ millions)									1.5
Change since 2015-16 (% change)									20.3%

Source: Provisional Local Government Finance Settlement 2023 to 2024 published by DLUHC 21/12/2022

3.4.3 It can be seen from the above illustrative table that, in the Government's view, the total Core Spending Power includes the potential additional Council Tax from the 2.99% or £5 referendum principle for all Districts. The Council did increase its Council Tax by £5 in 2017 / 18, the first year that the Government introduced the £5 into the referendum principle in acceptance and recognition of the financial pressures that district councils have been experiencing.

Key Information for Local Authorities (£m)								
Select local authority by clicking on the box below and using the drop-down button								
Maldon								
	2016-17	2017-18 <sup>1</sup>	2018-19 <sup>1</sup>	2019-20 <sup>1</sup>	2020-21 <sup>1</sup>	2021-22 <sup>1</sup>	2022-23 <sup>1</sup>	2023-24 <sup>1</sup>
Settlement Funding Assessment	2.0	1.6	1.5	1.5	1.5	1.5	1.5	1.7
of which:								
Revenue Support Grant	0.6	0.2	0.0	0.0	0.0	0.0	0.0	0.1
Baseline Funding Level	1.4	1.4	1.5	1.5	1.5	1.5	1.5	1.6
Tariff/Top-Up <sup>2</sup>	-3.8	-3.6	-3.7	-3.8	-3.9	-3.9	-3.9	-4.8
2017-18 Tariff and Top-up reconciliation			0.0					
Safety Net Threshold	1.3	1.3	1.4	1.4	1.4	1.4	1.4	1.5
Levy Rate	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5

Source: Provisional Local Government Finance Settlement 2023 to 2024 published by MHCLG 21/12/2022

3.4.4 For 2023 / 24, government funding consists of the Revenue Support Grant, Business Rates Baseline funding, New Homes Bonus, Services Grant, Rural Services Delivery Grant and a new Funding Guarantee.

3.4.5 The New Homes Bonus (NHB) Scheme was introduced in 2011 / 12 to encourage local authorities to facilitate housing growth. For every additional property built or empty property brought back into use, the government match funds the additional council tax, with an additional amount for affordable homes.

3.4.6 There have been changes to the scheme over the years such as:

- the payments have reduced from six years to four years,
- the introduction of an annual baseline housing growth of 0.4% below which no NHB would be payable,
- from 2020 / 21 the government no longer pays NHB legacy payments relating to 2020 / 21.

- 3.4.7 For 2023 / 24 the government has maintained the Rural Services Delivery Grant at £85 million and the Council's allocation of £32,339, the same as 2023 / 24, plus a £59,530 Services grant. This was new in 2022 / 23 (£105,646) to help alleviate the 1.25% increase in National Insurance.
- 3.4.8 Finally, the Council's allocation for the provisional base Homelessness Prevention Grant for 2023 / 24 has been increased at £152,048. Further allocations may be announced for the Flexible Housing Support Grant, and the Homelessness Reduction Grant in the future.

### 3.5 Revised General Fund Revenue Budget Estimates 2022 / 23

- 3.5.1 There have been some necessary changes to the 2022 / 23 budget since its approval in February 2022. £350,100 of revenue commitments unspent in 2021 / 22 needed paying for in 2022 / 23, so budget was carried forward from 2021 / 22 for this. Various approved supplementary estimates this year have added up to £485,800 and £8,700 has been withdrawn from Earmarked Reserves to fund parks consultancy and maintenance.
- 3.5.2 Also, the Budgetary Control report taken to the Strategy and Resources Committee on 10 November 2022 showed a net services budget pressure of £381k. The report also showed that this pressure would be offset by improved Treasury interest earnings of £104k and improved local taxation collection of £139k. This would leave an overall net decrease in the General Fund reserve of £138k.
- 3.5.3 The original 2022 / 23 budget estimates showed a total of £452k contribution from the General Fund Balances. The revised estimates continue to show a contribution of £938k from the General Fund Balances after contributions from earmarked reserves, as per **APPENDIX 4**. This reduces the General Fund Balance to £4.7m.

#### Impact on General Fund Balance

	<b>£000</b>
<b>Opening General Fund Balance</b>	<b>5,796</b>
Less 2022 / 23 Medium-Term Financial Strategy (MTFS) Funding Gap	(452)
Less Agreed Supplementary Estimates	(486)
<b>Revised Budget Gap</b>	<b>(938)</b>
Less Net Cost of Services Pressure	(381)
Plus Improved Investment Income	104
Plus Impact of Collection Rates	139
<b>Net In-Year Budget Pressures</b>	<b>(138)</b>
<b>Closing General Fund Balance</b>	<b>4,720</b>

- 3.5.4 The Council continues to receive additional income from growth above the baseline in local business rates and pooling arrangements within the Essex Region Business Rates Pool. The final benefits from being in the pool will not be known until the year end.
- 3.5.5 £1,705k is being drawn down from the Council Tax and Business Rates Equalisation reserve, £391k from the New Homes Bonus reserve, £117k from the Transformation reserve and £38k from the Corporate Delivery reserve as per 2022 / 23 Budget Setting.

3.5.6 Also, as previously budgeted, the General Fund made its annual contribution of £520k to the Pensions reserve towards the tri-annual payment towards the Pension Fund. Since then, £350k has been drawn from 2021 / 22 via the Revenue Commitments reserve, £4k from the Feasibility reserve and £5k from the Repairs and Renewals reserve. These have been built into the revised budget for 2022 / 23 only.

### 3.6 Original General Fund Revenue Budget Estimates 2023 / 24

3.6.1 The proposed 2023 / 24 net operating expenditure budget after adjusting for statutory adjustments, but before any non-service specific funding and use of reserves totals £12.541m and is therefore £2.005m (19.0%) higher than 2022 / 23 (£10.536m).

3.6.2 There are additional growth pressures such as an increase for inflation of £1.855m, due to:

- an estimated 5% increase on gross salaries,
- net incremental salary grade pressures,
- an increase in national minimum wage from £9.50 per hour to £10.42 (9.7%) pushing up contract costs,
- 12.3% and 10.0% increases for Retail Price Index (RPI) and Consumer Price Index (CPI) indexed expenditure respectively, measured in August 2022.
- This mainly applies to operational contracts related to waste services, street cleansing and parks, and corporate contracts such as transaction charges and IT licences, which are collectively increasing by £0.744m.

3.6.3 Furthermore, non-inflationary contract pressures of £0.416m have arisen with waste services (£77k), leisure centres (£189k) and external audit (£150k) after the pandemic. All the operational budget increases are shown in the table below.

**Table – Increase in net operating expenditure budget**

	£000	£000
<b>Salaries Inflation</b>		
22/23 Pay rise @ 2.75%	259	
23/24 Pay rise @ 5.00%	522	
Pension @ 1.00%	102	
Increments	211	
Members	20	<b>1,111</b>
<b>Non-Salaries Inflation</b>		
Waste and Street Cleansing	576	
IT Software and Hardware	50	
Parks	40	
Council Offices and Corporate	39	
Other	39	<b>744</b>
<b>Contractual Pressures</b>		
Leisure	166	
External Audit Fees	150	
Waste	100	<b>416</b>
<b>Expiry of Growths</b>		
Local Development Plan (LDP) – Scaling Down (3 <sup>rd</sup> Year of 3)	-205	
Street Cleansing – Queen’s Jubilee (2022 / 23 only)	-16	<b>-221</b>

	£000	£000
<b>Ongoing Supplementary Estimates</b>		
Planning Staff	93	
Street Cleansing	20	
Council Offices	20	<b>133</b>
<b>New Growths</b>		
Head of Environment Services	81	
HR Fixed Term Post	39	
Customer Service Resource	28	
Ezytreev Software	12	
Changing Places Toilets	5	
Members Training	3	<b>168</b>
<b>Budget Pressures</b>		
Carparking Machine Payment Charges	37	
C-Tax Sharing Agreement	72	<b>109</b>
<b>Savings and Fees &amp; Charges (Prev. Agreed)</b>		
Savings	-389	
Less Contingency	150	
Fees & Charges	-216	<b>-455</b>
<b>Total increase in net operating expenditure budget</b>		<b>2,005</b>
<b>Original 2022 / 23</b>		<b>10,536</b>
<b>Original 2023 / 24</b>		<b>12,541</b>

3.6.4 Due to recent budget growth bids and forecast increased pension service costs, it is estimated that in 2023 / 24 there will need to be a net contribution from General Fund balances of £0.421m.

3.6.5 The Council Tax increase is considered in Section 3.13. Proposals for the usage of earmarked reserves are discussed in more detail in Section 3.14.

3.6.6 2023 / 24 Budgets have initially been built up as follows:

- Embedded New Council Structure;
- Inflation assumptions on existing contracts – 5.0% for pay and contractual inflation on goods and services based upon CPI or RPI dependent of terms within contracts;
- Expected income from fees and charges and grant income;
- Implications of statutory and contractual changes, non-inflation cost pressures;
- Growth and Savings, as discussed later in this report.

3.6.7 As part of the budget setting process for 2023 / 24 the Maldon District residents were consulted and the results of the survey are at **APPENDIX 6**.

### 3.7 Budget Growth, Savings and Income Generation in 2023 / 24

3.7.1 On 28 November 2022, the Strategy and Resources Committee considered a report on the budget savings for 2023 / 24. These proposals have been built into the core 2023 / 24 budget in consultation with the Finance Working Group for approval at the Strategy and Resources Committee meeting. The estimates currently stand at £389k

in Savings plus £216k in inflationary Fees and Charges increases, less a £150k contingency for unachieved savings.

3.7.2 A report for Budget Growth bids is being considered as part of this Strategy and Resources Committee meeting and any approved bids will subsequently be built into the 2023 / 24 Budget Estimates.

3.7.3 The Essex Local Council Tax Sharing Agreement will continue for the foreseeable future, along with the performance targets. For 2023 / 24 the Council has budgeted the benefit at £70,200. This is down £72,300 from the £142,500 budgeted in the current year, due the improving trend in collecting Council Tax from last financial year due to a renegotiated sharing agreement.

3.7.4 This is because, although the collection threshold is only 9% (down from 14%), the incentive element in the sharing agreement is also much less, creating a smaller pot for share-back – although a larger safety net pot is also created.

### **3.8 New Homes Bonus (NHB)**

3.8.1 NHB is not ring-fenced and, therefore, it can be used by the Council for whatever purpose it wishes. A couple of years ago, the government has stated that the NHB scheme would change and, as a result, 2023 / 24 will be the last year legacy payments will be received by councils. Helpfully, a further £474,225 has been announced in the provisional local government settlement, although legacy payments will cease from 2023 / 24 as expected. This means the amount in 2023 / 24 to support the general fund revenue expenditure is down £486,947 (£961,172 in 2022 / 23).

### **3.9 Pension Fund Deficit Recovery**

3.9.1 The Pension Fund Triennial Valuation 2019 was concluded four years ago and the results at that time showed that the deficit on the Council's element of the overall Fund in respect of assets and liabilities had reduced from £8.181m to £5.318m with the funding level improving from 81.7% to 90.2%. The deficit recovery period has reduced from 15 years to 12 years. The Council chose to pay the triennial deficits up front so a payment of £1.556m was paid in the 2020 / 21 financial year using the General Fund Reserves / Balance, then making a £0.520m contribution in each of the year's 2021 / 22 and 2022 / 23 be transferred to the Pension Reserve in the earmarked reserves in readiness for the next triennial payment in April 2023.

3.9.2 The Pension Fund Triennial Valuation 2022 was concluded last year and the results this time showed that the deficit on the Council's element of the overall Fund in respect of assets and liabilities had reduced from £5.32m to £0.94m with the funding level improving from 90.2% to 98.4%. The deficit recovery period has reduced from 12 years to 9 years. The Council is choosing to pay the triennial deficits up front so a payment of £0.351m will be paid in the 2023 / 24 financial year using the General Fund Reserves / Balance along with 20.9% of pensionable pay. Going forward, this will be funded by making a £0.120m contribution in each of the year's 2024 / 25, 2025 / 26 and 2026 / 27 to the Pension Reserve in the earmarked reserves in readiness for the next triennial payment in April 2026.

### **3.10 Essex Region Business Rates Pool**

3.10.1 As agreed by the Council in October 2015, the Council joined the Essex Region Business Rates Pool in April 2016. The Pool will continue to operate in 2023 / 24 and the Council will continue to benefit by being in the Pool.

### 3.11 Interest on Investments

3.11.1 Interest from investment income is an integral part of the budget considerations. Bank of England base rate decreased in March 2020 to 0.1% and it remained at that rate until December 2021 when the Bank of England began to regularly increase the base rate, which stood at 3.50% in December 2022. The 2023 / 24 budget estimate for investment interest income is £750k at an average investment balance of £25m during the year at a rate of 3.0%, allowing for the base rate to be reduced during 2023 / 24.

### 3.12 Council Tax

3.12.1 The Council Tax referendum threshold set by the Secretary of State for 2023 / 24 was announced as part of the Provisional Settlement; and for Maldon, the threshold has been set at 2.99% increase over 2022 / 23 or £5, whichever is the greater. Any Council proposing increases more than the threshold faces the substantial cost of conducting a local referendum and, if it results in a 'No' vote, the rebilling cost as well.

3.12.2 The Government, in calculating the core spending power for each council, assumes they will have taken the benefit of the 2.99% increase (see table in paragraph 3.4.2) it is important that the Council considers the option of the 2.99% increase for 2023 / 24.

<b>Options for Increase in Council Tax from 2023 / 24 to 2024 / 25</b>	<b>Increase on 2022 / 23 Band D Council Tax of £212.40</b>		<b>Additional Income Band D</b>
Tax Base = 25,892.3	<b>0.00%</b>	<b>2.99%</b>	
Band D Council Tax 2023 / 24	<b>£212.40</b>	<b>£218.75</b>	<b>£6.35</b>
Maldon District Council: Council Tax	<b>£5,499,525</b>	<b>£5,663,960</b>	<b>£164,435</b>

3.12.3 Increasing the Council Tax by £6.35 to £218.75 instead of a Council Tax freeze of 0% (£0) to £212.40 would raise an additional income of £164,435 in 2023 / 24, thus reducing the requirement from General Fund Balances by that amount to support the General Fund net expenditure.

3.12.4 A £6.35 increase represents a 2.99% increase on 2022 / 23 Council Tax as every 1% increase in Council Tax will bring in an additional £54,995.

3.12.5 The Council's net expenditure budget (excluding parish precepts but after service specific funding and contribution from reserves) for 2023 / 24 is £5,663,960. This is matched by the estimated total resources with the Band D council tax at £218.75 i.e. £6.35 increase on 2022 / 23 (**APPENDIX 1**).

3.12.6 The tax base to be used for setting the 2023 / 24 Council Tax. It has been calculated at 25,892.3 "Band D equivalent" properties, after allowing for a non-collection rate of 2.7%. This tax base is being applied for the purposes of setting the 2023 / 24 Council Tax.

3.12.7 In terms of the estimated (surplus) / deficit on the Collection Fund as at 31 March 2023, Maldon District Council's share of the net deficit, which has increased our Council Tax, was £758k comprised of a surplus distribution on Council Tax of £NIL and a deficit distribution on Business Rates of £758k. We are still awaiting the 2022 / 23 Business Rates pooling results which will be finalised at the end of the financial year.



3.12.8 In accordance with the legislation under the Local Government Finance Act 1992, all parish precepts must be charged to the Council's General Fund. At the time of writing this report not all parish precepts had been received. It is envisaged that all the parish precepts will be reported at the Council meeting on 22 February 2023 for Council Tax setting purposes.

### 3.13 Council Tax £6.35 increase on 2022 / 23 Band D Basic amount of £212.40

3.13.1 The Budget estimates have been constructed on the basis that the Council is proposing to increase Council Tax by £6.35 which is within the referendum threshold for 2023 / 24. This represents a prudent approach having regard to the balance of the risks and opportunities facing the Council in future years; in the context of its underlying financial base with subsequent increases to be reviewed each year in the light of emerging risks. The budget for 2023 / 24 is balanced, however, there are some uncertainties still facing local government finance. Inflation has increased significantly over the past year (12.3% as of August 2022) and is forecast to only fall by a small degree during 2023 / 24. The move from the 50% Business Rates Retention to 75% Business Rates Retention system is on hold and it is not known when or whether it will be implemented. Any change to the Business Rates retention system will, most likely result in a reset of the Business Rates Baseline, which it is expected will remove the growth that has been achieved since the system was introduced. This could take away resources from this Council. However, it is not possible to predict what the exact impact would be without knowing the details of the new system. Possible impacts are covered in more detail in paragraph 3.16.3.

3.13.2 Council Tax increases become part of the overall financial base of the Council. The proposed £6.35 increase in Council Tax will generate an additional £164,435 of income in 2023 / 24. If this increase is not approved for 2023 / 24 then the gap in future years widens and any necessary Council Tax increase would then be greater.

### 3.14 General Fund Balance and Revenue Reserves

3.14.1 Detailed policy information for each earmarked revenue reserve and anticipated balances is set out in **APPENDIX 4**.

3.14.2 Based on the latest risk assessment it is considered that the Council maintains the approved minimum working balance level from £2.6m this will be regularly reviewed in the light of changing circumstances.

3.14.3 A summary of the proposed use of reserves is summarised in the table overleaf and is based on a budget projection that includes aspects such as inflation and a number of priority and statutory growth pressures offset by savings identified. The overall aim is to ensure that reserves do not fall below £2.6m and the current projections keep within this target.

Balances Movement (taking into account estimated use in 2023 / 24)	2022 / 23 (Revised)	2023 / 24
	£000	£000
Balance brought forward		
General Fund Reserves	5,796	4,720
Earmarked Reserves	7,439	5,349
<b>Total</b>	<b>13,235</b>	<b>10,069</b>

Balances Movement (taking into account estimated use in 2023 / 24)	2022 / 23 (Revised)	2023 / 24
	£000	£000
Projected Movement		
General Fund Reserves	-1,076	-421
Earmarked Reserves	-2,090	-2,141
<b>Total</b>	<b>-3,166</b>	<b>-2,562</b>
Balance carried forward		
General Fund Reserves	4,720	4,298
Earmarked Reserves	5,349	3,208
<b>Total</b>	<b>10,069</b>	<b>7,506</b>

- 3.14.4 The New Homes Bonus reserve (NHB) Reserve balance as at 31/03/23 will be £Nil. This is because £391k of the reserve was utilised during 2022 / 23 to fund the work on Local Development Scheme 2021 - 2024 and Local Development Plan Review. The £474k allocation for 2023 / 24 will be utilised to support the general fund balance. Therefore, the NHB reserve balance is projected to be £Nil as at 31/03/24.
- 3.14.5 In setting budgets and projections for individual years, it is important that the Council is not reliant on the use of reserves to support revenue expenditure thus creating an unsustainable future. Therefore, the use of these reserves is for one-off expenditure, not to fund ongoing revenue costs and should be replenished where required over time.
- 3.15 Medium Term Financial Strategy (MTFS)**
- 3.15.1 The MTFS is currently also being reported to the Strategy and Resources Committee and will be presented to the Council on 24 February 2022 for consideration at the same time as the suite of financial reports for 2023 / 24.
- 3.16 View on Risks**
- 3.16.1 Risks to the Council's financial position could derive potentially from budget overspends, loss of investment income, contractual / legislative failure, shortfall in forecast business rates growth or challenge and emergency events. Historically, the Council's outturn has been within budget and investment income has been above budget; therefore, this is not seen as a high risk to the Council and it is not necessary to make additional significant provision. However, robust budget management, monitoring and reporting will be a key discipline for all budget managers and ensuring that savings and income levels included in the budget are achieved, will be a key focus.
- 3.16.2 The level of risk posed by contractual or legislative failure and emergency events is difficult to predict, but it would be a low probability with a potentially high impact. However, it is not appropriate to set aside large amounts of reserve against the possibility of this happening and that appropriate bond / Parent Company Guarantee have been built into large contracts.
- 3.16.3 It is important to recognise that with the introduction of the Business Rates Retention, there is a considerable degree of uncertainty in the forecast for business rates growth as much of it depends on external factors including the impact of successful appeals. The Council's own economic development policies can have an impact on business rates growth and therefore it is important that the planning services, economic development services and the business rates service have a co-ordinated approach

to inward investment policies. It is important to ensure a high level of growth in the District, as any empty properties create a risk on the level of Business Rates income the Council will receive.

3.16.4 The current cost of living crisis driven by high inflation and increasing interest rates put a high degree of pressure on family and business budgets and this could affect households' and businesses' ability to pay Council Tax and NNDR respectively. This places a risk on local taxation collection rates.

3.16.5 The large contracts such Waste and Leisure Centres are impacted by our economic environment. The footfall through gyms at the Blackwater and Dengie Hundred Leisure Centres have not recovered as hoped after the Coronavirus pandemic, being now impacted by the cost-of-living crisis, meaning very low profits now that only generate a fraction of income for the Council they did pre-pandemic. Also, the Waste contract relies on recycling tonnage and prices, which are also volatile post pandemic. Furthermore, the contract expires in January 2024, so the new contract will need to be negotiated. Only then will we know the impact on budgets but the 2023 / 24 budget assumes Leisure Centre income will not improve on its current returns and net Waste returns to fall by £100k. As for external audit costs; largely due to the pandemic, valuations (e.g. of fixed assets and provisions) have a higher degree of uncertainty and many audits are protracted and overdue. Audit quality is also being highly scrutinised. This is reducing the number of auditors in the public sector. The Public Sector Audit Appointments Limited (PSAA) has advised local authorities to allow for a 150% increase in audit fees in 2023 / 24.

3.16.6 Section 25 of the 2003 Local Government Act requires the Section 151 Officer to make a formal report to the Council on the robustness of the budget and adequacy of reserves (**APPENDIX 5**).

## **4. CONCLUSION**

4.1 After including all items within the financial projections, general fund and earmarked reserves at the start of 2023 / 24 are expected to be £10.069m with all known movements considered. The government has set the referendum threshold for the increase in the average band D council tax in 2023 / 24 for district councils at 2.99% or £5, whichever is the greater. Due to the unknown impact of future changes to Local Government finance, it is proposed that the Council should take the opportunity to increase its financial base by increasing the average band D council tax by 2.99% (£6.35), the maximum allowed for by the government before a referendum is required.

## **5. IMPACT ON STRATEGIC THEMES**

5.1 This report sets out the resources that are and will be available to the Council in 2023 / 24 to meet the outcomes set out in the three strategic themes of Place, Community and Prosperity.

## **6. IMPLICATIONS**

- (i) **Impact on Customers** – The budget process ensures that changes in service delivery resulting in budget changes are reviewed by Officers and Members so that any impact can be considered. In 2023 / 24, only essential budget growth has been considered.

- (ii) **Impact on Equalities** – The budget affects all residents in the District, it is not considered that the growth bids for 2023 / 24 individually impact negatively on an individual user group.
- (iii) **Impact on Risk** – The distribution of resources reflected in the revenue and capital budgets is designed to support the Authority’s approach to risk management (i.e. to reduce all major corporate risks to a level within approved tolerances through the implementation of approved mitigation plans).
- (iv) **Impact on Resources (financial)** – This report details the impact on financial resources.
- (v) **Impact on Resources (human)** – The budget includes a pay inflationary increase.
- (vi) **Impact on the Environment** – None directly.
- (vii) **Impact on Strengthening Communities** - None directly.

**Background Papers:**

Budgetary Control Report to the Strategy and Resources Committee, 10 November 2022.

Savings Report to the Strategy and Resources Committee, 10 November 2022.

Discretionary Fees and Charges Report to the Strategy and Resources Committee, 10 November 2022.

**Enquiries to:**

Lance Porteous, Lead Specialist, Finance.