

Report to the Cabinet

Report reference: C-041-2021/22
Date of meeting: 7th February
2022



Portfolio: Finance, Qualis Client & Economic Development

Subject: Draft Budget 2022/23 (including General Fund & HRA revenue & capital, Fees & Charges and an updated Medium-Term Financial Plan)

Responsible Officer: Andrew Small (01992 564278)

Democratic Services: Adrian Hendry (01992 564246)

Recommendations/Decisions Required:

- 1) To consider the final revenue and capital budget proposals for 2022/23 as presented in *Appendices A to D* of this report, together with the comments received from the Stronger Council Select Committee; and after making any amendments that Cabinet consider necessary
- 2) Recommend to Council:
 - a. The budget for 2022/23 and the updated Medium-Term Financial Plan; and
 - b. The level of Council Tax increase for 2022/23.

Executive Summary:

The Cabinet approved an updated Financial Planning Framework (FPF) 2022/23 to 2026/27 at its meeting on 13th September 2021, which is the first step in preparing the 2022/23 budget.

The first major milestone in the FPF was reached on 11th October 2021, with Cabinet receiving and considering an updated Medium-Term Financial Plan (MTFP) for 2022/23 to 2026/27. The MTFP revealed a projected deficit of £1.504 million for 2022/23 on the General Fund; it is a deficit that required eliminating in full for the Council is to fulfil its legal obligation to set a balanced budget for the forthcoming financial year.

The MTFP also identified a projected deficit of £2.755 million on the Housing Revenue Account for 2022/23, although was almost entirely offset by an initial surplus of £2.651 million in 2021/22.

Acting on the strategic direction provided by Cabinet on 11th October 2021, officers provisionally bridged the General Fund deficit, and further developed the other revenue and capital elements of the wider budget for 2022/23, presenting an initial draft budget to Cabinet on 6th December 2021. The Local Government Finance Settlement 2022/23 was eventually announced on 16th December 2021 and the initial draft budget was scrutinised by the Stronger Council Select Committee on 18th January 2022.

This report contains the final budget proposals for 2022/23 for consideration by Cabinet.

The Revenue elements of the draft budget for 2022/23 can be found at **Appendix A**.

- The General Fund draft budget comprises Net Expenditure of £15.631 million and has been funded without recourse to Government Support for Covid-19 (budget of £1.263 million in 2021/22) or any contributions from the General Reserve (budget of £1.350 million in 2021/22). The Local Government Financial Settlement 2022/23 contained additional funding of a one-off nature, which potentially allows a contribution of £337,000 to the General Fund Reserve, which would partially alleviate emerging pressure on the Balance Sheet; and
- The HRA draft budget for 2022/23 anticipates a deficit of £3.537 million, which is to be partially offset by an estimated surplus of £2.319 million in 2021/22 (projected as at 31st December 2021); it should be noted that the 'surplus followed by a deficit' profile is a one-off position as the HRA adjusts to the long-term strategy within the emerging HRA Business Plan.

The Capital elements of the draft budget for 2022/23 can be found at **Appendix B**.

- The General Fund Programme comprises total expenditure of £117.401 million over the five years, including £72.308 million in 2022/23; and
- The HRA Programme comprises total expenditure of £185.906 million over the five years, including £47.790 million in 2022/23.

The proposed Fees & Charges that support the draft budget for 2022/23, can be found at **Appendix C**. This comprises both General Fund and HRA (including a proposed Rent Increase of 4.1%).

Looking further ahead, the updated MTFP is included at **Appendix D** covering both the General Fund and the HRA; the numbers reflect the draft budget proposals for 2022/23. The overall financial profile is broadly similar to the October and December 2021 positions previously presented, but there are some key differences, most notably the emergence of a forecast General Fund deficit of £0.791 million in 2023/24.

In terms of the **General Fund** medium-term position, the projections are summarised below.

General Fund MTFP (@ February 2022)		
Financial Year	(Surplus)/Deficit	Comment
	£000's	
2022/23	0	Assumed no Government support for Covid-19 (£1.263 million in 2021/22) + no use of Reserves (£1.350 million in 2021/22) One-off contribution of £0.337 million to Reserves
2023/24	791	Previous £300,000 contribution to Reserves removed
2024/25	1,612	New Waste Management contract assumed with effect from 1st December 2024. Increased cost pressure since December 2021 iteration of MTFP reflects rolled forward effect of 2023/24 deficit
2025/26	1,345	
2026/27	480	

In terms of the **HRA** medium-term position, the projections are summarised below.

Housing Revenue Account MTFP (@ February 2022)		
Financial Year	(Surplus)/Deficit	Comment
	£000's	
2022/23	3,537	Deficit substantially offset by assumed budget surplus of £2.651 million in 2021/22 (forecast outturn 31/12/21 £2.319 million)
2023/24	4	
2024/25	1	
2025/26	4	Assumed £900,000 saving from Qualis re Housing Repairs
2026/27	(1,275)	

The final stage in the process will see the budget proposals for both the General Fund and Housing Revenue Account presented to the Council on 24th February 2022, alongside the Council Tax Setting report for 2022/23.

Reasons for Proposed Decision:

To enable Cabinet to recommend a final budget for 2022/23 to the Council on 24th February 2022.

Legal and Governance Implications:

The Council has a legal duty under the Local Government Finance Act 1992 to set a balanced budget. This report presents final budget proposals that reflect a balanced position for 2022/23.

Safer, Cleaner and Greener (SGS) Implications:

There are no direct SCG implications contained within the report.

Consultation Undertaken:

The initial draft budget proposals for 2022/23, including an updated Medium-Term Financial Plan, presented to Cabinet on 6th December 2021, was presented to the Stronger Council Select Committee on 18th January 2022; the comments from that meeting will be considered by Cabinet alongside this report.

Background Papers:

None.

Risk Management:

The consideration of risk formed an integral part of the development of the proposals in this report. In particular, the Budget (and updated MTFP) is based on a series of estimates and assumptions that are informed by a range of intelligence sources (some certain, some uncertain); that process, including any residual risk in the decision-making process, is clearly indicated where appropriate.