

## **Report to Council**

**Report reference:** C-2021/22  
**Date of meeting:** 24 February 2022



**Portfolio:** Finance, Qualis Client and Economic Development – Cllr J. Philip  
**Subject:** Budget 2022/23 (including Fees & Changes, Medium-Term Revenue and Capital, and Treasury Management).  
**Responsible Officer:** Andrew Small (07548 145665).  
**Democratic Services:** Jackie Leither (01992 564756).

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### **Recommendations/Decisions Required:**

- (1) That the draft General Fund Revenue and Housing Revenue Account budgets for 2022/23 as presented in *Attachment 1a*, be approved.
- (2) That the draft General Fund and Housing Revenue Account Capital programmes for 2022/23 to 2026/27 presented in *Attachment 1b*, be approved.
- (3) That the proposed Fees and Charges for 2022/23, including an average rent increase of 4.1% on Council Dwellings, presented in *Attachment 1c*, be approved.
- (4) That the updated General Fund Medium-Term Financial Plan for 2022/23 to 2026/27 presented in *Attachment 1d*, be approved.
- (5) That the Section 151 Officer's report – in accordance with Section 25 of the Local Government Act 2003 – on the robustness of the estimates for the purposes of the Council's 2022/23 budgets and the adequacy of the reserves, presented in *Attachment 2*, be noted.
- (6) That the Section 151 Officer's recommendation to maintain a minimum £4.0 million contingency balance in the Council's General Fund Reserve in the medium-term, including a contribution to the Reserve as part of the General Fund revenue budget proposals for 2022/23, be approved.
- (7) That the Treasury Management Outturn report 2020/21 considered by the Audit & Governance Committee on 22nd November 2021, presented in *Attachment 3*, be noted.
- (8) That the Treasury Management Mid-Year Update report 2021/22 considered by the Audit & Governance Committee on 22nd November 2021, presented in *Attachment 4*, be noted.
- (9) That the draft Treasury Management Strategy 2022/23 considered by the Audit & Governance Committee on 17th January 2022 and recommended for Council approval, presented in *Attachments 5a*, be approved.

- (10) That the draft Capital Strategy 2022/23 to 2026/27, considered by the Audit & Governance Committee on 17th January 2022, presented in *Attachment 6*, be approved; and
- (11) That the Constitution Working Group be asked to consider whether the Audit & Governance Committee's terms of reference should be formally expanded to incorporate responsibility for considering, and recommending for approval, the Council's Capital Strategy.

## 1. Executive Summary

- 1.1 The first major milestone in the Financial Planning Framework (FPF) for 2022/23 to 2016/27 was reached on 11th October 2021, with Cabinet receiving and considering an updated Medium-Term Financial Plan (MTFP). 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.
- 1.2 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.
- 1.3 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.
- 1.4 Final budget proposals for 2022/23 were considered and recommended for approval by Cabinet on 7th February 2022 and are presented in ***Attachment 1***.
- 1.5 The *Revenue* elements (***Attachment 1a***) of the proposed budget for 2022/23 comprise the following:
- General Fund – Net Expenditure of £15.631 million 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) is recommended, which includes a £5 Council Tax increase. The Local Government Financial Settlement 2022/23 contained additional funding of a one-off nature, which allows a contribution of £337,000 to the General Fund Reserve; and
  - Housing Revenue Account (HRA) – 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.

- 1.6 The *Capital* elements (**Attachment 1b**) of the proposed Programme for 2022/23 to 2026/27 comprise the following:
- General Fund – total expenditure of £117.401 million over the five years, including £72.308 million in 2022/23; and
  - Housing Revenue Account (HRA) – total expenditure of £185.906 million over the five years, including £47.790 million in 2022/23.
- 1.7 **Attachment 1c** also presents the proposed Fees & Charges that support the draft budget for 2022/23. This comprises both General Fund and HRA (including a proposed Rent Increase of 4.1%).
- 1.8 Looking further ahead, an updated Medium-Term Financial Plan covering both the General Fund and the HRA was also considered and recommended for approval by the Cabinet on 7th February 2022 and is also included in **Attachment 1d**; the numbers reflect the draft budget proposals for 2022/23.
- 1.9 In addition, the Council’s Section 151 Officer has a duty under Section 25 of the Local Government Act to report on the robustness of the budget estimates and the adequacy of the Council’s proposed financial reserves. Members attention is therefore drawn to the comments made in **Attachment 2**, which is for consideration and noting.
- 1.10 In considering the Council’s contingency reserves, extant professional guidance in the form of the recommended principles contained in “*LAAP Bulletin 99: Local Authority Reserves and Balances (issued July 2014)*” is followed. On that basis, taking account of the strategic, operational and financial risks facing the Council, the maintenance of a £4.0 million minimum contingency balance of unallocated reserves in the General Fund Reserve is recommended. This is an underlying assumption in the Council’s updated Medium-Term Financial Plan 2022/23 to 2026/27, although the latest forecast for 2021/22 (as at 31st December 2021) anticipates that the Council is likely to fall below the recommended minimum in the short term; it nevertheless remains an important medium-term objective.
- 1.11 Turning to Treasury Management, under delegated arrangements with the Audit & Governance Committee, full Council retains full oversight and control of Treasury Management matters. Accordingly, the Treasury Management Outturn report 2020/21 (**Attachment 3**) and the Treasury Management Update report 2021/22 (**Attachment 4**) – both considered by the Audit & Governance Committee on 22nd November 2021 – are presented for noting.
- 1.12 In addition, the draft Treasury Management Strategy 2022/23 (**Attachment 5 and 5a**) – considered by the Audit & Governance Committee on 17th January 2022 – is presented and recommended for approval.
- 1.13 And finally, the draft Capital Strategy 2022/23 to 2026/27 (**Attachment 6**) was also presented to the Audit & Governance on 17th January 2022 and, as with the draft Treasury Management Strategy 2022/23, is also recommended for approval (including embedded Prudential Indicators 2022/23 to 2024/25). The Capital Strategy however is a relatively new document that councils are required to prepare; the requirement post-dates the Audit & Governance Committee’s current terms of reference. To this end, Council permission is requested for the Constitution Review Group to review the current terms of reference in the context of the future governance arrangements for the Capital Strategy.

## **2. Resource Implications**

2.1 There are significant resource implications, which are covered in detail in the report.

## **3. Legal and Governance Implications**

3.1 The Council has a legal duty under the Local Government Finance Act 1992 to set a balanced budget. This report sets out a recommended budget for 2022/23 which fully meets the legal requirements.

## **4. Safer, Cleaner and Greener Implications**

4.1 None.

## **5. Consultation Undertaken**

5.1 The preparation of the 2022/23 budget proposals, including the recommended Council Tax increase has been the subject of extensive scrutiny and consultation. The Cabinet – at its meeting held on 7th February 2022 – considered comments on the budget proposals, made by the Stronger Council Select Committee at its meeting held on 18th January 2022.