

Report to the Cabinet

Report reference: C-038-2022/23
Date of meeting: 6th February 2023



Portfolio: Finance, Qualis Client & Economic Development

Subject: Draft Budget 2023/24 (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 2023/24 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 considers necessary
- 2) Recommend to Council:
 - a. The budget for 2023/24 and the updated Medium-Term Financial Plan; and
 - b. The level of Council Tax increase for 2023/24.

Executive Summary:

The Cabinet approved an updated Financial Planning Framework (FPF) 2023/24 to 2027/28 at its meeting on 30th September 2022, which is the first step in preparing the 2023/24 budget.

The first major milestone in the FPF was reached on 10th October 2022, with Cabinet receiving and considering an updated Medium-Term Financial Plan (MTFP) for 2023/24 to 2027/28. The MTFP revealed a projected deficit of £4.126 million for 2023/24 on the General Fund; it is a deficit that required eliminating in full for the Council to fulfil its legal obligation to set a balanced budget for the forthcoming financial year.

The MTFP identified a projected surplus of £0.682 million on the Housing Revenue Account (HRA) for 2023/24, with a breakeven position anticipated over the five-year period.

Acting on the strategic direction provided by Cabinet on 10th October 2021, officers provisionally bridged the General Fund deficit, and further developed the other revenue and capital elements of the wider budget for 2023/24, presenting an initial draft – balanced – budget to Cabinet on 20th December 2022. The Local Government Finance Settlement 2023/24 was also announced in December 2022, and the initial draft budget was scrutinised by the Stronger Council Select Committee on 24th January 2023.

Attachment 1

This report contains the final budget proposals for 2023/24 for consideration by Cabinet.

The Revenue elements of the draft budget for 2023/24 can be found at **Appendix A**.

- The General Fund final draft budget proposal for 2023/24 comprises Net Expenditure of £17.641 million, which includes a contribution of £0.263 million to the General Fund Reserve. The provisional Local Government Finance Settlement 2023/24 was slightly higher than expected, which has helped fund a contingency budget of £0.4 million for the Waste Management service, which is an area coming under significant financial pressure. The Settlement has also enabled a proposed Council Tax increase of 2.98%; a reduced assumption compared to a £5.00 increase in the December 2022 (initial) draft budget; and
- The HRA final draft budget proposal for 2023/24 anticipates a surplus of £0.364 million and assumes an average – below inflation – Housing Rent increase of 7.0% (in accordance with the Government rent cap).

The Capital elements of the draft budget for 2023/24 can be found at **Appendix B**.

- The General Fund Capital Programme comprises total expenditure of £108.655 million over the five-year period 2023/24 to 2027/28, including £57.561 million in 2023/24; and
- The HRA Capital Programme comprises total expenditure of £165.925 million over the five-year period 2023/24 to 2027/28, including £35.019 million in 2023/24.

The proposed Fees & Charges that support the draft budget for 2023/24, can be found at **Appendix C**. This comprises both the General Fund and HRA elements, with an average inflationary increase of around 10.1% (September 2022 CPI) applied.

Looking further ahead, the updated MTFP is included at **Appendix D** covering both the General Fund and the HRA; the numbers reflect the final draft budget proposals for 2023/24. The overall financial profile is broadly similar to the October and (improved) December 2022 positions previously presented, but there are some key differences, most notably a higher peak deficit of £2.4 million is now expected to emerge in 2024/25, reflecting the combined impacts of the new Waste Management contract and the Council's wider General Fund Capital Programme (and especially the underlying financing implications in the light of rising interest rates).

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

General Fund MTFP (@ February 2023)		
Financial Year	(Surplus)/Deficit	Comment
	£000's	
2023/24	0	Includes <i>ongoing</i> contribution of £0.263 million to General Fund Reserve. <i>One-off</i> Contingency up to £0.713 million available from Collection Fund Deficit Reserve in the event of income shortfall on Qualis loan margins.
2024/25	2,389	New Waste Management contract assumed with effect from November 2024.
2025/26	762	
2026/27	677	
2027/28	454	

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

Housing Revenue Account MTFP (@ February 2023)		
Financial Year	(Surplus)/Deficit	Comment
	£000's	
2023/24	(364)	
2024/25	25	
2025/26	295	Assumed £900,000 saving from Qualis re Housing Repairs
2026/27	4	
2027/28	70	

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 28th February 2023, alongside the Council Tax Setting report for 2023/24.

Reasons for Proposed Decision:

To enable Cabinet to recommend a final budget for 2023/24 to the Council on 28th February 2023.

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 2023/24.

Safer, Cleaner and Greener (SCG) Implications:

There are no direct SCG implications contained within the report.

Consultation Undertaken:

The initial draft budget proposals for 2023/24, including an updated Medium-Term Financial Plan, were presented to Cabinet on 20th December 2022 and to the Stronger Council Select Committee on 24th January 2023. The comments from the Stronger Council Select Committee 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.