

Title of Report	DRAFT BUDGET AND COUNCIL TAX 2022/23	
Presented by	Councillor Nicholas Rushton Corporate Portfolio Holder	
Background Papers	Draft Budgets 2022/23 - Corporate Scrutiny Draft Minutes – 8 December 2021	Public Report: Yes
	Review of the Medium Term Financial Plan – Cabinet – 21 September 2021.	Key Decision: Yes
Financial Implications	This report sets out the draft General Fund, Housing Revenue Account, Special Expenses and Capital Programme for 2022/23.	
	It also sets out planned changes to the fees and charges that the Council sets for some services. Signed off by the Section 151 Officer: Yes	
Legal Implications	None.	
	Signed off by the Deputy Monitoring Officer: Yes	
Staffing and Corporate Implications	The report and its appendices set out plans to create new posts and remove vacant posts from the establishment.	
	Signed off by the Head of Paid Service: Yes	
Purpose of Report	For Cabinet to approve the 2022/23 draft budgets for consultation.	
Reason for Decision	Required as part of the 2022/23 budget process.	
Recommendations	CABINET IS RECOMMENDED TO: <ol style="list-style-type: none"> 1. AGREE THE 2022/23 DRAFT BUDGET PROPOSALS FOR STATUTORY CONSULTATION; 2. NOTE THE S151 ASSURANCE STATEMENT GIVEN IN SECTION 5; AND 3. NOTE THE COUNCIL’S RISK REGISTER. 	

1.0 BACKGROUND

1.1 This report seeks Cabinet approval to commence the statutory consultation on the proposed changes to the budget for 2022/23. This report presents:

- The draft General Fund budget (Section 2)
- The draft Housing Revenue Account budget (Section 3)
- The Council's draft five-year Capital Programme (Section 4)
- The draft Special Expenses budget (Section 5)
- The Section 151 Officer's view on the robustness of these estimates and the adequacy of reserves (Section 6)
- The feedback from early consultation work (Section 7).

2.0 GENERAL FUND BUDGET 2022/23

2.1 Funding

2.1.1 The general fund budget funding position has been updated to reflect the provisional Local Government Finance Settlement, which was published on 16 December 2021, and the latest council tax base calculations, which are subject to a separate report on this agenda. The key funding changes, compared to the previous year, are:

- **Reduction in New Homes Bonus.** Government announced that the new homes bonus will continue for 2022/23, with the Council due to receive £2.218 million. This is £234,000 lower than in previous years, although much greater than previously expected following Government decision to introduce an additional year of reward.
- **Reduction in the Lower Tier Service Grants.** This grant was introduced last year to effectively provide transitional support and ensure no authority received a reduction in spending power. This year's Settlement also aims to maintain spending power, although this has been achieved through the continuation of the New Homes Bonus for a year. As a result, the lower tier service grant has reduced by £349,000 to £201,000.
- **New Support Service grant of £166,000.** This is a new one-off grant announced by Government through the Settlement, with a view to supporting council services.
- **Increase in Business rates.** Growth in the district is expected to result in a significant increase in business rate income, from £5.9 million currently forecast for this year to £8.6 million for 2022/23, an increase of £2.7 million. As a result of this growth, the use of the business rates reserve is reduced to £0, with a forecast £3.0 million remaining set aside within the reserve to offset future business rate volatility.
- **Council Tax income is assumed to increase by £117,000.** This is caused by growth in the district and represents growth of 2.1% since the previous year.

The value of the district's share of council tax remains frozen. Had the council tax been increased by the maximum amount, which is £5 on a band D property, then the Council would receive an additional £178,000 in council tax.

2.1.2 The net impact is an increase in anticipated funding of £0.8 million compared to the previous year's budget (see table 1 below). This is in line with previous forecasts within

the medium term financial plan. However, the provisional financial settlement is a one year settlement, meaning the uncertainty and potential adversity surrounding the general fund's funding position in the medium term remains.

Table 1: Changes to the General Fund funding position from the previous year

	2021-22 Budget £'000	2022-23 Budget £'000	Change
Council Tax	5,525	5,642	2.1%
Business rates (including use of volatility reserve)	7,611	8,626	13.3%
New Homes Bonus	2,452	2,218	-9.5%
Lower Tier Services Grant	550	201	-63.5%
Services Grant	0	166	New
Transfer from/(to) Collection Fund	(99)	(30)	-69.7%
Total	16,039	16,823	4.9%

2.2 Budget Proposals

2.2.1 Appendix 1a sets out the most significant planned changes to the general fund budgets for 2022/23. The proposals include:

- **Cost pressures totalling £1.1 million.** The most significant cost pressure relates to our current staffing costs, which are due to increase by £861,000, due to a combination of increases in national insurance and pension contributions, assumed 2% pay award in 2022/23, additional anticipated staff cost increases in the 2021/22 year and the need for market supplements on some posts.
- **Changes to income, which see income increase by £397,000.** The most significant changes include higher income from the sale of recycling materials and the introduction of fees for additional garden waste bin collections.
- **Budget savings totalling £330,000.** This is where the council has identified areas where budgets can be decreased.
- **Service Developments totalling £162,000.** Service developments are where there are planned improvements to a service which bring additional costs. Considering the funding position, these developments have been sought to keep to a minimum.

2.3 Fees and charges

2.3.1 The council provides a large number of services to local residents that incur a fee. Appendix 1b sets out key changes to fees and charges for 2022/23 and whether those fees are expected to generate a surplus or are subsidised by the general fund.

2.3.2 As noted above, there is a new fee for 2022/23, which will see properties with more than one garden waste bin charged £45 for each additional bin they have. This is estimated to increase the net income by £210,700 during the year. Income estimates are based on assessment of the number of people who have a garden waste bin who will elect to have a second bin with the extra charge.

2.4 General Fund Budget Summary

- 2.4.1 Appendix 1c shows the draft summary general fund budget position for 2021/22 and 2022/23. Table 2 below highlights that the net revenue expenditure has increased by £1.1 million whilst the anticipated funding has increased by £0.8 million. This means the funding received is just covering net revenue expenditure currently. However, anticipated savings made through the Journey to Self Sufficiency Programme over the coming year, totalling £895,000 will see a contribution to reserves of £1.1 million by the end of the year if they are achieved.

Table 2: Changes to the General Fund budget from the previous year

	2021/22 £'000	2022/23 £'000	Movement £'000
Total Funding	(16,039)	(16,823)	(784)
Net Revenue Expenditure	15,506	16,585	1,079
Funding (surplus)/deficit	(533)	(238)	295
Targeted J2SS savings	(570)	(895)	(325)
Contributions to/(from) reserves	1,103	1,133	30

- 2.4.2 The budget position shows a surplus position of about £1.1 million in 2022/23 assuming that J2SS savings are made. This surplus should be viewed in the context of the medium term which although remaining uncertain in terms of detail is likely to see significant reductions in funding income as and when business rates growth retention is reset. It is for this reason that decisions made in this year's budget process will impact upon the authority's ability to achieve medium term financial sustainability.
- 2.4.3 Further work is ongoing with CLT and budget holders to challenge the base budget and find additional savings and income, in order to meet the ambitious J2SS savings targets.

2.5 General Fund Reserves

- 2.5.1 The General Fund has both the journey to self-sufficiency reserve and business rates reserve to help manage deficits and funding volatility. The combined value of these reserves is forecast to be £9.4 million on 31 March 2022 and will rise to £10.5 million by 31 March 2023 based on the current budget.
- 2.5.2 As noted in the previous report on the medium-term financial plan, these reserves are anticipated to be used within the medium term when funding falls, predominantly as a result of an anticipated reset in business rates baseline. The revised figures, shown within appendix 1c, indicate that the general fund reserves will be fully used during 2024/25 based on our current plans.
- 2.5.3 A review of the medium-term financial plans will be undertaken prior to the budget Council in February, focusing on:
- **The updated budget position**, including any further savings identified as part of the continued budget review set out in paragraph 2.4.3.

- **Enhanced modelling of future business rates.** The current forecasts are based on a 1.5% growth rate per annum. Enhancing modelling will look to better using planning and economic development intelligence to more accurately forecast growth, particularly with respect to new large business developments within the area.

3.0 HOUSING REVENUE ACCOUNT BUDGET 2022/23

3.1 Funding

- 3.1.1 As a self-financing account, the Housing Revenue Account's main source of income is the rents tenants pay for their home. The proposed increase in rents for 2022/23 is 4.1%, which is the maximum increase allowed under the current social rent policy, set by Government. It will increase rental income by £437,000 next year, to give a total rental income of £17.9 million.
- 3.1.2 The council will maintain its policy of capping rents at the level of the relevant Local Housing Allowance. This means all our properties will be covered by relevant benefit payments if the tenant is eligible for them. Officers estimate that around 59% of our current tenants receive either housing benefit or universal credits to support their rent payments.
- 3.1.3 The average weekly rent will increase from £84.45 to £87.91, an increase of £3.46 per week. Currently 34% of our socially rented properties are below the maximum charge for that property (known as the formula rent), resulting in £175,000 in lost income for 2022/23. Government's current social rent policy does not allow for supplementary increases to rents to catch-up with formula rent, meaning rents below the formula rent level can only be returned to formula rent when a property is relet.
- 3.1.4 Rents are now 4.2% higher than they were in 2015/16 in nominal terms, which was the year before the four years of 1% rent reductions. Had rents kept pace with inflation since 2015/16 they would be 7.6% higher than they currently are, and the Housing Revenue Account would benefit from an additional £1.4 million in rental income in 2022/23.

3.2 Budget Proposals

- 3.2.1 Appendix 2a summarises the proposed changes to the HRA budgets that exceed £15,000. This includes:
- **Changes in income totalling £511,600.** This is largely due to the increased rental income described in paragraph 3.1.1.
 - **Cost Pressures of £951,500.** This largely relates to the increase in costs from the in-house repairs team, which is run as an internal trading account. This account is seeing its income fall as a result of a smaller home improvement programme, but it also seeing costs increase due to covid-safe working practices and increasing material prices. There are also increasing staffing costs, mirroring the cost pressure on the general fund (see paragraph 2.2.1).
 - **Service developments of £321,000.** The majority of this development is to reintroduce the cyclical painting programme, which looks to ensure external areas of properties are painted where required, as part of a preventative

maintenance programme. There are also three new positions proposed to support service delivery.

- **Budget savings of £317,500.** This is mainly due to the reduced interest charges following the repaying of £13 million of loans, scheduled for March 2022.

3.3 Fees and charges

3.3.1 As with the general fund, the HRA has a number of fees and charges. Some properties have service charges, on top of the rent, to pay for specific services relevant to their properties. These are listed in appendix 2b, and the key changes to note are:

- **Increase in utility costs of 20%.** This is based on well documented rising energy costs.
- **Grounds maintenance costs increase of 3%.** This charge was reduced by 14.7% in 2021/22 as the pandemic reduced the frequency of the services tenants received in 2020. These services have still not recovered to their previous level, so the service charge has not been increased back to its previous levels, with the estimated income from grounds maintenance costs increasing by £2,800 to £97,000. Had this disruption not occurred, the current income would be around £20,000 higher.

3.3.2 In addition to this, there are a number of fees and charges for additional services we provide. These are subject to inflationary uplifts, except for the central heating charges which are increasing by 20% as per the service charges. A full list of the fees and charges are provided in appendix 2c.

3.4 Housing Revenue Account Summary

3.4.1 Appendix 2d sets out the summary HRA budget for 2022/23. As shown in table 3, the increase in income from additional rents is offset by additional expenditure. This is balanced by a planned increase to the journey to self-sufficiency savings targets and lower revenue contributions to capital outlay, which balances the budget with a £65,000 surplus.

Table 3: Changes to the Housing Revenue Account budget from the previous year

	2021/22 £'000	2022/23 £'000	Movement £'000
Income	(18,059)	(18,521)	(462)
Operating Expenditure	14,599	15,231	632
Operating (surplus)/deficit	(3,460)	(3,290)	170
Targeted J2SS savings	(225)	(325)	(100)
Revenue contributions to capital outlay	3,650	3,550	(100)
Net (surplus)/deficit	(35)	(65)	(30)

3.4.2 The table above shows that significant revenue contributions to the capital programme remain in place. This is required to fund the Housing Capital Programme, and more detail is provided in section 4.2 and 4.3.

3.5 Housing Revenue Account Reserves

- 3.5.1 The Housing Revenue Account is forecast to have working balances of £6.0 million at the end of the 2021/22 financial year. In order to fund the HRA Capital Programme, £5.0 million of that working balance will be transferred to fund capital works, with £3.4 million transferred in 2022/23 and the remaining £1.6 million in 2023/24. This approach delays the anticipated borrowing requirement that is set out in paragraph 4.3.2 and minimises the costs to the HRA. A minimum working balance of £1.0 million will be retained to ensure the HRA has reserves for unexpected events.

4.0 CAPITAL PROGRAMMES 2022/23 TO 2026/27

4.1 General Fund Capital Programme

- 4.1.1 The proposed General Fund capital programme is outlined in appendix 3a. The five-year programme totals £17.0 million, which is a reduction of £1.9 million from the previous 5-year programme, which is largely a result of the earlier expected completion of the new leisure centre. Key changes include:

- **Introduction of a new £3 million regeneration programme for Coalville.** This multiyear investment will be used for regeneration projects for Coalville. These projects will be subject to the approval of full business cases for the individual projects. This new programme brings the total planned investment in Coalville up to £9.8 million over the next five years.
- **Updates to the investment in our IT and systems.** This updated programme of works brings anticipated capital spend on ICT and systems to £0.7 million over five years.
- **New projects to provide new vehicle weighbridges at our depot, as well as a project to replace CCTV across Ashby and Coalville.** These projects add £99,000 in the capital programme and will introduce latest technology to improve service performance.

4.2 HRA Capital Programme

- 4.2.1 The proposed HRA capital programme is outlined in appendix 3b. Over the five-year period, the total programme comes to £67.3 million, an increase of £6.0 million over the previous five-year programme.

- 4.2.2 Key changes include:

- **Allocating £20.5 million over five years to work towards a zero-carbon programme.** Following the completion of a pilot programme of works to reduce carbon emissions on 56 of our properties in the current financial year, this five-year programme is expected to fund works to reduce the carbon emissions from over 2,000 council homes.
- **Reducing the size of the new build and supply programme by £13.6 million.** This helps to release funding for the zero-carbon programme. The remaining £13.0 million programme, when combined with carrying forward any underspends from the current years budget, is estimated to deliver 99 new affordable rented homes over the five-year period.

The new build and supply programme includes provision to begin a regeneration project, which will see 30 existing dwellings demolished and replaced with new dwellings that better serve the needs of tenants with lower carbon emissions. This will be subject to consultation with the affected tenants.

- **Reduction in the estate improvement programme by £932,000 over the five years.** This reduction predominantly comes from the other estates project line, which is used for projects such as largescale fencing replacements, and footpaths and unadopted roads budgets. A programme of £2.2 million remains to complete estate improvement works over five years, and the off-street parking element of the programme has increased by £119,000 in 2022/23.
- **Supporting Housing Improvements works have been brought forward to 2022/23.** This has the effect of increasing the budget for 2022/23 by £630,000, although the five-year programme has reduced by £420,000.
- **Additional spend of £43,000 is planned Fire Risk Assessment Remedial Works in 2022/23.**

4.3 Funding the Capital Programmes

4.3.1 Each capital programme is funded from a variety of sources, including revenue, grants and borrowing. Table 3 below summarises the funding sources for each year of the general fund and housing revenue account capital programme.

4.3.2 The housing revenue account capital programme shows a need to borrow £9.1 million over five years from 2023/24. This is due to the introduction of the £20.5 million zero carbon capital programme, which cannot be fully funded through current reserves or revenue contributions currently. The scale of the borrowing has been minimised and will be delayed for as long as possible, to minimise borrowing costs.

4.3.3 Table 4 does not include potential external funding for the Zero Carbon work in the HRA capital programme. If additional funding is received, for instance from the Government’s Social Housing Decarbonisation Fund (SHDF), the borrowing need will reduce.

Table 4: Sources of funding for the capital programmes

	2021/22 Forecast Carry Forward £'000	2022/23 Budget £'000	2023/24 Indicative £'000	2024/25 Indicative £'000	2025/26 Indicative £'000	2026/27 Indicative £'000
General Fund Capital Programme						
Capital Receipts	30	0	0	0	0	0
Government Grants	0	670	670	670	670	670
Reserves	1,649	36	2	0	0	0
Section 106 contributions	0	0	0	0	0	0
Revenue contributions	5	22	0	0	0	0
Leasing/Unsupported Borrowing	2,766	9,966	2,341	619	592	49
General Fund Total	4,450	10,694	3,013	1,289	1,262	719

	2021/22 Forecast Carry Forward £'000	2022/23 Budget £'000	2023/24 Indicative £'000	2024/25 Indicative £'000	2025/26 Indicative £'000	2026/27 Indicative £'000
Housing Revenue Account Capital Programme						
Capital Receipts	1,303	2,471	2,670	2,257	2,184	2,241
Government Grants	0	208	207	207	180	117
Reserves	1,208	8,581	5,186	3,195	3,258	3,339
Section 106 contributions	268	219	601	12	0	0
Revenue contributions	600	3,550	4,250	4,364	4,390	4,590
External Borrowing	0	0	2,700	2,200	2,200	2,000
Housing Revenue Account Total	3,379	15,029	15,614	12,235	12,212	12,287
Total Capital Programme Funding						
	7,829	25,723	18,627	13,524	13,474	13,006

5.0 SPECIAL EXPENSES 2022/23

- 5.1 The Council operates a number of special expense accounts where it provides additional services specific to some areas. Appendix 4 sets out the five-year budgets for these accounts as they currently stand and show an aggregated net cost of service for special expense areas of £787,000, which will be funded from the precepts, reserves and the Localisation of Council Tax Support Grant.
- 5.2 Table 5 sets out current Special Expenses council tax increases for a band D property, which is based on an assessment of expected costs that need to be funded over the five year period.

Table 5: Changes to Special Expenses Council Tax for a band D property

	21/22	Increase	22/23
Coalville	£67.72	£6.09	£73.81
Whitwick	£8.87	£0.68	£9.55
Hugglescote	£18.45	-£3.18	£15.27
Coleorton	£9.22	£1.41	£10.63
Lockington & Hemington	£11.92	£1.80	£13.72
Measham	£1.73	£0.14	£1.87
Oakthorpe & Donisthorpe	£5.13	£0.97	£6.10
Ravenstone with Snibston	£1.03	£0.26	£1.29
Stretton-en-le-Field	£67.49	£5.62	£73.11
Appleby Magna	£6.05	£1.03	£7.08

6.0 ROBUSTNESS OF ESTIMATES AND ADEQUACY OF RESERVES

- 6.1 The Local Government Act 2003 requires the section 151 officers to comment on the robustness of the budget estimate and on the adequacy of the proposed reserves.

6.2 The Section 151 officer considers that:

- The budget estimates within this report are robust, although particular attention should be paid to the Journey to Self Sufficiency saving targets built into the General Fund and Housing Revenue Account Budgets. These pose a significant challenge for both officers and members, but will be instrumental to the Council's financial resilience in the medium term.
- The Council has an adequate level of reserves to ensure financial sustainability in the short term. However, as noted in paragraph 2.5.2, the Council's general fund is now in a position where the reserves set aside to mitigate against the risk of adverse funding changes in the future are now expected to be fully used during the 2023/24 financial year. This risk is noted in the Council's risk register, a copy of which is included in appendix 5.

7.0 CONSULTATION

7.1 The corporate scrutiny committee has already considered the proposals within this report at their meeting on 8 December 2021. Members asked a number of questions around the proposals, and more detail can be seen in the minutes for the meeting, which are included as a background paper to this report. The main suggestions coming from the discussion were:

- **Whether the £10 million of reserves, noted in paragraph 2.5.1, could be better used to invest in the district.** These reserves are the Journey to Self Sufficiency Reserve and business rates volatility reserve. Both are considered necessary to manage the risk from the fair funding review, which is expected to significantly reduce the council's funding in the medium term as outlined in section 2.1. The reserves will help to protect existing services within the district over the medium term.
- **To defer the garden waste charge for additional bins and explore other options, such as keeping the second bin free of charge, are explored.** There was some concern from members about how many residents would pay the new charge and whether it would increase fly tipping. The proposal remains in the budget, as it builds on work and learning since March 2021, when Cabinet approved introducing garden waste charges when residents requested new additional bins.

7.2 The Coalville Special Expenses Working Party discussed the planned special expenses budgets for Coalville in their meeting on 14 December 2021. Members debated the planned council tax increase, along with planned expenditure that falls to the Coalville special expense account. Due to the timing of this report, the minutes are not available to share at the time of writing this report but will be included in the final budget report to Cabinet in February 2021.

7.3 As part of developing the budget, the Performance and Finance Working Group (a small group of involved tenants specialising in reviewing the performance and finances of our housing service) reviewed the Housing Revenue Account budget proposals. Key points of discussion amongst the group were:

- The grounds maintenance service charge, as tenants had not received the full service this year. The service charge remains lower as a result of the lower service, as noted in paragraph 3.3.1.

- Tenants were positive about the £20.5 million zero carbon programme, with particular interest in having solar panels installed on properties.
- The proposed rent increase of 4.1% was discussed, although there were no strong views expressed at the time.

7.4 This report seeks Cabinet approval to commence the statutory consultation, which will involve further consultation with trade unions, town and parish councils, businesses and the public. The principal method for consultation will be an online survey, which is planned to be launched shortly after Cabinet approves the budget for consultation and will run until 30 January. There will be a small social media campaign to highlight the consultation, with the results fed back to Cabinet in its meeting on 2 February when it considered the final budgets.

7.5 Due to the short timescales between the January and February Cabinet, the Chairman of the Council has agreed to an exemption from the Council's Scrutiny Procedure rules in relation to the call-in of the decision on this item. This allows officers to launch the consultation earlier and run a longer consultation as a result.

Policies and other considerations, as appropriate	
Council Priorities:	The budget provides funding for the Council to deliver against all its priorities.
Policy Considerations:	None
Safeguarding:	None
Equalities/Diversity:	We have considered the impact of these budget proposals on protected characteristics defined within the Equalities Act. No material impacts have been identified.
Customer Impact:	Customers are likely to be impacted by the changes to fees and charges and special expenses precepts set out in this report.
Economic and Social Impact:	The General Fund capital programme allocates £9.8 million to investing in Coalville Regeneration Projects over five years.
Environment and Climate Change:	The budget sees substantial new investment in reducing our carbon emissions from our council homes, totalling £20.5 million over five years.
Consultation/Community Engagement:	Public consultation will begin in January 2022.
Risks:	The budgets will be monitored throughout the year to ensure the Council remains within its funding envelope and planned budget savings are delivered.
Officer Contact	Dan Bates Head of Finance and Section 151 Officer Dan.bates@nwleicestershire.gov.uk