

CABINET

17 DECEMBER 2021

REPORT OF CORPORATE FINANCE AND GOVERNANCE PORTFOLIO HOLDER

A.4 UPDATED GENERAL FUND FINANCIAL FORECAST / BUDGET 2022/23

(Report prepared by Richard Barrett)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To enable Cabinet to consider the updated financial forecast and proposed budget position for 2022/23 for consultation with the Resources and Services Overview and Scrutiny Committee.

EXECUTIVE SUMMARY

- A 'live' 10-year forecast is maintained and reported to Members throughout the year. The most up to date position in December each year is translated into the detailed budget for the following year for consultation with the Resources and Services Overview and Scrutiny Committee.
- As part of maintaining a 'live' forecast, this report 'builds' on the last position that was presented to Cabinet on 12 November 2021.
- Despite the challenging financial and economic environment, confidence in the long term approach to the forecast remains, which is supported by the forecast risk fund.
- The Council has maintained a prudent and sustainable approach to its long term plan and has continued to 'live within its means', which has to date enabled it to respond to exceptional issues such as the COVID 19 pandemic without the need to make short term / adverse decisions that could have affected the provision of front-line services.
- There are a number of emerging cost pressures that are currently reflected in the forecast, and this report also highlights a number of items that are planned to be mitigated via one-off funding or via the use of existing reserves / budgets to underwrite their overall risk to the forecast.
- Cost pressures to date largely reflect unavoidable items. Given the pressures on the 'base' budget, it is proposed to consider 'optional' cost pressures via a separate process that will include the development of a Corporate Investment Plan that will seek to prioritise further investment from available funding such as the reprioritisation of existing budgets or from additional funding that may become available from the Government.
- On-going savings of just over **£0.200m** have been identified as part of the early phase of developing a zero based approach to budget setting. This is behind the target of **£0.450m**, which highlights the importance of quickly developing this framework during 2022 to identify the required level of savings over the remaining life of the forecast.
- At this stage of the budget process, there is a net deficit of **£1.488m** forecast in 2022/23,

an improvement of **£0.154m** compared with the **£1.642m** deficit reported to Cabinet on 12 November 2021. Therefore, the forecast remains within the financial boundaries set out in the long-term plan.

- Although subject to potential changes over the remaining budget-setting period, the current forecasted deficit of **£1.488m** will be met by drawing money down from the Forecast Risk Fund.
- A review of reserves has also been undertaken, which highlights the need to hold a number of reserves to support key actions / activities as part of the Council's overall prudent and sustainable approach to managing its finances. However, a number of reserves will remain under review as part of the development of the budget and the Corporate Investment Plan highlighted above.
- At the time of finalising this report, the Local Government Finance Settlement for 2022/23 had yet to be announced. If announced in time, any changes emerging from the settlement will be reported directly at the meeting, otherwise they will be included in the figures that will be presented to Cabinet in January 2022 when it considers its final budget proposals for recommending to Full Council in February 2022. The budget includes a council tax levy increase of £5, with this level of increase expected to be confirmed as allowable as part of the finance settlement announcements. No revenue support grant has been included in the budget for 2022/23, but similarly to the late announcement last year, the Government may provide some funding again next year, especially when reflecting on the on-going financial impact of COVID 19 on Local Authorities.
- With the above in mind, the final position for 2022/23 is likely to be more positive than the **£1.488m** currently reported, especially as the final expected income position for business rates has also yet to be finalised.
- Once the final position for 2022/23 is determined, the remaining years of the 10-year forecast will be revised, set against the budget position for 2022/23 and will be reported to members later in the budget setting process.

RECOMMENDATION(S)

That Cabinet:

- a) Approves the updated Financial Forecast and proposed position for 2022/23 as set out in this report and Appendices; and**
- b) requests the Resources and Services Overview and Scrutiny Committee's comments on this latest financial forecast and proposed position for 2022/23.**

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES

The forecasting and budget setting process will have direct implications for the Council's ability to deliver on its objectives and priorities. At its heart, the 10-year approach to the forecast seeks to establish a sound and sustainable budget year on year through maximising income whilst limiting reductions in services provided to residents, business and visitors.

2022/23 sees the start of the development of a zero based approach to budget setting, which is one of the Council's key priorities as it forms one of the most important elements of delivering a sustainable budget year on year.

FINANCE, OTHER RESOURCES AND RISK

Finance and other resources

The financial implications are set out in the body of the report.

Although the availability of financial resources is a key component in the delivery of services there will also need to be appropriate input of other resources such as staffing, assets and IT.

Risk

There are significant risks associated with forecasting such as cost pressures, inflation and changes to other assumptions that form part of the financial planning process. There are a number of areas that could lead to additional expenditure being incurred, such as: -

- Economic environment / instability;
- Emergence of additional cost pressures;
- Changes to the local authority funding mechanisms such as the Government's fairer funding review that is still expected;
- New legislation placing unfunded duties on the Council or reducing the level of the Council's core funding;
- Local or national emergency;
- Income is less than that budgeted for, including business rate income retained locally.
- On-going impact from the COVID 19 pandemic

One of the primary risks introduced by the COVID 19 crisis is the potential medium to longer-term impact to key income streams for the Council such as from council tax, business rates and general fees and charges.

Although income from council tax and business rates is seeing the continuing trend of recovering back to pre-COVID 19 levels, there remains a secondary impact in areas of the budget such as court costs (existing annual income budget of **£0.323m**) and money receivable under the terms of the council tax sharing agreement with the major preceptors (existing annual income budget of **£0.631m**). Also the timing and trajectory of the recovery in fees and charges within leisure centres remains a key financial risk. Although it is expected that the above are expected to continue to recover over the course of the year, they will remain under review as part of the on-going development of the budget and as part of future quarterly financial performance reports.

In addition to the above, there are a number of unmitigated cost pressures set out within **Appendix C3**. However it is proposed to review these during the year where managed interventions may be necessary and as part of developing the long term forecast in later years. As part of the on-going development of the budget, there may also be opportunities to fund them on a one-off basis from elsewhere within the budget or via additional funding that may become available via the Local Government Financial Settlement, which may include further COVID financial support.

However given the significant risk that the above presents, it is proposed to underwrite this risk via re-focusing the existing Building for the Future Reserve. As highlighted later on in this report, this reserve has been used to fund the Council's pension deficit payments upfront, which in turn has generated significant annual revenue savings. This upfront payment is repaid

over three years, which is built into the underlying budget. The estimated balance in this reserve at the end of March 2022 is **£1.654m**, which is therefore available to underwrite the identified risks during 2022/23.

The specific risk to income budgets should be seen as separate from the underlying risk to the forecast, which are underwritten via the Forecast Risk Fund. As previously discussed, the Council's ability to financially underwrite the wider forecast is an important element of the 10-year plan. As with any forecast, some elements of income and expenditure will be different to that forecasted. It is fair to say that many may offset each other over the longer term. However, an update against the two important aspects to how this is being managed are as follows:

- 1) **£2.704m** remains within the Forecast Risk Fund (excluding 2021/22 contributions) to support the budget in future years. This money is available to be drawn down if the timings within the forecast differ in reality and the net position is unfavourable compared to the forecast in any one year. Based on the current position, it is proposed to draw down **£1.488m** from this reserve in 2022/23, a slightly reduced position from the **£1.642m** presented to Cabinet on 12 November 2021. Annual surplus balances are still expected to remain within this reserve over the remaining life of the forecast as set out in **Appendix C1**.
- 2) The forecast will remain 'live' and be responsive to changing circumstances and it will be revised on an on-going basis. If unfavourable issues arise, that cannot be mitigated via other changes within the forecast then the forecast will be adjusted and mitigating actions taken. Actions to respond will, therefore, need to be considered but can be taken over a longer time period where possible. In such circumstance, the Council may need to consider 'topping' up the funding mentioned in 1) above if required. This may impact on the ability to invest money elsewhere but will need to demonstrate that its use is sustainable in the context of the ten-year forecast.

The long-term approach to the forecast therefore still provides flexibility to respond to risks such as those presented by the potential on-going impact from the COVID 19 pandemic. However, it must be highlighted that the savings targets set out in the forecast will still need to be delivered in the longer term but they need to remain flexible and react as a counterbalance to other emerging issues and it is therefore accepted that this figure may need to be revised up or down over the life of the forecast.

It is important to continue to deliver against the forecast to build confidence in the longer-term approach. This will therefore continue to need robust input from members and officers where decisions may be required in the short term or on a cash flow basis.

Another aspect to this approach is the ability to 'flex' the delivery of services rather than cut services. As would be the case with our own personal finances, if we cannot afford something this year because of a change in our income, we can potentially put it off until next year. There is a practical sense behind this approach as we could flex the delivery of a service one year but increase it again when the forecast allows.

In addition to the above, it is important to note that the Council has already prudently set aside money for other significant risks in the forecast such as **£1.758m** (NDR Resilience Reserve) and **£1.000m** (Benefits Reserve), which can be taken into account during the period of the forecast if necessary. The Council also holds **£4.000m** in uncommitted reserves, which supports its core financial position.

As discussed later on in this report money has been set side to mitigate cost pressures associated with the repair and maintenance of Council assets. When they arise, they are

usually significant and the approach taken aims to 'protect' the underlying revenue budget from such items. An Asset Refurbishment Reserve of **£1.269m** has therefore been established for this purpose and the use of this fund can be considered outside of the annual budget setting cycle via a separate decision making process and/or as part of the emerging Corporate Investment Plan.

LEGAL

The arrangements for setting and agreeing a budget and for the setting and collection of council tax are defined in the Local Government Finance Act 1992. The previous legislation defining the arrangements for charging, collecting and pooling of Business Rates was contained within the Local Government Finance Act 1988. These have both been amended as appropriate to reflect the introduction of the Local Government Finance Act 2012.

The Local Government Finance Act 2012 provided the legislative framework for the introduction of the Rates Retention Scheme and the Localisation of Council Tax Support.

The Calculation of Council Tax Base Regulations 2012 set out arrangements for calculation of the council tax base following implementation of the Local Council Tax Support Scheme. These arrangements mean that there are lower tax bases for the district council, major preceptors and town and parish councils.

The Localism Act 2012 introduced legislation providing the right of veto for residents on excessive council tax increases.

Under Section 25 of the Local Government Act 2003, the Chief Finance Officer (S151 Officer) must report to Council, as part of the budget process, on the robustness of estimates and adequacy of reserves. The proposed approach can deliver this requirement if actively managed and will be an issue that remains 'live' over the course of the forecast period and will be revisited in future reports to members as the budget develops.

In respect of special expenses that form part of the budget setting process, expenditure is classed as a Special Expense if it satisfies the requirements of the Local Government Finance Act 1992, Section 35. The only category relevant to this Council is contained within Section 35(2)(d) relating to concurrent functions with Parish and Town Councils. Under the Local Government Finance Act 1992, the Council must identify as its Special Expense, proposed expenditure on those functions which the Council performs in part of the district but which Parish or Town Councils perform elsewhere in the District. If, in the Council's view, a special expense should properly be charged over the whole of the district's area, the Council may pass an express resolution to this effect (known as a ***contrary resolution***).

In order for expenditure to be a Special Expense, there are two conditions that must be fulfilled:

1. Expenditure is estimated to be incurred by the District Council in the whole or part of its area on the provision of a function;
2. Expenditure on the provision of the same function is to be incurred by at least one parish/town council elsewhere in the district.

The proposals set out in this report are in accordance with the Council's budget and policy framework.

OTHER IMPLICATIONS

Consideration has been given to the implications of the proposed decision in respect of the following and

any significant issues are set out below.

Crime and Disorder / Equality and Diversity / Health Inequalities / Area or Ward affected / Consultation/Public Engagement / Carbon Neutrality

There are no other implications that significantly and directly impact the financial forecast. However, the ability of the Council to appropriately address these issues will be strongly linked to its ability to fund relevant schemes and projects and determination of the breadth and standard of service delivery within the Council's overall financial position.

An impact assessment will be undertaken as part of any separate budget decisions such as those that will be required to deliver the necessary savings.

Special expenses are based on the principle of ensuring there is equality across the district in levying Council Tax to residents based on services and facilities provided by Town and Parish Councils in specific areas that are also provided by the District Council.

PART 3 – SUPPORTING INFORMATION

BACKGROUND

The long term forecast is updated on an on-going basis, which is reported to Members quarterly, with the most recent position (at the end of September 2021) being reported to Cabinet at its 12 November 2021 meeting.

The Resources and Services Overview and Scrutiny Committee considered the report referred to above at its meeting on 13 December 2021, and their comments will be provided separately.

UPDATED FINANCIAL FORECAST 2022/23

Appendix C1 sets out an updated forecast for 2022/23 that reflects changes since Cabinet considered the earlier position at its 12 November 2021 meeting. The changes required reflect a slightly improved position – a reduction of **£0.154m** in the annual forecast deficit (from **£1.642m** to **£1.488m**).

Work remains on-going as part of the continuing development of the budget, which will need to react to a number of issues such as any announcements from the Government as part of the annual local government financial settlement process. Any changes will be reported to Members as they arise throughout the remainder of the budget setting process and will be included in the final budget proposals to be considered by Cabinet in January before recommendations are made to Full Council.

The following table provides a commentary on the changes to the initial forecast set out in **Appendix C1** (excludes items where there has been no significant change to the relevant line of the forecast considered by Cabinet on 12 November 2021):

Item in the Forecast	Change since forecast was considered on	Comments

		12 November 2021	
<i>Underlying Funding Growth in the Budget</i>			
<i>Line 3</i> – Growth in Business Rates – Inflation	No change	Although there has been no change to the figure previously included, it is important to highlight that the Government have now confirmed that they will be ‘freezing’ the business rate multiplier for 2022/23. The figure of £0.139m currently included in the forecast would ordinarily be removed from the forecast as this additional income will no longer be receivable. However, it is understood that the Government will be ‘making good’ this loss of income via the wider business rate system and so this level of income is still expected, albeit via a different route.	
<i>Line 4</i> – Growth in Business Rates / Council Tax – general property growth	Income increased by £0.159m	As the economy starts to recover from the COVID 19 pandemic, there is a related / favourable trend reflected within the forecast. The revised figure reflects an expected increase in the council tax property base, driven primarily from a direct increase in property numbers rather than other more technical items included within the calculations. No increases in the business rate property base have been included at the present time as these remain subject to further work as part of the more detailed calculations undertaken in January.	
<i>Line 5</i> – Collection Fund Surpluses b/fwd	Income increased by £0.224m	Similarly to the comment above, as the economy starts to recover from the pandemic there is a positive knock on impact on income. The revised figure on the left reflects the estimated surplus on the collection fund relating to council tax that can now be included within the forecast. No adjustments have been made to business rates at the present time as these will not be finalised until January.	
<i>Net Cost of Services and Other Adjustments</i>			
<i>Line 10</i> - Inflation – Other	Expenditure reduced by	Following the Government ‘freezing’ the business rate multiplier for 2022/23, this has	

	£0.023m	the knock on impact of reducing the rates paid by the Council on its own properties.
<p>Line 15 - On-going savings / increases in income</p> <p>A detailed list of items is set out in Appendix C2</p>	<p>Savings achieved total £0.213m.</p>	<p>A number of items have been identified as part of the initial review involved in the development of the zero based approach to budget setting. This review will remain a 'live' process over the remaining budget cycle for 2022/23 but more importantly as the forecast looks ahead to 2023/24 and beyond as it will become increasingly important to identify on-going savings to support the delivery of a sustainable budget year on year.</p>

The above position excludes changes to indirect costs such as internal recharges within the General Fund and technical accounting adjustments that do not have an overall net impact on the budget. However, the full detailed budget, reflecting the above changes, will be presented to Cabinet at its January 2022 meeting.

In terms of cost pressures included within the forecast, their mitigation continues to form an important element of the long-term financial plan. The cost pressures identified for inclusion in the budget largely reflect unavoidable items with further commentary on emerging / mitigated items set out within the risk section above.

As set out in **Appendix C1**, taking the above adjustments into account, there is now a forecast deficit for 2022/23 of **£1.488m**, compared with the forecasted deficit of **£1.642m** considered by Cabinet at its 12 November 2021 meeting – an overall reduction of **£0.154m**

The impact on the forecast from sensitivity testing and risk management reviews are reported as part of the quarterly financial performance reports throughout the year (the latest one being reported to Cabinet on 12 November 2021). It is important to highlight that there are no new / significant adverse issues that have arisen in terms of the annual forecast risk fund surpluses since the last position was reported. The sensitivity testing has therefore not been repeated as part of this report. However, it will continue to form part of the regular reporting of the financial forecast going forward.

Corporate Investment Plan

Given the pressures on the on-going 'base' revenue budget, it is very unlikely that the long term forecast can generate significant 'surpluses' that can be used to invest in 'optional' cost pressures such as those that support the Council's Corporate Priorities.

However, it is important that they are still considered but this will be done outside of the annual 'base' budget setting cycle. Therefore, as part of a key governance action identified within the Annual Governance Statement, a Corporate Investment Plan is currently being developed that will form part of the overall governance framework in terms of linking corporate priorities and strategies to investment priorities. It is proposed to strengthen the delivery of priorities set against the Council's financial plans within this framework that will take into account a number of key priority 'drivers' such as financial viability / sustainability, non-financial consequences such as reputation / health and safety, the outcome from external assessment / regulatory reviews along with being outcome driven. This approach would also consider the allocation of resources such as staff capacity, capital and IT.

In terms of identification of funding, this could come from external income, money receivable from the government as part of the financial settlement e.g. New Homes Bonus or other new burdens funding. It could also come from the reprioritisation of existing budgets.

This approach will also provide a solid platform to consider additional use of the ‘accelerated delivery budget’ to further build on the capacity already identified.

It is proposed to take the above approach forward via a separate report to Cabinet in January 2022. This will also provide the opportunity to review the delivery against the Back to Business Plan, which is currently proposed to be incorporated within this wider Corporate Investment Plan going forwards.

Reserves

As part of the audit of the Council’s Statement of Accounts last year, the External Auditor recommended the following:

Assess, at least once every two years, the appropriateness of the levels of individual reserves and their continued validity based on factors such as historic utilisation rates, associated risk / sensitivity analysis and their underlying purpose and release any excess reserves.

Following the associated review, a summary of the reserves held and their purpose is set out in the following table:

Reserve	Purpose of the Reserve	Estimated Balance 2022/23	Available for Release
Revenue Commitments Reserve	This is earmarked for revenue items of committed expenditure for which financial provision was made in the previous or current year.	£0.221m	No
Capital Commitments Reserve	This is earmarked for capital items of committed expenditure for which financial provision was made in the previous or current year.	Nil	No
Forecast Risk Fund	This reserve has been established to support planned annual budget deficits as part of the Long Term Financial Sustainability Plan.	£3.205m	No (use of this reserve will continue to be considered as part of the development of the long term plan)
Asset Refurbishment/Replacement Reserve	To meet the cost of the maintenance of the Council’s assets, including those associated with the Council’s commitment to carbon neutrality. This reserve ‘protects’ the underlying revenue budget from significant one-	£1.269m	Subject to review as part of the Corporate Investment Plan

	off expenditure items with expenditure against this reserve planned to be considered as part of the emerging Corporate Investment Plan during 2022.		
Benefit Reserve	To meet any potential costs arising from the obligation to pay benefits and to support future changes to the Welfare Regime. The future remains uncertain given the on-going extension to the roll-out of universal credit.	£1.000m	No (but will remain under review as part of future welfare reforms)
Building for the Future Reserve	To support the delivery of a balanced budget in future years. To date this reserve has also been used to fund the upfront costs associated with the triannual pension process, which has enabled significant revenue savings to be achieved along with underwriting the risk of the longer term impact from the COVID 19 pandemic. It is expected that the reserve will continue to provide the Council with further opportunities to reduce revenue costs associated with the regular review of pension contributions or other spend to save initiatives along with supporting the long term forecast again in 2022/23.	£1.654m	Subject to review as part of the next pension revaluation during 2022, the quarterly financial performance reports and emerging Corporate Investment Plan
Business Rates Resilience Reserve	To support the Council in reacting to potential future changes in Business Rate appeals and income, especially in light of the potential for changes to the business rate reforms and associated 'resets'.	£1.758m	No (use of this reserve will continue to be considered as part of the development of the long term plan)
Commuted Sums Reserve	Established from commuted sums paid to the Council to cover such items as maintenance costs of Open Spaces and CCTV, in line with the associated agreements.	£0.386m	No
Crematorium Reserve	To finance future replacement and improvement works to the crematorium plant and equipment at Weeley. This reserve will support the current cremator replacement works / expected loss of operational income.	£0.154m	The use of this reserve will be reviewed as part of future financial performance

			reports.
Election Reserve	To finance future costs associated with holding District Elections on a four yearly cycle.	£0.090m	No
Haven Gateway Partnership Reserve	To support the costs associated with the Haven Gateway Partnership e.g. costs that may be incurred on termination / withdrawal from the current arrangements.	£0.075m	No
Leisure Capital Projects Reserve	This reserve has been established to fund ongoing investment in Leisure Facilities and will form an important element of supporting the delivery of the upcoming Leisure Strategy.	£0.138m	No
Planning Inquiries and Enforcement Reserve	To meet associated costs relating to planning services.	£0.039m	No
Section 106 Agreements Reserve	This reserve holds income received from developers under Section 106 of the Town and Country Planning Act 1990 to be spent on specific projects over a number of years in accordance with the terms of the agreements.	£1.524m	No (but it is released as part of separate decisions made during the year in consultation with the relevant Portfolio Holder)
Uncommitted Reserve	General Reserve held to respond to key financial risks such as inflation, income loss, additional burdens etc. which is subject to a risk based assessment on a regular basis.	£4.000m	No

As highlighted above, a number of reserves will be reviewed as part of the emerging Corporate Investment Plan highlighted earlier in this report.

Local Government Finance Settlement and Government's Spending Review

At the time of finalising this report, the Local Government Finance Settlement announcements were still awaited. However they are expected to only cover 2022/23 rather than a three year period. It could be argued that this provides the flexibility in responding to the economic recovery from the COVID 19 pandemic where issues remain uncertain, but it does not necessarily help financial planning.

No revenue support grant or further COVID 19 support grants have been included within the budget at the present time. It is hoped that an update can be provided by the time Cabinet consider the next budget report at its January 2022 meeting.

Although yet to be confirmed, it is expected that Council's will be able to increase council tax by the greater of 2% or £5. It is also expected that the New Homes Bonus will continue into 2022/23.

ADDITIONAL INFORMATION

Council Tax Levy 2022/23

Based on a proposed £5 increase, the Council Tax for a band D property would be **£182.64** in 2022/23. The updated property base is **49,892.2**, an increase of **1,456.6** over the 2021/22 figure of **48,435.6**

The ability to increase Council Tax by £5 remains subject to confirmation from the Government. This is expected to be confirmed within the Local Government Financial Settlement, which is expected shortly.

If such an increase is not permissible and it is necessary to revert back to an increase of 1.99%, on-going income would be reduced by **£0.073m**, which would require corresponding savings to be identified over the forecast period.

Locally Retained Business Rates

As part of recent Government announcements, the following changes have been confirmed for 2022/23:

- the Business Rates Multiplier is to remain unchanged for 2022/23;
- that revaluations will be increased from every five years to every three years; and
- a series of new reliefs will be introduced, including a 50% relief for eligible retail, hospitality, and leisure premises in 2022/23 (to a maximum of £110,000 per business)

The Government also confirmed that local government would be fully compensated for these changes. However, there were no further announcements on the subject of further business rates reform or any prospective business rate resets.

The Council has agreed to remain a member of the Essex Business Rates Pool in 2022/23. No income generated from being a pool member is currently included in the forecast but it is proposed to continue to treat this income on a one-off basis during the year. Given the likely medium term impact from COVID 19, the financial benefits of being in the pool may not be as advantageous as previous years, but it still provides the opportunity to generate additional funding to support the Council's overall financial position.

Fees and Charges

Fees and charges are agreed separately by the relevant Portfolio Holder and are reviewed within the framework of the financial forecast and therefore they will be considered against the following key principles:

- general inflationary increases where possible or lower where appropriate / justified
- amounts rounded for ease of application, which may result in a slightly above inflation increase.

- on a cost recovery basis as necessary
- reflect statutory requirements.
- increases where market conditions allow
- to meet specific priorities or service delivery aims / objectives

Any changes to income will be considered alongside the financial forecast. No changes to the budget are proposed at the present time.

Although agreed separately, a full schedule of fees and charges will be provided to members ahead of the Full Council budget meeting in February 2022.

GENERAL FUND CAPITAL PROGRAMME 2022/23

As has been the case in prior years, only 2 schemes are included automatically in the base budget on a recurring basis and these relate to the on-going cost of replacing the Council's core IT infrastructure along with disabled facilities grants. Estimates of **£0.055m** and **£0.757m** have therefore been included within the 2022/23 Capital Programme respectively, although the latter item is likely to change once confirmation of the actual level of grant support is received next year.

The investment in IT core infrastructure is funded by a direct revenue contribution, with disabled facilities grants funded by the Government via ECC.

Other items included in the Capital Programme for 2022/23 reflect the fact that existing schemes have been reprofiled across years as set out in previous financial performance reports considered by Cabinet.

Based on the above, a summary of the proposed Capital Programme for 2022/23 is as follows:

On-going Schemes	Budget 2022/23 £
Information and Communications Technology Core Infrastructure	55,000
Disabled Facilities Grants	757,000
Existing Schemes - Reprofiled	
Replacement of Beach Hut Supports	11,620
Total General Fund Capital Programme 2022/23	823,620

The full 5-year capital programme incorporating the above will be included within the final budget proposals that will be considered by Cabinet in January before being presented to Full Council in February.

SPECIAL EXPENSES 2022/23

Special expenses amounts cannot be finalised until the budget for the year has been completed and the associated technical adjustments reflected in the budget. Therefore, at this stage of the budget process it is more practical to review the principles against which the special expenses will be calculated rather than the specific amounts themselves, which are subject to change as the budget develops.

It is not proposed to make any changes to the principles behind the calculation of special

expenses with the key principles remaining the same as in 2021/22 as set out below:

- A de minimus amount of **£0.025m** is applied to determine which expenses are excluded from the special expenses calculations;
- Any allocation to specific areas less than **£0.001m** is excluded for the purposes of determining special expenses.

Although subject to the final budget calculations, expenses to be allocated as special expenses are likely to remain as in 2021/22 and apply to open space and recreation area costs.

For completeness, the underlying technical background to the calculation of special expenses is set out below:

Certain expenditure referred to as 'Special Expenses' is regarded as being chargeable to only certain parts of the district. The rest of the Council's expenditure is regarded as being chargeable over the whole district and is referred to as 'General Expenses'. Local authorities have the power to pass a resolution in respect of any particular Special Expense to the effect that the amount of that expense should be charged across the whole district. This is referred to as the contrary resolution.

In exercising this power, the Council also has to consider how the burden of Special Expenses will be charged to the taxpayers of the district.

Information from parish/town councils

Each year parish councils complete a return to identify changes to the services they undertake

Consideration of Determining the Contrary Resolution

In judging whether the contrary resolution should be passed in respect of any special expenses, the following matters are relevant:

- i) *Whether in respect of this Council's expenditure the function is to be provided generally for the whole district or is to be restricted to a part or parts of the district?*
- ii) *To what extent, if any, are restrictions placed on any part of the district as to the accessibility of the function?*
- iii) *The use of the facility/activity to which the Special Expense relates.*

These matters must each be considered and a view taken as to whether it would be appropriate to pass the contrary resolution in respect of some of the budgeted expenditure on Special Expenses.

In determining how the burden of special items should be charged to the taxpayer of the district, the following matters need to be considered.

- i) *Where is the facility situated?*
- ii) *Who uses it?*
- iii) *How much expenditure is to be spent in the various parts of the district?*

Wherever possible the Council aims to charge the cost incurred in performing a function in a part of the district, to the taxpayers of that part. In assessing the area of benefit to which a

function identified as a special expense relates, parish boundaries have been treated as the appropriate areas.

The tax base for apportioning Special Expenses to each parish and the unparished area is that used to determine the Council's overall Council Tax base.

ANNUAL MINIMUM REVENUE PROVISION POLICY STATEMENT

Where relevant, figures included in the 2022/23 budget are based on the following policy statement that was agreed by Full Council on 30 November 2021.

In accordance with the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008, the Council's policy for the calculation of MRP for 2022/23 shall be the Capital Financing Requirement Method for supported borrowing and the Asset Life (equal instalment) Method for prudential borrowing.

BACKGROUND PAPERS FOR THE DECISION

Working papers held in Accountancy

APPENDICES

- | | |
|--------------------|---------------------------------------|
| Appendix C1 | Updated Financial Forecast 2022/23 |
| Appendix C2 | Updated Net Savings Items 2022/23 |
| Appendix C3 | Updated Cost Pressure Summary 2022/23 |

UPDATED FINANCIAL FORECAST 2022/23

Line	Prior Year Budget	Updated Forecast (12 November 2021)	Updated Forecast (17 December 2021)	Change between November and December Positions
	2021/22 £m	2022/23 £m	2022/23 £m	£m
Underlying Funding Growth in the Budget				
1 Council Tax Increase 1.99%	(0.166)	(0.168)	(0.176)	(0.008)
2 Council Tax increase by £5 (amounts set out are over and above 1.99% above)	(0.076)	(0.074)	(0.073)	0.001
3 Growth in Business Rates - Inflation	0.000	(0.139)	(0.139)	0.000
4 Growth in Business Rates / Council Tax - general property growth	(0.183)	(0.100)	(0.259)	(0.159)
5 Collection Fund Surpluses b/fwd	6.018	0.323	0.099	(0.224)
	5.593	(0.158)	(0.548)	(0.390)
Net Cost of Services and Other Adjustments				
6 Reduction in RSG	(0.002)	0.431	0.431	0.000
7 Remove one-off items from prior year	(0.412)	0.000	0.000	0.000
8 Remove one-off items from prior year - Collection Fund Surplus	1.360	(6.018)	(6.018)	0.000
9 Inflation - Employee Costs (including annual review adjustments)	0.478	0.598	0.605	0.007
10 Inflation - Other	0.124	0.221	0.198	(0.023)
11 First / Second / Third year impact of PFH WP Savings	(0.045)	(0.045)	(0.045)	0.000
12 LCTS Grant to Parish Council's	0.000	(0.037)	(0.037)	0.000
13 Revenue Contribution to the Capital Programme	(0.209)	0.008	0.008	0.000
14 Specific Changes in Use of Reserves	(4.050)	5.794	5.794	0.000
15 On-going savings / increases in income	(0.239)	(0.450)	(0.213)	0.237
16 Unmitigated Cost Pressures	0.516	0.250	0.265	0.015
17 Other Adjustments	(2.065)	0.000	0.000	0.000
	(4.544)	0.752	0.988	0.236
Net Total	1.048	0.594	0.440	(0.154)
Add back General Use of Reserves in Prior Year to Balance the Budget	0.000	1.048	1.048	0.000
Net Budget Position	1.048	1.642	1.488	(0.154)
Use of Forecast Risk Fund to support the Net Budget Position	(1.048)	(1.642)	(1.488)	0.154

Use of Forecast Risk Fund

Estimated Outturn b/fwd from prior years	(3.753)	(3.205)	(3.205)	
Contribution from / (to) reserve	1.048	1.642	1.488	(0.154)
Planned additional contributions generated in year	(0.500)	(0.500)	(0.500)	0.000
Balance to Carry Forward	(3.205)	(2.063)	(2.217)	(0.154)

Forecast Risk Fund - Estimated Surplus Balance at the end of the year	Year	Updated Forecast (12 November 2021)	Updated Forecast (17 December 2021)	Change between November and December Positions
		2022/23 £m	2022/23 £m	
	2022/23	2.063	2.217	(0.154)
	2023/24	1.439	1.516	(0.077)
	2024/25	0.933	0.927	0.006
	2025/26	0.539	0.444	0.095
	2026/27	0.254	0.064	0.190

APPENDIX C2

NET ON-GOING SAVINGS ITEMS 2022/23

	2022/23 £	Comments
Manningtree Joint Use Sports Centre	50,300	The current agreement was terminated by the School during 2021/22. As the centre operated with an overall budget subsidy, this can now be removed from the estimates.
Revised rental income following annual rent review exercise	43,370	Additional income can be added to the budget to reflect the outcome of this annual review process across a number of properties owned by the Council.
Recycling Credit Income	65,000	This reflects the ongoing recycling performance and includes both kerbside and bring bank collections.
Investment Income	20,000	A relatively small increase in investment income is expected to reflect minor increases in interest rates during 2022/23.
Income from Legal Fees	25,000	Services such as the administration of S106 have recently been brought in-house, with external income now receivable. The figure is net of the estimated cost of providing additional staff resources that is subject to a proposed restructure to ensure capacity matches demand.
Reduction in interest payments and Minimum Revenue Provision	8,930	As debt is repaid, interest payments reduce year on year along with a corresponding reduction in the money 'set aside to repay debt'.
Total	212,600	

COST PRESSURE SUMMARY 2022/23

Status		2022/23 £	2023/24 £	2024/25 £	2025/26 onwards £	Comments
Unavoidable Items 2022/23 Budget						
On-going Impact from Items Agreed as part of the 2021/22 Budget	REVENUE - Chief Executive, Finance, IT, Governance and Partnerships - Expenditure to compliment the on-going digital transformation programme (<i>IT, Emergency Planning and Business Continuity</i>)	2,500	15,300	15,300	15,300	The amounts reflect a varied range of expenditure to support continued digitalisation, such as equipment to support home working (H&S requirement), hosting costs, mobile telephony costs, website / intranet hosting costs and cyber security costs.
	REVENUE - Chief Executive, Finance, IT, Governance and Partnerships - Cost of Insurance Premiums (<i>Finance - Other Corporate Costs</i>)	61,100	61,100	61,100	61,100	This reflects the increased costs chargeable to the general fund following the retender process during 2021/22. Increases in future years remain subject to the annual renewal process over the remaining 3 year 'contracted' term of cover.
New Items for 2022/23	REVENUE - Chief Executive, Finance, IT, Governance and Partnerships - LCTS Administration Subsidy (<i>Revenues & Benefits - Local Council Tax Support Scheme</i>)	6,770	6,770	6,770	6,770	This amount adjusts the on-going base position to reflect the reduction in 2021/22. Further reductions may be required, which will become clearer during the current budget cycle as it remains subject to further Government announcements.

Status		2022/23 £	2023/24 £	2024/25 £	2025/26 onwards £	Comments
New Items for 2022/23	REVENUE - Chief Executive, Finance, IT, Governance and Partnerships - Apprenticeship Levy (<i>Finance - Other Corporate Costs</i>)	8,000	8,000	8,000	8,000	To reflect the increase to the levy payment which is linked to the inflationary uplift to the wider salary budget.
	REVENUE - Chief Executive, Finance, IT, Governance and Partnerships - Carnarvon House Rental Income (<i>Finance - Other Corporate Costs</i>)	0	0	72,970	72,970	This represents the loss of income following the end of the current lease and decision to demolish the building. As part of the early termination agreement, the current tenant paid a one-off payment that effectively met the rent due in 2022/23 and 2023/24, which is why there is no cost pressure for those years.
	REVENUE - Operations & Delivery - Contract Costs (<i>Waste Management - Recycling & Waste Collection</i>)	67,000	67,670	68,350	69,030	This reflects increased contract costs due to property growth.
	REVENUE - Chief Executive, Finance, IT, Governance and Partnerships - IT Digital Transformation Programme (<i>IT, Emergency Planning and Business Continuity</i>)	120,000	120,000	120,000	120,000	This reflects the 'natural' growth in the provision of digital services and includes licences, data costs and the hardware replacement programme.
Total of Unavoidable Items Included in the 2022/23 Budget		265,370	278,840	352,490	353,170	

Status		2022/23 £	2023/24 £	2024/25 £	2025/26 onwards £	Comments
Items to be mitigated / met via reductions elsewhere within the overall budget						
NOT Included in Forecast 2022/23 and beyond	REVENUE - Chief Executive, Finance, IT, Governance and Partnerships - Estimated Reduction in Housing Benefit Administration Grant (<i>Revenues & Benefits - Rent Allowances / Rebates</i>)	49,000	93,100	132,790	168,500	<p>There will be a reduction in the housing benefit administration grant receivable from the Government on a year on year basis to reflect reduced housing benefit workload over the period that Universal Credit is being rolled out. The figures reflect a year on year reduction in caseload of 10%, which will be mitigated via a corresponding reduction in employee costs via the management of vacancies etc.</p>
	REVENUE - Energy Costs (<i>Various</i>)	71,000	71,000	71,000	71,000	<p>The outlook remains volatile with the figures reflecting a 10% increase in prices. However given the current level of market uncertainty in respect of future prices, it is proposed to underwrite this risk via the existing Contingency Budget of £322k. This will enable the time to review the longer term impact and trend that may need to be reflected in the forecast in future years.</p>
	REVENUE - Operations & Delivery Crematorium Net Income - loss in the first quarter of 2022/23 (<i>Public Realm - Crematorium</i>)	250,000	0	0	0	<p>An expedited procurement process is underway to limit periods of non-operation as far as possible. Due to this being a one-off issue, it is not proposed to include this in the base budget for 2022/23 but it will remain under review as part of the quarterly financial performance reports and outturn for the year.</p>

Status		2022/23 £	2023/24 £	2024/25 £	2025/26 onwards £	Comments
NOT Included in Forecast 2022/23 and beyond	REVENUE - Review of Posts previously funded on a one-off basis (<i>Various</i>)	352,460	352,460	352,460	352,460	These relate to posts previously funded from one-off money / external income and include: 6 Community Ambassadors 4 Street Rangers 1 Technical / Administration Officer (Waste and Recycling). This cost has not been included in the budget at this stage as alternative options are being explored such as external funding / grants or use of existing budgets.
	Revenue - Operations & Delivery - Cost of Temporary Accommodation / Homelessness Initiatives (<i>Housing & Homelessness</i>)	100,000	100,000	100,000	100,000	The Government have continued to support homelessness via grant funding, a position that is expected to continue into 2022/23. Initiatives to increase / maintain the supply of temporary accommodation also continue such as the remodelling of Spendells House and the use of hotel accommodation. Similarly to previous years, the situation will be reviewed as part of the on-going forecast as it may be necessary to include additional costs in the base budget in future years.

Status		2022/23 £	2023/24 £	2024/25 £	2025/26 onwards £	Comments
NOT Included in Forecast 2022/23 and beyond	REVENUE - Chief Executive, Finance, IT, Governance and Partnerships - External Audit Fees (Finance - Other Corporate Costs)	25,000	25,000	25,000	25,000	These fee are expected to increase from 2023/24 when the PSAA undertake the necessary procurement to appoint auditors for the next 5 year accounting period. Fees are also likely to increase in 2022/23 as part of additional work expected to be generated from the revised use of resources assessment and potentially from the Redmond Review. It is currently proposed to respond to this issue in-year rather than adjust the base budget at this stage, as clarity is expected to emerge over the coming months in terms of the scale of the potential fee increase. The current base fee is £45k so the above approach does not introduce an unreasonable level of financial risk to the current forecasting process.
Total of Mitigated Items		847,460	641,560	681,250	716,960	
TOTAL OF ALL COST PRESSURES ABOVE		1,112,830	920,400	1,033,740	1,070,130	
TOTAL OF COST PRESSURES INCLUDED IN THE 2022/23 BUDGET (Total of all cost pressures less mitigated items)		265,370	278,840	352,490	353,170	