

## CABINET

16 DECEMBER 2022

### REPORT OF THE PORTFOLIO HOLDER FOR CORPORATE FINANCE AND GOVERNANCE

#### **A.3 UPDATED GENERAL FUND FINANCIAL FORECAST INCLUDING PROPOSED BUDGET CHANGES IN 2022/23 ALONG WITH BUDGET PROPOSALS FOR 2023/24**

##### **PART 1 – KEY INFORMATION**

###### **PURPOSE OF THE REPORT**

To enable Cabinet to consider the updated financial forecast, including budget changes in 2022/23 and budget proposals for 2023/24 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 4 November 2022. With this in mind, further adjustments have been identified for 2022/23 and 2023/24 as set out in **Appendix A**.
- As set out in the earlier reports to Cabinet, this year has seen a number of emerging issues both nationally and globally that will have a significant impact on the Council's own financial position e.g. inflation, supply chain disruption, energy cost increases, commodity price increases along with associated secondary impacts.
- However, the Council has maintained a prudent and sustainable approach to its long term plan, which provides the 'platform' against which it can consider its financial position in response to the very challenging economic position it now faces.
- Further changes to the long-term forecast have been made since 4 November 2022, with a revised position set out in **Appendix B**.
- In comparison with the position reported to Cabinet on 4 November 2022, the net overall position has improved by **£68,100** and **£646,530** for 2022/23 and 2023/24 respectively. However, it is not proposed to make corresponding adjustments to the funding identified to balance the budget as set out in **Section 3 of Appendix A** at the present time, as more changes are expected before final budget proposals are presented to Cabinet in January.
- A review of reserves has also been undertaken, which highlights the need to continue to maintain a number of reserves to support key actions / activities as part of the Council's overall prudent and sustainable approach to managing its finances.

- At the time of finalising this report, the Local Government Finance Settlement for 2023/24 had yet to be announced. It is understood that the announcement will not be made until after the date of this meeting. Therefore, any changes emerging from the settlement will be reflected in the forecast that will be reported to Cabinet in January when it considers its final budget proposals for recommending to Full Council in February.
- The budget includes a Council Tax levy increase of 3%, with this level of increase expected to be confirmed as part of the wider finance settlement announcements. No revenue support grant has been included in the budget for 2023/24 at this stage.
- Once the final position for 2023/24 is determined, the remaining years of the 10-year forecast will be revised, set against the budget position for 2023/24 and will be reported to members later in the budget setting process.
- In addition to the above, the recommendations below include acceptance of Tendring District Council's allocation of the Shared Prosperity Fund (including the Rural England Prosperity element) upon receiving Government sign-off of the submitted investment plan, along with a delegation to the Portfolio Holder for Business and Economic Growth to agree expenditure from this overall funding allocation.

#### **RECOMMENDATION(S)**

**That Cabinet:**

- approves the updated Financial Forecast including a revised position for 2022/23 and proposed position for 2023/24, as set out in this report and its Appendices;**
- requests the Resources and Services Overview and Scrutiny Committee's comments on this latest financial forecast and proposed position for 2023/24; and**
- accepts the funding made available to the Council as part of the Shared Prosperity Fund (including the Rural England Prosperity Fund element) and approves a delegation to the Portfolio Holder for Business and Economic Growth to agree any associated expenditure.**

#### **REASON(S) FOR THE RECOMMENDATION(S)**

To set out the latest financial position for the Council and to respond to emerging issues in 2022/23 and to develop the budget and long term forecast from 2023/24.

#### **ALTERNATIVE OPTIONS CONSIDERED**

This is broadly covered in the main body of this report.

## PART 2 – IMPLICATIONS OF THE DECISION

<b>DELIVERING PRIORITIES</b>			
<p>Effective budgetary control is an important tool in ensuring the financial stability of the authority by drawing attention to issues of concern at an early stage so that appropriate action can be taken. Financial stability and awareness plays a key role in delivering the Council's corporate and community aims and priorities.</p> <p>The forecasting and budget setting process will have direct implications for the Council's ability to deliver on its objectives and priorities. The current 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. The approach set out in this report continues to be set against this wider context.</p>			
<b>OUTCOME OF CONSULTATION AND ENGAGEMENT</b>			
<p>Internal consultation is carried out via the Council's approach to developing the budget as set out within the Constitution. External consultation also forms part of developing the budget, and is carried out early in the year as part of finalising the position for reporting to Full Council in February.</p>			
<b>LEGAL REQUIREMENTS (including legislation &amp; constitutional powers)</b>			
<p><b>Is the recommendation a Key Decision (see the criteria stated here)</b></p>	<p><b>Yes</b></p>	<p><b>If Yes, indicate which by which criteria it is a Key Decision</b></p>	<p><input type="checkbox"/> <b>Significant effect on two or more wards</b></p> <p><input checked="" type="checkbox"/> <b>Involves £100,000 expenditure/income</b></p> <p><input type="checkbox"/> <b>Is otherwise significant for the service budget</b></p>
		<p><b>And when was the proposed decision published in the Notice of forthcoming decisions for the Council (must be 28 days at the latest prior to the meeting date)</b></p>	<p>This item has been included within the Forward Plan for a period in excess of 28 days.</p>
<p>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.</p> <p>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.</p> <p>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.</p>			

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.

Yes	<b>The Monitoring Officer confirms they have been made aware of the above and any additional comments from them are below:</b>
-----	--

Although there are no additional comments above those set out in this report, it is important to highlight that further decisions may be necessary to take a number of actions forward, such as those associated with the items set out in **Appendix A**.

### **FINANCE AND OTHER RESOURCE IMPLICATIONS**

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.

The general approach set out in this report has been discussed with the Council's External Auditor, albeit informally. There were no major concerns raised and they will undertake a more detailed review as part of their usual commentary on the Council's use of resources.

Yes	<b>The Section 151 Officer confirms they have been made aware of the above and any additional comments from them are below:</b>
-----	---

The Section 151 Officer is the author of this report.

### USE OF RESOURCES AND VALUE FOR MONEY

The following are submitted in respect of the indicated use of resources and value for money indicators:

A) Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;	This is addressed in the body of the report.
B) Governance: how the body ensures that it makes informed decisions and properly manages its risks, including; and	
C) Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.	

### MILESTONES AND DELIVERY

This reports forms part of the Council's wider budget setting processes. A further update report will therefore be presented to Cabinet in January as part of developing the detailed estimates that will be presented to Full Council in February 2023.

### ASSOCIATED RISKS AND MITIGATION

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. Wider economic risks have also increased in 2022/23, which are likely to continue into 2023/24. These could have an impact on income streams such as from Council Tax and Business Rates along with the 'cost' of the Local Council tax Support Scheme. The Council's initial / short-term response is set out in the body of this report and will continue to be addressed as part of the future financial reports highlighted earlier.

Further cost pressures may emerge over the remainder of the year, which may need to be considered for inclusion in the budget. The approach of refocusing existing budgets and reserves also adds additional risks as it reduces the ability of the Council to access such funding to underwrite further risks etc. going forward.

As set out in **Appendix B**, the Forecast Risk Fund may be depleted over the next two years, which adds further financial risk to later years of the forecast.

However, it is important to note that the Council still prudently maintains reserves to respond to significant / specific 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 reflects a best practice / risk based approach to support its core financial position.

As highlighted later in this report, money has been set aside 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 maintained 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 Corporate Investment Plan process.

As highlighted within earlier reports, the Chief Executive continues to chair the regular Budget, Performance and Delivery meeting of Senior Managers where any emerging issues are discussed.

#### **EQUALITY IMPLICATIONS**

There are no direct implications that significantly impact on the financial forecast at this stage. However, the ability of the Council to appropriately address such issues will be strongly linked to its ability to fund relevant schemes and projects and determination of the breadth and standard of service delivery to enable a balanced budget to be agreed.

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

#### **SOCIAL VALUE CONSIDERATIONS**

There are no direct implications that significantly impact on the financial forecast at this stage.

However, such issue will be considered as part of separate elements of developing the budget as necessary.

#### **IMPLICATIONS FOR THE COUNCIL'S AIM TO BE NET ZERO BY 2030**

There are no direct implications that significantly impact on the financial forecast at this stage.

However, such issue will be considered as part of separate elements of developing the budget as necessary.

#### **OTHER RELEVANT CONSIDERATIONS OR 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.

<b>Crime and Disorder</b>	Please see comments above
<b>Health Inequalities</b>	
<b>Area or Ward affected</b>	

### **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 2022) being reported to Cabinet at its 4 November 2022 meeting.

In respect of the forecast and budget proposals for 2023/24, the above report included the following two key appendices:

- 1) Cost Increases / Corporate Investment Plan Items 2022/23 and 2023/24
- 2) Updated Long Term Financial Forecast

This report therefore provides a further update on the above two items (set out within Sections 1 and 2 respectively below), to enable consultation with the Resources and Services Overview and Scrutiny Committee in-line with the Council's budget setting processes.

## SECTION 1 - COST INCREASES / CORPORATE INVESTMENT PLAN ITEMS 2022/23 AND 2023/24

**Appendix A** attached replicates the appendix considered by Cabinet at its 4 November 2022 meeting with any changes since that report highlighted in 'green'.

A summary of the changes are set out in the table below:

Section of Appendix	2022/23 Change	2023/24 Change	Comments
<b>Section 1</b> – Corporate Items	No change – remains at £1,193,400.	Reduced from £2,844,000 to £2,136,000	This reflects the update to the financial forecast, which is set out in Section 2 of the report below.
<b>Section 2</b> – General Operational Items	Reduced from £2,195,670 to £2,127,570	Increased from £1,234,700 to £1,296,170	Additional comments are set out within <b>Appendix A</b> . The most significant change relates to the Careline Service where they continue to work towards a breakeven position in the medium to longer term but now expect an overall net cost in 2023/24.
<b>Section 3</b> – Proposed Funding Approach	No Change – remains at £3,389,070	No Change – remains at £4,078,700	Although the cost pressures have increased as highlighted in Sections 1 and 2 above, no changes to use of the identified funding are proposed at this stage of the budget setting cycle. Further comments are set out immediately below this table.
<b>Section 4</b> – Items that can be funded from associated / specific budgets and/or fees and charges	n/a	No Change	No further changes have been made at the present time

As set out in **Appendix A** and summarised in Sections 1 and 2 in the table above, the total level of net cost pressures has reduced by **£68,100** and **£646,530** in 2022/23 and 2023/24 respectively. However, it is not proposed to 'unwind' the funding position set out within **Section 3 of Appendix A** at this stage, even though the level of net cost pressures has reduced. The forecast remains subject to a number of further adjustments before proposals are finalised for

reporting to Full Council in February. Therefore it is proposed to take the pragmatic approach of ‘holding’ the total identified level of ‘surplus’ funding until the budget is finalised early in 2023 as further budgets adjustments may be necessary.

## SECTION 2 - UPDATED LONG TERM FINANCIAL FORECAST

**Appendix B** sets out the latest financial forecast from 2023/24 that reflects changes since Cabinet considered the earlier position at its 4 November 2022 meeting.

The changes required reflect an improved position – a reduction of **£0.647m** in the annual forecast deficit (from **£4.079m** to **£3.433m**).

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 commentary on the changes to the initial forecast set out in **Appendix B** (excludes items where there has been no significant change to the relevant line of the forecast considered by Cabinet on 4 November 2022):

Item in the Forecast	Change since forecast was considered on 4 November 2022	Comments
<b><i>Underlying Funding Growth in the Budget</i></b>		
<b>Line 2a</b> – Council Tax Increase 3%  <i>(This is a new line of the forecast)</i>	Income Increased by <b>£0.024m</b>	Following recent Government announcements, the usual referendum threshold for Council Tax increases has been changed from 2% to 3% (subject to confirmation). Given the ‘telescopic’ impact from changes in the level of Council Tax charged, it is proposed to increase the Council Tax amount to this revised maximum amount permitted by the Government. (from 2.7% as included in the forecast considered by Cabinet on 4 November 2022)
<b>Lines 6 and 7</b> - Collection Fund Surpluses (Council Tax and Business Rates)	Income increased by <b>£0.684m</b>	Following a further review and based on the latest figures for the year, these changes reflect a more advantageous estimated position on the Collection Fund at the end of 2022/23.



## **Net Cost of Services and Other Adjustments**

<b>Line</b>	<b>19</b>	–	Net Expenditure increased by <b>£0.061m</b>	This reflects the net change for 2023/24 as set out in <b>Section 2 of Appendix A.</b>
<i>Unavoidable Pressures / CIP Items</i>	<i>Cost</i>			

*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 2023 meeting.*

### **Sensitivity Testing**

Work remains in progress to update the usual sensitivity testing approach, with the outcome planned to be presented in reports later in the year as part of the on-going development of the budget for consideration by Full Council in February 2023.

### **Corporate Investment Plan**

As highlighted in earlier financial performance reports, the Corporate Investment Plan will continue to play an important role in supporting the response to the financial challenges ahead. Given the scale of the on-going financial challenge faced by the Council the Corporate Investment Plan remains under review, but it is planned to be presented to Cabinet in 2023 once the Council's underlying financial position has become clearer before further investment opportunities can be considered.

### **Reserves**

As part of the budget setting process, it is also timely to review the appropriateness of the level of reserves at this stage in the budget cycle, which reflects a previous recommendation of the Council's External Auditor.

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

<b>Reserve</b>	<b>Purpose of the Reserve</b>	<b>Estimated Balance</b>	<b>Status</b>
Revenue Reserve	Commitments This is earmarked for revenue items of committed expenditure for which financial provision was made in the previous or current year.	£0.305m	Continue to retain this reserve
Capital Reserve	Commitments This is earmarked for capital items of committed expenditure for which financial provision was made in the previous or current year.	Nil	Continue to retain this reserve
Forecast Risk Fund	This reserve has been established to support planned annual budget deficits as part of the Long Term Financial Sustainability Plan.	£3.524m	Continue to retain this reserve  (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-off expenditure items with expenditure against this reserve continued to be considered as part of the Corporate Investment Plan.	£1.269m	Review as part of the Corporate Investment Plan
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	Continue to retain this reserve  (but will remain under review as part of future welfare reforms)
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	Continue to retain this reserve (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.	£0.493m	Continue to retain this reserve
Election Reserve	To finance future costs associated with holding District Elections on a four yearly cycle.	£0.090m	Continue to retain this reserve
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	Subject to review against associated risk as this reserve may be able to be removed.
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.	£0.100m	Continue to retain this reserve
Planning Inquiries and Enforcement Reserve	To meet associated costs relating to planning services.	£0.039m	Continue to retain this reserve
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.	£2.400m	Continue to retain this reserve (this 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	Continue to retain this reserve
---------------------	--	---------	---------------------------------

Although a more detailed statement will be made by the Section 151 Officer that will be included in the report to Full Council in February, the current level of reserves based on the review above remains adequate, although this position will be subject to on-going review given the risks to the financial forecast 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.

No revenue support grant is currently included in the forecast at this stage, but an updated position will be reported to Cabinet in January.

The budget also excludes income from the New Homes Bonus grant. If this grant funding scheme continues in 2023, it is expected to be announced as part of the Local Government Financial Settlement mentioned above.

### **ADDITIONAL INFORMATION**

#### **Council Tax Levy 2023/24**

Based on a proposed 3% increase, the Council Tax for a band D property will be **£188.11** in 2023/24. The updated property base is **51,050**, an increase of **1,157.8** over the 2022/23 figure of **49,892.2**

The ability to increase Council Tax by 3% remains subject to confirmation from the Government. This is expected to be confirmed within the Local Government Financial Settlement, which is anticipated to be announced shortly.

As set out in the Financial Report to Cabinet on 7 October 2022, the Council continues to opt-in to the Council Tax Sharing Agreement with ECC. This scheme has continued to provide a financial benefit to the Council over recent years. Although the 2023/24 scheme is subject to changes proposed by ECC, which are currently being discussed with all other Local Authorities within Essex, it is proposed to continue to opt-in to the amended scheme in 2023/24 if it continues to remain financially advantageous to do so.

#### **Locally Retained Business Rates**

As recently announced by the Government, the property rating revaluation planned for 2023 will still go ahead and will be supported by transitional relief alongside wider relief schemes. The Government have also indicated that the rating multipliers will be 'frozen' for 2023/24. The impact of these on the Council's own financial position is subject to on-going review, with the estimated position to be included in the January report to Cabinet.

In-line with previous years, the benefit from remaining a member of the Essex Business Rates Pool has not been reflected in the forecast at this stage. The Council is committed to remaining a member of the Essex Business Rates Pool in 2023/24 if it remains financial advantageous to do so. Although no income generated from being a pool member is currently included in the forecast, it is proposed to continue to treat this income on a one-off basis during the year to support the Councils overall financial position, which will continue to evolve during 2023.

There has been no changes associated with the creation of Freeports at the present time. These remain subject to on-going review and will include an associated business rates relief policy in-line with Government guidance. It is expected that within future reports that will be presented to Members as part of the current budget cycle, the necessary changes associated with the creation of Freeports will be set out.

### **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

Given the significant Financial challenges faced by the Council, a key underlying principle is to consider inflationary increases wherever possible to support corresponding increases in the Council's own costs in delivering the associated service(s). The current rate of inflation (RPI) is in excess of 12%, with predictions of further increases going into 2023. With such a high rate of inflation it may not necessarily be practical / possible to 'translate' such an increase into the actual fee increase proposed. Therefore, set against this inflationary context, any proposed increases in fees and charges must be balanced against other considerations / market conditions, whilst also recognising the restrictions placed on local authorities in terms of setting fees and charges on a cost recovery basis.

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 2023.

### **GENERAL FUND CAPITAL PROGRAMME 2023/24**

As has been the case in prior years, only a very limited number of 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 **£0.070m** and **£0.757m** will therefore be included within the 2023/24 Capital Programme respectively, although the latter item is likely to change once confirmation of the actual level of external 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.

The full multi-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 2023/24**

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 2022/23 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 2022/23 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.*

## **OTHER CONSIDERATIONS**

### **UK Shared Prosperity Fund (UKSPF) Update**

As previously reported to Cabinet on 15 July 2022, Tendring has been allocated a total of **£1,188,232** via a funding formula designed to be a real terms match for previous EU structural funds, to be spent over a three year period to 2025.

Tendring District Council is the lead local authority for UKSPF in Tendring. Lead local authorities will receive the area's allocation of funding to manage, including assessing and approving applications, processing payments and day-to day monitoring, following Government approval of an investment plan.

TDC were required to produce an Investment Proposal for Government signoff, which demonstrated engagement with partners, prioritised interventions and detailed the measurable outcomes of project delivery. Cabinet approved on 15 July 2022 the approach to the development of the UK Shared Prosperity Investment Plan for Tendring District utilising the full conditional allocation of **£1,188,232**, along with a delegation to the Portfolio Holder for Business and Economic Growth to approve the final plan for submission to the Government ahead of the associated deadline of 1 August 2022.

The Investment Plan was submitted to Government in line with the above deadline and the Government's approval of the plan was received on 6 December 2022.

The Government set out a spend profile for the individual allocations, which TDC were expected to match in their investment plan. The allocation and spend profile was set out in the 15 July 2022 Cabinet report, which is summarised as follows:

2022/23 - £144,203

2023/24 - £288,406

2024/25 - £755,623

**Total - £1,188,232**

Upon approval of the plan, the Government also set out a revenue/capital split for the current financial year's funding allocation, which was as follows:

Capital: £58,000

Revenue: £86,203

A £20,000 one-off capacity payment was also awarded, to assist Councils with the administration associated with the fund.

Given the limited UKSPF funding in year 1, and the short time frame to allocate funds, it is proposed that the Council co-ordinates a small number of local projects, as follows:

- sports and activities small grants (£10,000)
- capital funding contribution to ongoing Starlings scheme (£48,000)
- interventions to offer residents support with the cost of living (£10,323 with further funding allocated for future years)
- recruitment and training of an Operations Manager and a package of business support for the planned Jaywick Market site (£41,000)
- capital funding allocation to extend repairs to an existing beach access slope (£10,000 with further funding allocated for future years)
- green skills feasibility study (£25,000)

The Council anticipates starting an open call for projects in years 2 and 3 in the new year, which will include detailed criteria of the interventions which have been approved, for projects that can start from 1 April 2023. This will allow for a diverse range of project ideas to be brought forward, fostering partnership working.

To enable the Council to respond in a timely manner, given the deadlines highlighted above, a recommendation is included to approve the necessary delegation to the Portfolio Holder for Business and Economic Growth.

In addition to the above, the Council has also recently been awarded grant funded under the Government's Rural England Prosperity Fund (REPF). This is a Government initiative, which allocates funding as an 'add-on' to the existing UK Shared Prosperity Fund (UKSPF).

Tendring has been allocated **£659,335**, to be spent across years 2023/24 (25%) and 2025/26 (75%). The REPF is a capital funding opportunity with no allocation made within it for resourcing or administration costs. As an add-on to the UKSPF, Government anticipates that any resourcing costs will be met through the 4% allocation made through that scheme. This allocation is designed to replace the previous schemes, which focussed on rural areas, and projects should address one or both of the following themes:

- Support for Rural Businesses



- Investment in Rural Communities, which in the criteria, is defined as a village of less than 10,000 people, or a market town with significant supply to surrounding rural areas, of no more than 30,000 people.

In order to access Tendring's allocation, the Council submitted an addendum to the original UKSPF Investment Plan to outline further identified REPF projects by the deadline of 30 November 2022. As is the case with new activity, the Council could have considered not accepting the allocation, but this was discounted as the benefits to the residents of the district of the funding far outweigh the delivery risks and officer time associated with developing the Investment Plan. This is a guaranteed funding allocation with no competitive element.

The initial planned breakdown of the REPF funding submitted to the Government included a Rural Grants Scheme (£450,000), EV Charging Points (£150,000) and other activities such as a districtwide witch trail (£49,335).

Based on the specified spend profile highlighted above, the Council would have **£164,833.75** to establish a first round of the rural grants scheme in 2023/24, and the remaining grant funding / schemes would be considered in 2024/25.

Similarly to the UKSPF scheme above, a recommendation is included above to delegate approval of the expenditure from the REPF to the Portfolio Holder for Business and Economic Growth.

#### **ANNUAL MINIMUM REVENUE PROVISION POLICY STATEMENT**

Where relevant, figures included in the 2023/24 budget are based on the following policy statement that was agreed by Full Council on 29 November 2022.

**In accordance with the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008, the Council's policy for the calculation of MRP for 2023/24 shall be the Capital Financing Requirement Method for supported borrowing and the Asset Life (equal instalment) Method for prudential borrowing.**

#### **PREVIOUS RELEVANT DECISIONS**

Finance Update Report – General Update 2022/23 and 2023/24 – Item A.2 Cabinet 7 October 2022

Financial Performance Report 2022/23 and 2023/24 – General Update at the end of Q2 – Item A.5 Cabinet 4 November 2022

#### **BACKGROUND PAPERS AND PUBLISHED REFERENCE MATERIAL**

None

#### **APPENDICES**

**Appendix A** – Cost Increases / Corporate Investment Plan Items 2022/23 and 2023/24

**Appendix B** – Updated Long Term Financial Forecast

**REPORT CONTACT OFFICER(S)**

<b>Name</b>	<b>Richard Barrett</b>
<b>Job Title</b>	<b>Assistant Director (Finance and IT)</b>
<b>Email/Telephone</b>	<a href="mailto:rbarrett@tendringdc.gov.uk">rbarrett@tendringdc.gov.uk</a> <b>(01255) 686521</b>