

CABINET

27 JANUARY 2023

REPORT OF THE CORPORATE FINANCE AND GOVERNANCE PORTFOLIO HOLDER

A.4 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.
- Agree the latest financial forecast / budget proposals and council tax amount for 2023/24 for recommending to Full Council.
- Approve delegations to the Portfolio Holder for Corporate Finance and Governance to agree the detailed budget proposals and formal draft resolutions / ‘technical’ appendices required for Full Council on 14 February 2023.

EXECUTIVE SUMMARY

- At the meeting on the 16 December 2022, Cabinet considered the updated financial forecast, which included budget changes in 2022/23 and budget proposals for 2023/24.
- The Updated Financial Forecast was subject to consultation with the Resources and Services Overview and Scrutiny Committee, which met on the 11 January 2023, and their comments are considered elsewhere on the agenda.
- Since the Cabinet’s meeting on 16 December 2022, additional changes have been required, primarily as a result of new or revised information becoming available which includes the Government’s Financial Settlement announcements.
- The changes required result in a reduced deficit for 2023/24 of **£2.487m**, a change of **£0.946m** compared to the **£3.433m** deficit presented to Cabinet in December.
- **Appendices A and B**, along with comments set out later on in this report, provide further details across the various lines of the forecast, with the most significant change being the receipt of the revenue support grant and other associated funding from the Government.
- Given the impact of the various changes to the forecast across the remaining forecast period, it is proposed to transfer the remaining balance of funding of **£1,643,290** as set out within **Appendix A** to the Forecast Risk Fund. This is required to support the forecast across 2024/25 to 2026/27 based on the updated estimated position set out in **Appendix B**.

- To enable the detailed estimates along with the various resolutions / 'technical' appendices required for Full Council in February to be finalised, a delegation to the Portfolio Holder for Corporate Finance and Governance is included below. A further delegation is also included to enable a business rate relief policy, associated with a 2023/24 mandatory Government relief scheme, to be finalised in advance of bills being printed and sent out before the start of the financial year.
- This report also sets out a proposed Council Tax Support Fund Scheme, which reflects the associated Government guidance, with a recommendation included below.
- The recommendations also include a delegation to the Corporate Finance and Governance Portfolio Holder to agree expenditure to support climate change initiatives, following an associated adjustment to the budget for 2022/23 set out within **Appendix A**.
- The budget position set out in this report will change, as further adjustments will be required as part of finalising the budget for presenting to Council on 14 February 2023, with a further delegation included in the recommendations to reflect this.
- Based on the final proposed budget for 2023/24, the Council Tax requirement is **£9.603m**, which is based on a **3% (£5.47)** increase for this Council's services, with a Band D council tax of **£188.11**. These figure will remain unchanged and therefore will be reflected in the various budget resolutions / 'technical' appendices proposed to be delegated to the Portfolio Holder for Corporate Finance and Governance.
- The Council's annual budget and the district and parish elements of the council tax will be considered by Full Council on 14 February 2023, with approval of the 'full' council tax levy for the year being considered by the Human Resources and Council Tax Committee later in February 2023.
- Similarly to last year, the approval of the associated Treasury Strategy for 2023/24 for consultation with the Resources and Services Overview and Scrutiny Committee is recommended to be delegated to the Portfolio Holder for Corporate Finance and Governance.

RECOMMENDATION(S)

It is recommended that Cabinet:

- a) **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 Appendices and recommends to Full Council:**
 - (i) **A Band D Council Tax for district services of £188.11 for 2023/24 (a £5.47 increase), along with the associated council tax requirement of £9.603m.**
- b) **agrees a delegation to the Portfolio Holder for Corporate Finance and Governance, to agree the 'technical' appendices and resolutions for the budget proposals for recommending to Full Council on 14 February 2023;**

- (c) approves that subject to b) above, in consultation with the Leader and the Corporate Finance and Governance Portfolio Holder, the Chief Executive reports directly to Council in respect of the formal resolutions necessary to implement the Executive's budget proposals along with any late information or notifications received from the Government;
- (d) approves a delegation to the Portfolio Holder for Corporate Finance and Governance, to agree / adopt a Retail, Hospitality and Leisure mandatory business rate relief scheme for 2023/24;
- (e) approves a delegation to the Portfolio Holder for Corporate Finance and Governance to agree any associated expenditure from the £250,000 Climate Change budget set out in Appendix A;
- (f) approves / adopts the proposed Council Tax Support Fund Scheme as set out within this report and that any remaining balance be transferred to the existing Council Tax Hardship scheme; and
- (g) agrees a delegation to the Portfolio Holder for Corporate Finance and Governance to approve the draft Treasury Strategy 2023/24 for consultation with the Resources and Services Overview and Scrutiny Committee.

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 along with final budget proposals for 2023/24 for recommending to Full Council on 14 February 2023.

ALTERNATIVE OPTIONS CONSIDERED

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

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES

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.

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.

OUTCOME OF CONSULTATION AND ENGAGEMENT

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.

The Resources and Services Overview and Scrutiny were consulted on the budget proposals with their response that was agreed at their meeting on 11 January 2023, set out elsewhere on the agenda.

LEGAL REQUIREMENTS (including legislation & constitutional powers)

| Is the recommendation a Key Decision (see the criteria stated here) | YES | If Yes, indicate which by which criteria it is a Key Decision | X Significant effect on two or more wards X Involves £100,000 expenditure/income <input type="checkbox"/> Is otherwise significant for the service budget |
|--|------------|--|--|
| | | 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) | This item has been included within the Forward Plan for a period in excess of 28 days. |

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 Business 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. The revised 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.

In-line with the Government guidance, the Council Tax Support Fund Scheme proposals set out elsewhere in this report are required to be agreed using discretionary powers under S13A(1)(c) of the Local Government Finance Act 1992.

Subject to Government guidance, Business Rate Reliefs may be provided using powers under S47 of the Local Government Finance Act 1988, which require a local scheme to be developed and approved. Where reimbursed by the Government, this is done via S31 of the Local Government Act 2003.

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 part of developing / approving the budget.

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 | The Monitoring Officer confirms they have been made aware of the above and any additional comments from them are below: |
|------------|--|

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 | The Section 151 Officer confirms they have been made aware of the above and any additional comments from them are below: |
|------------|---|

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 report forms part of the Council's wider budget setting processes, with final budget proposals being set out in this report for recommending to Full Council on 14 February 2023. | |
| ASSOCIATED RISKS AND MITIGATION | |
| <p>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.</p> | |
| <p>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.</p> | |
| <p>As set out in Appendix B, the Forecast Risk Fund remains a key element of the long-term plan approach. 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.</p> | |
| <p>As highlighted in earlier reports, 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 as part of and/or outside of the annual budget setting cycle via separate decision making processes.</p> | |
| <p>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 highlighted / discussed.</p> | |
| EQUALITY IMPLICATIONS | |
| <p>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.</p> | |
| <p>An impact assessment will be undertaken as part of any separate budget decisions such as those that will be required to deliver savings.</p> | |

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.

| | |
|------------------------------|---------------------------|
| Crime and Disorder | Please see comments above |
| Health Inequalities | |
| Area or Ward affected | |

PART 3 – SUPPORTING INFORMATION

BACKGROUND

The long-term forecast is updated on an on-going basis, which is reported to Members on a regular basis as part of the financial performance / annual budget cycle, with the most recent position being reported to Cabinet at its 16 December 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).

Similarly to last year, a recommendation is included above that delegates approval of the more detailed budget information and associated appendices, which will be presented to the Full Council meeting in February, to the Portfolio Holder for Corporate Finance and Governance. It is important to highlight that the more detailed position delegated to the Portfolio Holder will only be a reflection of the updated high level forecast set out in this report.

For completeness, the more detailed / technical information proposed to be delegated to the Portfolio Holder for Corporate Finance and Governance for approval, will include the

following:

- *Detailed General Fund revenue estimates, capital programme and reserves 2023/24*
- *Special Expenses 2023/24*
- *Requisite Budget Calculations 2023/24*
- *District Council Taxes for All Areas 2023/24*
- *Precepts on the Collection Fund – District Amounts 2023/24*
- *District Council Tax Amounts 2023/24 (excluding Council Tax amounts for Town and Parish, County, Fire and Police services)*
- *Calculation of Estimated Surplus on the Collection Funds for 2023/24*
- *Prudential Indicators 2023/24*

The formal approval of the ‘full’ council tax levy for the year including the District amount approved by Full Council in February along with the Essex County Council and Police / Fire precepts will be considered by the Human Resources and Council Tax Committee later in February 2023.

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

Appendix A attached replicates the appendix considered by Cabinet at its 16 December 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 |
|--|---|---|---|
| Section 1 – Corporate Items | Increased from £1,193,400 to £1,219,970 (an increase of £26,570). | Reduced from £2,136,000 to £1,042,970 (a reduction of £1,093,030) | Further details are set out within Appendix A , with the most significant change reflecting the additional funding made available by the Government via the Local Government Finance Settlement. |
| Section 2 – General Operational Items | No Change – remains at £2,127,570 | Increased from £1,296,170 to £1,444,170 (an increase of £148,000) | Please see Appendix A for further details. |
| Section 3 – Proposed | No Change – remains at | Increased from £4,078,700 to | Although the cost pressures have changed as highlighted in |

| | | | |
|--|---|-------------------------------------|---|
| Funding Approach | £3,389,070 | £4,088,900 (an increase of £10,200) | Sections 1 and 2 above, no changes to use of the identified funding are proposed. Further comments are set out immediately below this table and relate to transferring the remaining balance to the Forecast Risk Fund. |
| Section 4 – Items that can be funded from associated / specific budgets and/or fees and charges | It is proposed to utilise £250,000 from the Asset Refurbishment and Replacement Reserve to provide the flexibility to fund a number of climate change projects. | No Change | Please see further comments in Appendix A along with an associated recommendation above. |

As set out in **Appendix A** and summarised in Sections 1,2 and 3 in the table above, the total level of net cost pressures has reduced to **£41,530** and **£1,601,760** in 2022/23 and 2023/24 respectively. However, given the impact of the required changes to later years of the forecast, it is proposed to transfer this funding to the Forecast Risk Fund as it is expected to be required to support a balanced budget in 2024/25 to 2026/27. The updated forecast set out in **Appendix B** reflects this change with a contribution of **£1,643,290** to the Forecast Risk Fund now included in 2022/23 and 2023/24.

In addition to the above, the cost pressure included to meet the cost of homelessness in 2023/24 has been reviewed in light of current demand. An initial amount of **£150,000** was included for 2023/24. This has remained unchanged, as the Government have recently confirmed the continuation of associated grant funding that totals **£803,885**, which will therefore be available in 2023/24 to complement existing budgets.

SECTION 2 - UPDATED LONG TERM FINANCIAL FORECAST AND BUDGET PROPOSALS 2023/24

Appendix B sets out the latest financial forecast from 2023/24 that reflects changes since Cabinet considered the earlier position at its 16 December 2022 meeting.

The changes required reflect an improved position – a net reduction of **£0.946m** in the annual forecast deficit (from **£3.433m** to **£2.487m**), which primarily reflects the grant funding made available by the Government as part of the Local Government Financial Settlement. However, it remains prudent to treat this as a one-off amount, which has therefore been ‘reversed out’ in 2024/25. Along with telescopic impact of the changes highlighted in Section 1 above, this has had a knock-on impact to the forecast, as the level of savings previously identified would still be required along with being supported by the forecast risk fund.

Work still remains on-going across a range of budget items such as business rates, fees and

charges and HRA / GF recharges. These will be finalised and included in the final budget proposals to be considered by Full Council on 14 February 2023.

However the following table provides commentary on the changes that have been made to the forecast as 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 16 December 2022):

| Item in the Forecast | Change since forecast was considered on 16 December 2022 | Comments |
|--|--|---|
| <i>Underlying Funding Growth in the Budget</i> | | |
| Line 3 – Growth in Business Rates – Inflation | Income reduced by £0.134m | Following the Government’s confirmation of ‘freezing’ the business rates multiplier for 2023/24, no additional income is included within this line of the forecast. However the Government have committed to reimbursing the Council the ‘cost’ of this change which is reflected in the general Government funding in Line 8 below along with the wider changes to business rate income that will be finalised for reporting to Full Council in February 2023. |
| <i>Net Cost of Services and Other Adjustments</i> | | |
| Lines 8 – Revenue Support Grant Funding | Income increased by £1.461m | Initial forecasts expected that the Government would not be providing local authorities with any general revenue support in 2023/24. However, as part of the Governments Local Government Financial Settlement, additional funding for this Council has been confirmed. |
| Lines 12 - LCTS Grant to Town and Parish Councils | Expenditure Increased by £0.041m | This reflects the ongoing commitment to ‘passport’ grant funding to Town and Parish Council’s in line with the Council’s own revenue support funding mentioned above. |
| Line 17, 18 and 19 Inflation and Unavoidable Cost Pressures / CIP Items | Net Expenditure increased by £0.341m | This reflects the changes for 2023/24 as set out in Sections 1 and 2 of Appendix A. |

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 Full Council on 14 February 2023.

In addition to the above, the Government also confirmed the provisional New Homes Bonus Grant due to the Council in 2023/24. A total of **£1.224m** will be receivable in 2023/24. It is proposed that his money remains uncommitted to ensure that it remains available to the New

Administration from May this year to support the delivery of the long-term forecast / priorities going forward.

Sensitivity Testing

Work remains in progress to update the usual sensitivity testing approach, with the outcome planned to be presented to Full Council on 14 February 2023 alongside the detailed budget proposals for 2023/24.

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.

ADDITIONAL INFORMATION

Council Tax Income / Levy 2023/24

As part of the recent Local Government Finance Settlement, the Government confirmed that District Councils can increase council tax by up to 3% without the need to hold a local referendum. An increase of 3% had already been included in the forecast, so subject to agreement by Cabinet / Council, no further changes are required.

A **3%** increase results in a council tax for a Band D property of **£188.11** in 2023/24 (an increase of **£5.47** over the 2022/23 amount of **£182.64**) with a Council Tax Requirement of **£9.603m**.

The property base is **51,050**, as reported to Cabinet in December 2022, which is an increase of **1,157.8** over the 2022/23 figure of **49,892.2**

Alongside the Local Government Finance settlement and in recognition of the expected increase in council tax amounts across the country, the Government introduced a Council Tax Support Fund. The fund totals £100m and is aimed at supporting Councils to deliver additional support to those households already receiving local council tax support, whilst also providing the flexibility to determine local approaches to support other vulnerable households. In terms of this Council's share of the £100m fund, a provisional allocation of **£325,376** has been made, which remains subject to the final financial settlement announcements.

The associated Government guidance has been received, which sets out their expectations on how the fund should be used as follows:

- Local authorities to use the majority of their funding allocations to reduce bills for current working age and pension age Local Council Tax Support (LCTS) claimants by up to £25. There should be no need for any recipient of LCTS to make a separate claim for a reduction under this scheme. The billing authority should assess who is eligible for support and automatically apply the discount.
- Council tax reductions should be applied from the beginning of the 2023/24 financial year for existing LCTS recipients and discounts should be reflected in council tax bills issued in March. It is for local authorities to decide how to treat households that become eligible for LCTS during the financial year.

- Councils can use their remaining allocation as they see fit to support vulnerable households with council tax bills.
- It is the Government's intention that any assistance provided from the Council Tax Support Fund will not affect the eligibility of recipients for other benefits.

With the above in mind, it is therefore proposed to provide a reduction of £25 to all households who are currently in receipt of LCTS. Where the council tax liability for the year is less than £25, then a lower figure will be awarded to reduce the household liability to nil. Subject to the recommendations above, this reduction will be reflected in the council tax bills that will be sent out in March. It is proposed that the scheme is based on the eligibility for LCTS on 1 April 2023, so no support will be awarded to households who may become eligible for LCTS during the year. Based on the current expected position at the 1 April 2023, **8,487** households would be eligible for support at a total cost of **£212,175**.

Although the above figure may change up until the time that the bills are produced and sent out, it is proposed that any remaining funding will be added to the Council's existing hardship scheme, which already provides the basis to support vulnerable households rather than introduce a further local discretionary scheme. This approach would also enable financial support to be considered for those who may not be receiving LCTS on 1 April 2023 but may be eligible during the year. Recommendations are set out above to enable a local scheme to be adopted and administered in-line with the Government guidance.

As set out in the Financial Report to Cabinet on 7 October 2022, the Council will continue to opt-in to the Council Tax Sharing Agreement with ECC if financially advantageous to do so. A revised scheme for 2023/24 has now been finalised by ECC, which is based on a higher 'fixed' investment element but a lower 'variable' incentive element. Although subject to the risk of changes in collection performance etc. during the year, based on current estimates, the revised scheme for 2023/24 will continue to provide a financial benefit to the Council. As set out in **Appendix A**, no additional net income has been included at this stage, but the position will be kept under review as part of the quarterly financial performance reports during 2023/24.

Business Rates Income

No changes over and above those set out in the report to Cabinet on 16 December 2022 have been reflected in the updated forecast at this stage.

The Council remains a member of the Essex Business Rates Pool, with its continuing membership proposed for 2023/24. Unless a Local Authority withdraws from the Essex business rates pool, the pool will continue in 2023/24. 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.

As part of continuing to provide financial support to businesses, the Government have announced a new business rates relief scheme. Although limited by a 'cash cap' of £110,000, the scheme enables business rate relief of up to 75% to be awarded to those businesses who operate within the retail, hospitality and leisure sectors. The Council is required to agree /

adopt a local scheme to enable relief to be granted to qualifying businesses. As the scheme is in effect a mandatory scheme prescribed by the Government with no local discretions applicable, the adoption of a scheme is therefore primarily a governance issue. With this in mind, a delegation is included within the recommendations above to enable an associated scheme to be agreed / adopted before the bills for 2023/24 are sent to businesses during February / March. The Government will fully reimburse the cost of providing these reliefs via associated grant funding.

As recently announced by the Government, the business property rating revaluation planned for 2023 will still go ahead, which will be supported by transitional relief alongside wider relief schemes. As highlighted earlier in this report, the Government have confirmed 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 final business rate estimates for 2023/24 still to be finalised. It is now proposed to reflect the impact of the overall business rate calculations in the final budget proposals to Full Council on 14 February 2023.

A report set out elsewhere on the agenda includes references to business rates in the new Freeport tax site, including a proposed business rate relief policy. There are no required changes to the forecast at the present time.

Capital Programme

No changes to the forecast have been required at this stage. The full multi-year Capital Programme will be included within the final budget proposals that will be presented to Full Council in February.

Reserves

No changes over and above those set out elsewhere in this report have been required at this stage.

Although a 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 remains adequate based on the latest review that was set out in the report to Cabinet on 16 December 2022.

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 need to be considered as part of finalising the budget proposal for 2023/24. Only limited changes to the budget have been made at the present time as set out in **Appendix A**. As the remaining fees and charges are agreed, any impact will be included within the final budget proposals that will be presented to Full Council on 14 February 2023.

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.

Treasury Strategy 2023/24

In accordance with the Budget and Policy Framework, the Treasury Strategy is required to be considered by the Resources and Services Overview and Scrutiny, following which it will be reviewed by Cabinet for recommending to Full Council.

As has been the case in previous years, a recommendation is included earlier on in this report to delegate the approval of the Treasury Strategy 2023/24 to the Portfolio Holder for Corporate Finance and Governance, for consultation with the Resources and Services Overview and Scrutiny Committee.

Special Expenses

No changes are proposed over and above those set out in the report to Cabinet on 16 December 2022, with the underlying principles remaining the same as 2022/23.

Annual Minimum Revenue Provision Policy Statement

As set out in the report to Cabinet on 16 December 2022, 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.

There have been associated no changes required to the forecast since Cabinet's meeting on 16 December 2022.

UPDATES TO THE FORECAST FOR THE PERIOD 2024/25 AND BEYOND

Taking the most up to date position set out in this report, the expected annual position for each remaining year of the forecast is as follows:

| Year | Net Budget Position (including adjusting for prior year use of reserves etc. to balance the budget) | Forecast Risk Fund - Estimated Surplus Balance at the end of the year |
|-------------|--|--|
| 2024/25 | £4.282m deficit | £1.137m |

| | | |
|---------|-----------------|---------|
| 2025/26 | £0.591m deficit | £0.796m |
| 2026/27 | £0.683m deficit | £0.361m |

The above is after taking into account the overall savings target of over **£5.000m** over 2024/25 to 2026/27 and the contribution to the Forecast Risk Fund of **£1.643** highlighted earlier. A framework against which to identify and secure the necessary on-going savings will need to be considered during 2023/24. The level of savings required will also need to continue to act as the 'safety valve' with the overall position being subject to further updates as part of reporting the quarterly position going forward as any increases in net costs will likely require a corresponding increase in the savings required.

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.

Updated General Fund Financial Forecast Including Proposed Budget Changes in 2022/23 along with Budget Proposals for 2023/24 – Items A.3 Cabinet 16 December 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)

| | |
|------------------------|---|
| Name | Richard Barrett |
| Job Title | Assistant Director (Finance and IT) |
| Email/Telephone | rbarrett@tendringdc.gov.uk 01255 686521 |