

## For publication

### 2022/23 Budget and Medium-Term Financial Plan

<b>Meeting:</b>	Cabinet Council
<b>Date:</b>	22 February 2022 23 February 2022
<b>Cabinet portfolio:</b>	Leader of the Council
<b>Directorate:</b>	Finance

#### 1.0 Purpose of report

- 1.1 To consider the General Fund revenue budget report for the financial year 2022/23 and the medium term 2023/24 to 2025/26 and to make recommendations to full Council on the budget allocations and Council Tax level.

#### 2.0 Recommendations

Cabinet recommends to Council that it:

- 2.1 Notes the updated forecast outturn for 2021/22 which presents a small surplus **(section 4.9)**.
- 2.2 Notes that any under spend in respect of 2021/22 is used to supplement the Budget Risk reserve **(section 4.10)**.
- 2.3 Approves the overall revenue budget summary for 2022/23 **(Appendix A)**.
- 2.4 Approves the 2022/23 Council Tax Requirement and financing **(Appendix D)**.
- 2.5 Increases the Council's share of Council Tax for properties in each band, **£5** increase for a Band 'D' property, in 2022/23 to **£179.89 (section 4.46)**.

- 2.6 Notes that all Band A to D Council Taxpayers will receive a payment of **£150.00** towards the cost of their Council Tax bills and that a discretionary amount of funding will also be available to support some Council Taxpayers living in Band E to H properties, for which the details of the scheme are yet to be finalised (**sections 4.51 and 4.52**).
- 2.7 Approves the Local Council Tax Support scheme which remains unchanged for 2022/23 (**section 4.50**).
- 2.8 Approves the use of the capital receipts flexibility to fund the costs of the Organisational Development programme, subject to finalising the terms of the OD programme (**section 4.58**).
- 2.9 Notes the Collection Fund and the Tax Base forecasts (**sections 4.48 and 4.49**).
- 2.10 Notes the financial projections in the Medium-Term Financial Plan (MTFP) for 2023/24 to 2025/26 (**section 4.53**).
- 2.11 Approves the estimates of reserves including maintaining the General Working Balance at **£1.5m** (**sections 4.63- 4.65 and Appendix B**)
- 2.12 Approve the extension to the scope of the Service Redesign Reserve to support future service improvements promoted through the Organisational Development programme (**section 4.60**).
- 2.13 Notes the budget risks and sensitivity analysis (**Appendix C**) and the Chief Finance Officer's assurances (**sections 4.66 – 4.78**).

### **3.0 Reasons for recommendations**

- 3.1 For the Council to meet the statutory requirements relating to setting the General Fund revenue budget and the level of Council Tax for 2022/23.

## **4.0 Report Details**

### **Background**

- 4.1 This report covers the General Fund revenue budget and is one part of a suite of budget reports which together make up the Medium-Term Financial Plan (MTFP). The other budget related reports include the

Housing Revenue Account (HRA) Budget, HRA Capital Programme, General Fund Capital Programme and Treasury Management reports.

- 4.2 The General Fund includes all revenue income and expenditure, including day to day running costs, financed from Council Tax, Business Rates, government grants and fees and charges. It excludes any income and costs related to council housing.
- 4.3 The MTFP has been produced against the backdrop of the ongoing Covid-19 pandemic and supports the Council in setting out new ways of working. The Council is committed to making the changes needed in response to the costs of Covid-19 and demand on local services, and to maintain the stability of services needed in extremely difficult circumstances by the careful management of the Council's finances and the strengthening of financial resilience. The ambition of the Council remains consistent in producing a robust MTFP that demonstrates financial sustainability.
- 4.4 The first draft of the MTFP was presented to Cabinet in December and at that point some elements of the budget were still to be confirmed. Several government policy announcements and decisions were still awaited that created significant uncertainty over forecasting the level of resources over the medium term. The 2022/23 budget was unbalanced at that stage.
- 4.5 As part of the Local Government Finance Settlement (LGFS), published on 7 February 2022, the Government confirmed 2022/23 grant funding. As a result, the Council has been allocated additional funding over and above the level prudently assumed within the first draft. The final Settlement has confirmed funding for one year only and has not projected indicative numbers for the remainder of the spending review period. Priority in the Settlement was 'stability in the immediate term' as the pandemic continues to bring challenges and associated financial pressures on councils. Further details of the allocations are set out later in this report.

### **Policy & Financial Planning Framework**

- 4.6 The 2022/23 budget is based on the need to find deliverable cost reductions and additional income to set a balanced budget. The budget is aligned to the delivery of the Council Plan and the strategic principles, set out below, aim to establish a framework for aligning the revenue and capital spending proposals with the Council's strategic priorities:

- That the Council will set a budget that is balanced and sustainable over the medium term that is policy led and aligned with the Council Plan.
- That the Council's medium and long-term financial health is built on solid foundations.
- That risks are identified and managed effectively, and an adequate level of reserves maintained in line with the risks and to protect service delivery.
- That income streams from fees and charges are maximised and increased, where appropriate, based on an assessment of market conditions.
- That, where possible, efficiencies are delivered through organisational development and service transformation.

### **2021/22 Forecast Outturn**

- 4.7 The Council approved the original budget for 2021/22 on 24 February 2021 with a forecast deficit of **£188k**. It was also agreed that the Council Tax be increased by £5 to £174.89 for a Band 'D' property.
- 4.8 The monitoring reports throughout the financial year have set out the impact the coronavirus pandemic has continued to have on the Council's financial position. Income from fees and charges, for sports centres, venues, and car parking, is forecast to be **£1.757m** lower than that forecast in the original estimates. Although the Covid19 Sales, Fees and Charges Compensation Scheme was extended until 30 June 2021, it fell significantly short of compensating for lost income. The scheme only allows for 75% of lost income to be claimed after applying a 5% deductible charge based on the approved budget for 2020/21.
- 4.9 The Council has been committed to delivering services within its approved budget and has been working collectively through budget managers to agree clear, robust, and immediate management action plans to address any adverse forecasts. Measures have included the review of non-essential spending, maximising grant opportunities, appropriate charging to other funds and general efficiencies. The latest forecast for 2021/22 shows a small surplus of **£128k**.
- 4.10 Strict budgetary control will continue to the end of the financial year and any surplus at outturn will be used to supplement the Budget Risk reserve.

### **Settlement Funding**

- 4.11 The Local Government Finance Settlement was published on 7 February 2022 and provided further detail to the announcements made in the Spending Review 2021.
- 4.12 To prioritise certainty and stability for 2022/23, the Government has opted for another one year rather than a multiyear settlement. This is the fourth one-year settlement for councils and continues to hamper the ability of councils to undertake effective financial planning and ensure financial sustainability.
- 4.13 The announcement reflected a net increase of **£1.279m** in settlement funding over and above that assumed in the first draft of the budget. The following paragraphs set out the allocations of government funding for 2022/23 and the assumptions we have had to make for future financial years in the absence of further information.
- 4.14 Revenue Support Grant - Authorities will continue to receive Revenue Support grant (RSG) and this has been confirmed at **£458k** for 2022/23. In the absence of further information, our working assumption is that this will continue in some form for the life of the MTFP.
- 4.15 Lower Tier Service Grant - This grant was introduced in 2021/22 to provide damping to authorities with cash-terms reductions in Core Spending Power. We had assumed no further allocation for 2022/23 but this has now been confirmed at **£154k**. Nothing has been included for future financial years.
- 4.16 Service Grant - This is a new, one-off, grant for 2022/23 only and the allocation for Chesterfield has been confirmed as **£233k**. It has been provided in recognition of the vital services delivered by local government and includes funding to cover the increase in employer National Insurance Contributions. The Government has stated a clear intention for this grant to be one-off for 2022/23 but intends to work closely with local government on how to best use this funding from 2023/24 onwards. Nothing has been included for future financial years.
- 4.17 New Homes Bonus (NHB) - The scheme was first introduced in 2011/12 to help address the national housing shortage. The scheme was designed to reward those authorities that increased their housing stock either through new build or by bringing empty properties back into use. Historically, this source of funding has been relatively low for Chesterfield.

- 4.18 A consultation was launched after the 2021/22 settlement on the future of NHB and it was expected that this funding would not continue in its current form, as such, no additional assumption for funding from this source had been included in the first draft of the budget. The Settlement has confirmed a delay to the abolition of this funding and a new allocation for the Council, of **£434k**, based on the numbers of net additional homes delivered, has been confirmed for 2022/23. The Secretary of State for Department for Levelling Up, Housing and Communities (DLUHC) has stated that the Government's response to the consultation will be published in early 2022. Nothing has been included for future financial years.
- 4.19 Council Tax Referendum Threshold - The Settlement has confirmed referendum levels for 2022/23. District Councils are permitted to increase their share of the Council Tax by the greater of up to 1.99% or £5 without triggering the need to hold a referendum. It is important to note that the Government assumes in the Core Spending Power calculation that councils will increase Council Tax at the maximum allowed level. If the Council, therefore, does not implement at the maximum level, then its spending power would be reduced going forward with no funding from government to mitigate this.

### **Business Rates**

- 4.20 The estimate of business rates income for 2022/23 was approved by the Employment & General Committee on 24<sup>th</sup> January 2022. The estimated level of business rates income is **£36.0m** and the Council's 40% share **£14.415m**. Under the retained Business Rates system any authority whose Business Rates income is more than their initial 'baseline' funding level, as is the case for Chesterfield, will pay the balance in the form of a tariff to the Government and this is used to fund other local authorities where their Business Rates are disproportionately low. The final estimate of business rates income, after the tariff payment to the Government, is **£5.102m** for 2022/23.
- 4.21 The business rates baseline was due to be reset in 2022/23, however this has been delayed until at least 2023/24. The current business rates system allows councils to retain a proportion of the growth in the local business rates tax base, however this will be lost during any baseline resetting exercise. The proposed reset represents a significant funding risk to the Council that hinders its ability to plan over the Medium Term.
- 4.22 To help mitigate against these losses we have assumed no further growth in business rates income after the financial year 2022/23.

- 4.23 Chesterfield is a member of the Derbyshire Business Rates Pool and the MTFP assumes a return of **£300k** from the pool in all financial years.
- 4.24 The Covid-19 pandemic continues to have a significant impact on 2021/22 business rates income through revaluations, other changes to the rating list and a reduction in collection rates. Additional provision of **£849k** has been made in relation to these elements.
- 4.25 Each financial year we are required to calculate the surplus/deficit on the business rates element of the Collection Fund. Due to in-year changes in the business rates relief scheme and the timing of government announcements, a deficit of £7.05m is forecast at the end of March 2022. The Council's share is **£2.8m** and this has been included in the MTFP.
- 4.26 The Government, however, has provided compensation to local authorities to mitigate the impact of this in the form of a Section 31 grant in 2021/22 and this grant has been transferred to the business rates reserve to help reduce the deficit on the Collection Fund in 2022/23. The Business Rates reserve has also been utilised to smooth the impact on the MTFP over the next 2 financial years.
- 4.27 Markham Vale Enterprise Zone - Annual business rates generated from the Enterprise Zone can be retained by the Council for a period of 25 years after the formation of the Zone. The Council is estimated to receive **£1.9m** in 2022/23 and for all years of the MTFP. In December 2019 the Council gave approval as part of a report on Business Rates policy for Markham Vale Enterprise Zone for three key programme areas for investment: key projects delivery, economic growth activities, and skills activities; and that the funding should be particularly targeted at unlocking and accelerating key developments and sites and delivering better outcomes for local communities.

### **Fair Funding Review**

- 4.28 There are now very strong expectations that changes to local government funding will be implemented in 2023/24. These reforms have been delayed from 2019 due to Brexit and the pandemic. A consultation on potential reforms is expected in the Spring of 2022, the scope of which is still unclear, and this was reflected in the one-year finance settlement. This means that funding levels over the medium term continue to remain speculative beyond the next financial year.

## Budget 2022/23 and Updated Medium Term Plans

- 4.29 The first draft of the budget was presented to Cabinet on 14 December and the report set out gaps of **£584k** in 2022/23 rising to **£992k** in 2025/26. This section provides an update to the first draft of the budget and reflects the latest assumptions, government announcements and final settlement.
- 4.30 The budget has been constructed in accordance with the budget principles and is **balanced for the first 2 financial years** with an expectation that savings delivered through the Council's emerging Organisational Development Programme will play a key role in balancing the latter 2 financial years of the MTFP. The budget has been risk assessed and reflects the current Council Plan 2019-23 priorities.
- 4.31 The approved budget for 2021/22 included approved savings proposals for future years; these have been reviewed and Table 1 sets out the savings proposals that remain included in the 2022/23 to 2025/26 proposals. This includes savings of **£660k** in 2022/23, the most significant of which is the saving to be delivered through the ICT improvement programme. The delivery of these savings is actively monitored to ensure cashable, ongoing savings are achieved.

Table 1: Approved Savings Proposals (cumulative)

Approved Savings	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Vat cultural exemption from venues	(100)	(103)	(106)	(109)
Procurement	(116)	(118)	(120)	(122)
ICT Savings (balance)	(444)	(631)	(815)	(830)
<b>Total</b>	<b>(660)</b>	<b>(852)</b>	<b>(1,041)</b>	<b>(1,061)</b>

### Cost Pressures

- 4.32 The first draft of the budget identified new cost pressures of **£1.6m** in 2022/23 rising to **£1.7m** by 2025/26. The details are set out in Table 2 below.



Table 2: New Cost Pressures				
Cost Pressure	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Recycling Contract	886	904	922	941
Vicar Lane Shopping Centre	142	142	142	142
Reduced Fees and Charges (Sports)	240	0	0	0
Additional Pay inflation	132	129	142	142
Removal of redundancy savings	200	300	400	500
<b>Total Cost Pressures</b>	<b>1,600</b>	<b>1,475</b>	<b>1,606</b>	<b>1,725</b>

- 4.33 Recycling Contract - Additional costs following the existing contractor entering administration and appointment of an alternative provider of this service.
- 4.34 Vicar Lane Shopping Centre – Reduced rental income.
- 4.35 Additional Pay Inflation - the original budget assumed a pay award of **1%** for 2021/22 and **2%** across all years of the MTFP. At the time of writing the report the national pay offer for 2021/22 has yet to be agreed. The additional sums reflect the impact of a potential additional pay offer of up to **1.75%** in 2021/22.
- 4.36 Reduced Fees and Charges - the medium-term forecast assumes that levels of expenditure and income will return to normal from 2022/23 except for sports centre income which we anticipate will take one year longer to recover.
- 4.37 Removal of Voluntary Redundancy Savings – the original budget included a voluntary redundancy target saving of **£200k** rising to **£500k** in 2025/26. This saving has been removed as it is unlikely to be achieved in addition to the voluntary redundancy/voluntary early retirement savings that are being delivered through the ICT improvement programme and the yet to be approved Organisation Development programme.

### **Other Adjustments**

- 4.38 There are several other adjustments that have been made to the base estimate and these are set out in table 3 below:

Table 3: Other Adjustments				
Other Adjustments	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Pavements Shopping Centre (net)	(592)	(584)	(577)	(569)
Other movements @ December	115	123	(19)	(26)
Further movements	13	29	46	8
Housing Reshape (net cost) - Strategic and Statutory Housing Functions	44	45	47	48
<b>Total</b>	<b>(420)</b>	<b>(387)</b>	<b>(503)</b>	<b>(539)</b>

4.39 Pavements Shopping Centre – the buyout of the superior landlord’s interest in the Pavements Shopping Centre was legally completed on 7 July 2021. This will achieve a budget saving of **£723k** in 21/22. The position will change in future financial years as the saving to the Council of not having to meet the contractual annual minimum rent payment of **£963k** will be offset by the annual cost of borrowing to fund the acquisition of **c£380k**.

4.40 Other net movements- this includes the impact of changes in budget assumptions, for example on CPI/RPI rates, which inevitably change from one budget cycle to the next.

4.41 Further net movements are those budget changes which have taken place to finalise the budget and include a contribution from reserves to fund the tier 4 posts through 2023/24, updated income projections and funding assumptions.

4.42 The Housing Directorate Reshape sets out the rational and vision for reshaping the Directorate in a phased approach. It establishes a new staffing structure and ways of working that provide leadership, operational capacity to deliver cohesive proactive customer focused services. The additional cost is for the provision of key statutory functions including homelessness and private sector housing which are General Fund Services.

### **Savings and Efficiency Proposals**

4.43 The first draft of the budget set out several new savings and efficiency proposals to address the budget gaps and these are set out below. Some of these proposals are one off and, as such, will fall out in future financial years. A one-off ICT saving, linked to bringing forward savings as part of a service re-shape in revenues and benefits service, has been removed from 2022/23 due to the additional work now being undertaken in relation to the distribution of rates reliefs and small business grants to businesses.

Table 4: Savings and Efficiency Proposals				
Proposal	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Crematorium Surplus	(110)	(55)	(55)	(55)
Local Government Boundary Review	0	(49)	(49)	(49)
Posts charged to Economic Development activity	(40)	(40)	(40)	(5)
Flexible use of capital receipts to fund business transformation	(117)	(119)	(121)	0
Economic Development Costs funded from Markham Vale Business Rates Retention Reserve	(55)	(55)	(55)	0
Review of funding for Events and Festivals	(100)	(100)	(100)	(100)
Recharging running costs of depot to HRA	(40)	(40)	(40)	(40)
Organisational Development Initial Proposals				
• Review of sports centre customer service offer	0	(30)	(30)	(30)
• Review of the provision of the Visitor Information Service	(15)	(40)	(40)	(40)
<b>Total proposals</b>	<b>(477)</b>	<b>(528)</b>	<b>(530)</b>	<b>(319)</b>

4.44 Further details relating to the new proposals are set out below:

- **Surplus on Crematorium** – additional fees and charges income from the crematorium and a one-off allocation from the Crematorium Reserve following a review of the adequacy of reserves.
- **Local Government Boundary Review** – reduction in costs associated with the number of councillors falling from 48 to 40 from May 2023 based on the outcome of the review.
- **Effective and appropriate charging of General Fund revenue activities** – This includes the use of Enterprise Zone funds to fund economic development activity, ensuring the Housing Revenue Account (HRA) is appropriately charged for asset use i.e., Depot and, flexible use of capital receipts to fund transformation activity. This is subject to the confirmation of the previously announced capital receipts flexibility being extended to 2024/25. £117k contribution from the Budget Risk reserve will be required in 2022/23 to offset this saving if the flexibility is not extended.

- **Organisational Development Initial Proposals**
  - **Review of the provision of the Visitor Information Service** – this proposal is informed by the draft Visitor Economy Strategy and our existing ICT improvement programme and aims to align service provision with customer needs and expectations. This proposal will be subject to further work and appropriate consultation.
  - **Review of Sports Centre customer service offer** – this proposal is aligned with the customer relationship management changes that will be made through the implementation of a new leisure management system (Gladstone) which will offer enhanced end to end customer experience.

### Council Tax & Collection Fund

4.45 The overall Council Tax base for 2022/23 has been calculated and set at 29,858, an increase of just over 2% from 2021/22. This provides an additional **£79k** pa for the MTFP. The Tax Base provides an estimate of how much each £1 of Council Tax would raise and is expressed in terms of an equivalent number of Band 'D' dwellings in the borough. The Employment and General Committee approved the Tax Base on 24<sup>th</sup> January 2022 as set out in Table 5. The MTFP assumes 0.5% growth for future financial years.

Table 5: Tax Base – number of band 'D' equivalent properties				
Area	2021/22	2022/23	Increase / (Decrease)	
			No.	%
Brimington Parish	2,408.75	2,405.15	(3.60)	(0.1)
Staveley Town	4,243.38	4,378.04	134.66	3.2
Chesterfield Area	22,616.83	23,074.93	458.10	2.0
<b>Total</b>	29,268.96	29,858.12	589.16	2.0

4.46 To help maintain and protect current levels of service provision the budget forecasts assume a Council Tax increase of £5 in line with the referendum limit set by the Government. The referendum threshold was confirmed by government as part of the Local Government Financial Settlement. The limit for 2022/23 has been set at 1.99% but with an additional concession for district councils, which allows them to increase their Council Tax by a maximum of £5 or 1.99%, whichever is the higher.

The £5 increase is equivalent to an increase of 2.86% and would have the following impact on local taxpayers:

- For a Band 'A' property (more than half the properties in the Borough), the increase is equivalent to an extra **£3.33** per annum or **6.4** pence per week
- For a Band 'D' property, the increase is equivalent to an extra **£5.00** per annum or **9.6** pence per week

- 4.47 A £5 Council Tax increase will contribute an additional **£149k** per annum to be invested in local service provision. The Council's share of the overall Council Tax bill is approximately 10%.
- 4.48 Collection Fund Balance – The estimated year-end balance is a surplus of £600k, as reported to Cabinet on 18th January 2022. This surplus is shared amongst the major precepting authorities; the Borough's share is **£60,490** (10.08%).
- 4.49 The forecast position last financial year was for an increase in the level of arrears due to the impact of the pandemic on household's disposable income. To help spread the impact of the deficits the Government announced legislation to enable the 2020/21 deficits to be repaid over three financial years. The MTFP therefore includes the second year's share of the 2020/21 Council Tax Collection Fund deficit of **£22,383**.
- 4.50 Local Council Tax Support Scheme - Since 2013/14, the Council has operated a local scheme which requires property occupiers of working age to pay at least the first 8.5% of the Council Tax liability for their property. The 'taper', i.e., the rate at which support is withdrawn as income increases, is set at 20%. Those of pensionable age continue to receive up to 100% support. The scheme is to remain unchanged for 2022/23. The Council Tax Rebate of £150 for all properties in Bands A to D detailed in paragraph 4.51, will not be included in the calculation of disposable income for assessment of eligibility for Local Council Tax Support. The Council will continue to work with individuals and the local advice agencies to ensure that those experiencing difficulties paying their Council Tax bills will receive appropriate advice and support.
- 4.51 Council Tax Rebate - On 3 February, in response to increasing energy costs, the Government announced that properties in Bands A to D would be eligible for a **£150** payment towards their Council Tax bills in April 2022. Full details of how the payment will be administered are awaited from the Government. It is however known that payments will be made outside the council tax system and will not affect either Council Tax setting, the Local

Council Tax Support Scheme or the Collection Fund. The Government has also stated that local authorities would be refunded for the cost of the rebate, plus funding to help with the administrative costs.

- 4.52 In addition, **£144m** of funding is being provided to local authorities nationally to provide support to eligible households living in Band E- H properties. The level of the Council's allocation is yet to be confirmed.

### Balancing the budget

- 4.53 Table 6 sets out the latest budget position, taking account of the original budget estimates from February 2021 and all the changes referenced in this report. The first two financial years of the MTFP are balanced but there are gaps still to be closed in years 3 and 4. It is however recognised that the yet to be finalised savings which are to be delivered through the Council's emerging Organisational Development programme will play a key role in covering these gaps.

Gap	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Existing MTFP gaps @ Feb 2021	12	292	77	181
New Cost Pressures	1,600	1,475	1,606	1,725
Other adjustments	(420)	(387)	(503)	(539)
Savings and Efficiency Proposals	(477)	(528)	(530)	(319)
Business rates reserve	749	(267)	0	0
Council Tax base and increase	(185)	(127)	(131)	(137)
Impact of LGFS	(1,279)	(458)	(458)	(458)
<b>Budget Gaps</b>	<b>0</b>	<b>0</b>	<b>61</b>	<b>453</b>

- 4.54 The Organisational Development (OD) Strategy has been adopted with the aim of achieving "a joined-up approach to aligning resources, working practices and performance with the strategic ambition of the Council; shaping capability and culture to enable resilient delivery of our priorities". This approach will support the development of our MTFP.
- 4.55 Work is now underway to finalise the OD Programme to give effect to the Strategy. Preliminary analysis suggests that further savings will be achievable, more significantly in the latter years of the MTFP, estimated at up to **c£800k** by 2025/26 for projects in development. It is however, only when detailed business cases have been completed that savings from these projects will be included within the MTFP.

- 4.56 It is envisaged that additional investment will be required to support the delivery of the OD Programme and further work is ongoing to identify the level and nature of resources required.
- 4.57 All project proposals will be assessed against a clear set of design principles that describe the way the Council will operate in the future, to ensure they produce any forecast savings, continue to modernise the operation of the Council, and deliver better facilities and services and outcomes for our communities.
- 4.58 Subject to confirmation by the Government, the Council intends to utilise capital receipts flexibility to part fund the OD Programme, the principles of which were approved by Council on 28th April 2021. At this stage, **£500k** will be ringfenced to fund programme support and pump priming to ensure that we have the appropriate skills and resources to deliver change. The use of £357k of this funding flexibility is proposed to be allocated against existing dedicated business transformation staff resources, who will support the delivery of the OD programme. The Council's flexible use of capital receipts to fund transformation projects will continue to be subject to development and approval of robust business cases. The business cases will need to demonstrate that: the initiative will transform services, generate future savings or reduce future costs, and the costs being funded are implementation or set up costs and not on-going operational costs. Drawdown will be subject to Cabinet approval. Further details in relation to the flexible use of capital receipts are set out in section **4.61**.
- 4.59 A separate report will be presented to a future Cabinet, setting out the approach that the Council will take to the delivery of the OD Programme, including the proposed governance arrangements, the development and design principles, the aims, objectives and forecast outcomes for the strategic delivery areas and details of the initial projects to be brought forward within the programme.
- 4.60 Service Improvements and Redesign – The OD programme is part of the process of changing the Council's approach to service delivery by focusing on the outcomes that we are seeking to achieve and undertaking the essential service redesign to ensure that these are achieved in a more effective and efficient manner. Whilst the Programme will inevitably focus on cost reduction and achieving value for money, there are other service outcomes that are equally important. The service redesign reserve was initially set up to support ICT improvements as part of the ICT programme. It is recommended that the scope of this reserve is extended

to support future service improvements promoted through the OD programme.

### **Flexible Use of Capital Receipts Strategy**

- 4.61 As part of the November 2015 Spending Review, the Government announced that it would introduce flexibility for local authorities to use capital receipts from the sale of non-housing assets to fund the revenue costs of service reform and transformation on condition that these activities would generate ongoing savings to an authority's net service expenditure. Guidance on the use of this flexibility was issued in March 2016 which applied to the financial years 2016/17 to 2018/19. In December 2017 the Government confirmed that this flexibility would be extended for a further three years to 31<sup>st</sup> March 2022 and in December 2020 announced a possible further extension to March 2025.
- 4.62 The Government has also provided a definition of expenditure which qualifies to be funded from capital receipts. This is:

*“Qualifying expenditure is expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners. Within this definition, it is for individual local authorities to decide whether or not a project qualifies for the flexibility.”*

### **Reserves**

- 4.63 General Fund Balance - The General Fund working balance has been set at **£1.5m**, equivalent to **c17%** of the Council's budget requirement, and has been informed by the detailed risk assessment undertaken as part of the budget process. The on-going financial risks associated with the impact of Covid19 on the Council's financial position, the business rates retention scheme and other funding sources would suggest that it imprudent to consider reducing this amount. Details of the updated assessment of financial risks and uncertainties is provided in **Appendix C**.
- 4.64 Earmarked Reserves - In addition to the General Working Balance the Council maintains several other reserves. Earmarked reserves, by their very nature, are set aside and committed for specific purposes, such as property repairs and vehicle & plant replacements.



4.65 Table 7 below shows a summary projection of the General Fund Reserves at 1 April 2022. The summary of useable reserves excludes the General Working Balance of **£1.5m**, S106 and Community Infrastructure sums.

Table 7: Updated reserves	
Type	Balance @ April 2022 £000
Budget Risk Reserve	1,355
Business Rates Reserve	4,418
Insurance Reserve/ Provision	923
Repairs and Maintenance - various	1,691
Enterprise Zone Business Rates	852
Service Redesign/ service improvement	765
Other - various	1,640
<b>Total Reserves</b>	<b>11,644</b>

### Risks and Uncertainties

4.66 The budget estimates are based on the best available information but inevitably there is a degree of risk and uncertainty in some of the assumptions made. Details of the most significant risks and uncertainties are provided in **Appendix C** and set out below:

- Inflation - CPI Inflation rose to above 3% from September 2021 and the increase is expected to persist to the end of the 2021/22 financial year, driven largely by energy and goods prices. This will impact on Council budgets in the form of higher operational costs, and potentially lower income as households face 'cost of living' pressures.
- Covid-19 Pandemic - the scarring costs include increased demands on services and loss of income e.g., Business Rates and Council Tax collection.
- Revenue implications of capital schemes - a refresh of business cases relating to the council's growth agenda will be needed to assess the impact of the pandemic on pre-pandemic forecasts e.g., the financing costs of borrowing.
- The Government's Fair Funding Review (review of relative needs and resources)
- The planned Business Rates baseline reset in 2023/24
- The level and nature of Business Rates appeals/valuation changes
- Impact of the recent Levelling up White Paper and any emerging devolution framework

- Non achievement of savings plans i.e., ICT Improvement Programme and other savings action plans
- The Government's flexible use of capital receipts policy currently ends in March 2022 but is expected to be extended.
- Financing the 10-year property maintenance programme – A new Asset Management Plan with up-to-date condition survey is currently being drafted
- Fully funding the next iteration of the climate change strategy and action plan

## **Financial Stability and Resilience**

- 4.67 The Local Government Act 2003 (section 25) requires the Chief Financial Officer (CFO) to report on the robustness of estimates and the adequacy of financial reserves when the statutory calculations to determine the Council Tax are reported. The CFO is the officer responsible for administration of the Council's financial affairs for the purposes of Section 151 of the Local Government Act 1972.
- 4.68 Robustness of estimates – subject to the risks and uncertainties highlighted elsewhere in this report and in **Appendix C**, the CFO is satisfied that the estimates are based on the best available information and that procedures are in place to ensure the estimates are accurate and reliable. Budget responsibility is devolved to service managers supported by finance colleagues. A robust approach to risk management minimises the inherent risks and uncertainties in the forecasting process.
- 4.69 The Council recognises the importance of individual and collective accountability and requires managers to actively manage and monitor their budgets throughout the financial year and to undertake any required corrective action at the earliest opportunity.
- 4.70 Levels of reserves - details of the Council's reserves are provided in **sections 4.63 – 4.65** above and in **Appendix B**. The General Fund minimum working balance is being maintained at **£1.5m** to recognise the financial risks the Council currently faces particularly in relation to Business Rates income and the Council's continuing response to the Covid19 pandemic. The updated Budget Risk and Sensitivity Analysis in **Appendix C** also supports the General Fund minimum working balance being maintained at this level.
- 4.71 Housing Revenue Account reserves – The HRA budget is set out in a separate report to this Cabinet. The working balance levels allow sufficient monies for the funding of future years' Capital Programme, the repayment

of the debt, as well as an amount of **£3.4m** as being the minimum required to cover unexpected events such as falling investment income or increased costs.

- 4.72 The Council's policy on the use of reserves remains to use earmarked reserves for their intended purposes and to defray any surplus reserves for investment in the Council's priorities and/or in improvement / transformation programmes which are designed to produce on-going revenue budget savings.
- 4.73 The Council's reserves are considered adequate for 2022/23. The position in future financial years will depend on the Council's success in delivering planned budget savings and its ability to apply surpluses to maintain and bolster the levels of both earmarked and unearmarked reserves.
- 4.74 Whilst legislation requires that the CFO comments on the robustness of estimates and the adequacy of reserves, good practice requires consideration of two further matters.
- 4.75 The Chartered Institute of Public Finance and Accountancy (CIPFA) has developed a **Financial Resilience Index** which is a comparative analytical tool to support good financial management. The index illustrates a range of measures associated with financial risk including levels of reserves as a proportion of the Council's overall budget.
- 4.76 CIPFA has also produced a **Financial Management Code** to support good financial management and demonstrate a local authority's financial sustainability, giving assurance that an authority is managing its resources effectively. Compliance with this Code will help strengthen the framework that surrounds the Council's financial decision making.
- 4.77 The Code is based on a set of principles supported by specific standards and statements which are considered necessary to help councils manage their finances in the short and medium term and demonstrate financial resilience to meet unforeseen demands on services and unexpected challenges in their financial circumstances.
- 4.78 Compliance with the Code is required for 2021/22. To demonstrate the Council's compliance with the Code, an audit of our procedures was undertaken by the Head of Internal Audit in January 2021. The audit delivered a 'Substantial' assurance rating with just one medium priority recommendation made.

## **Consultation**

4.79 The consultation meeting with the business ratepayers' representatives took place on 2<sup>nd</sup> February 2022. Issues discussed included current business rates relief schemes, the Council's administration of Covid19 business grant schemes, planned changes to the business rates system, the Council's budget forecasts and the Council's options with regards increasing Council Tax in the coming financial year.

### **Other Local Council Taxes**

4.80 The special items to be added to the tax in **parished areas** are:

- **Staveley Town Council** – Band 'D' tax increased by 2.5% to £101.53 (£99.05 in 2021/22); &
- **Brimington Parish Council** – Band 'D' tax increased by 2.18% to £22.92 (£22.43 in 2021/22).

4.81 Derbyshire County Council resolved on 24<sup>th</sup> January 2022 to increase its Council Tax by 3.0% to £1,424.56 for a Band 'D' Taxpayer (£1,383.07 in 2021/22).

4.82 Derbyshire's Police & Crime Commissioner set the Constabulary's precept and Council Tax on 27<sup>th</sup> January 2022 – the Band 'D' tax will be £251.60, an increase of £10 (4.1%) (£241.60 in 2021/22).

4.83 The Derbyshire Fire and Rescue Authority set its precept and Council Tax on 10<sup>th</sup> February 2022 – the Band 'D' tax will be £80.84, an increase of 1.98% (£79.27 in 2021/22).

4.84 Details of the Council Taxes for each major preceptor and by each tax band are shown in **Appendix E** (to follow)

### **Calculation of Expenditure**

4.85 The calculation of expenditure required under Section 32 of the Local Government Finance Act 1992 is shown at **Appendix D**.

## **5 Alternative options**

5.1 There are other options in terms of increasing Council Tax by a lesser amount, but this would put pressure on already stretched Council resources. The Council is facing a number of future risks and uncertainties, and these are set out in the body of the report and within

**section 4.66.** This is the fourth one-year settlement for councils and continues to hamper the ability to undertake effective financial planning and ensure financial sustainability.

- 5.2 A £5 Council Tax increase will contribute an additional **£149k** per annum to be invested in local service provision. Chesterfield is a relatively low tax-base council with most properties in band A and B. Any increase in Council Tax will raise less additional revenues than higher tax-base authorities.
- 5.3 It is important to note that the Government assumes in the Core Spending Power calculation that councils will increase Council Tax at the maximum allowed level. If the Council, therefore, does not implement at the maximum level, then its spending power would be reduced going forward with no funding from Government to mitigate this.

## **6 Implications for consideration – Council Plan**

- 6.1 In preparing the budget estimates for the coming financial year and updating the MTFP, detailed consideration has been given to the need for the Council's finances to be at levels appropriate to enable the Council to deliver in full on the priorities and objectives that it has set itself for the remaining term of the Council Plan through March 2023.
- 6.2 The preparation of sustainable and balanced budgets over the medium term is also a key activity in contributing to delivery of the third Council Plan priority 'delivering value for money services'.

## **7 Implications for consideration – Financial and value for money**

- 7.1 The report in its entirety deals with financial and value for money implications.

## **8 Implications for consideration – Legal**

- 8.1 It is a statutory requirement under Section 33 of the Local Government Finance Act 1992 for the Council to produce a balanced budget. Before setting the level of the Council Tax the Council must have agreed a balanced budget, differentiated by services, which is sufficient to meet estimated revenue expenditure, levies, contingencies, any deficit estimate brought forward from previous financial years, and any amounts required to be transferred between funds. The Council Tax itself must be sufficient to cover the difference between the agreed budget less government grants credited to the income and expenditure account, and any other

expenditure which must be met from the Collection Fund, less any surplus (or plus any deficit) brought forward from previous financial years.

## **9 Implications for consideration – Human resources**

9.1 There are no human resource implications to consider in this report.

## **10 Implications for consideration – Risk management**

10.1 There are a number of significant risks inherent in any budget forecasting exercise and these risks increase as the period covered increases. The most significant budget risks have already been referenced, in summary form, at **section 4.66** and a more detailed budget risks and sensitivity analysis is included at **Appendix C**.

## **11 Implications for consideration – community wellbeing**

11.1 Although there are no direct community wellbeing implications to consider in this report, the ability for the Council to appropriately manage its day-to-day finances and to be able to achieve a balanced budget position is critical to the continued delivery of the full range of council services that are targeted at supporting community wellbeing across the borough.

## **12 Implications for consideration – Economy and skills**

12.1 Although there are no direct economy and skills implications to consider in this report, the ability for the Council to appropriately manage its day-to-day finances and to be able to achieve a balanced budget position is critical to the continued delivery of the full range of council services that are targeted at supporting the economy and skills and employability across the borough.

## **13 Implications for consideration – Climate Change**

13.1 Individual climate change impact assessments are not required for the budget process. These are included as part of the decision-making processes for specific spending options.

## **14 Implications for consideration – Equality and diversity**

14.1 Individual equality and diversity impact assessments are not required for the budget process. These are included as part of the decision-making processes for specific spending options.

### **Decision information**

<b>Key decision number</b>	<b>1082</b>
<b>Wards affected</b>	<b>All</b>

### **Document information**

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<b>Appendices to the report</b>	
Appendix A	General Fund Revenue Budget Summary
Appendix B	Reserves & Balances
Appendix C	Budget Risks & Sensitivity Analysis
Appendix D	Section 32 Statement
Appendix E	Council Taxes – marked to follow