

For publication

General Fund Revenue Budget Summary

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|---------------------------|-----------------|
| Meeting: | Cabinet |
| Date: | 24 January 2023 |
| Cabinet portfolio: | Deputy Leader |
| Directorate: | Finance |

1.0 Purpose of report

1.1 To provide Cabinet with an update on the development of the General Fund Revenue Budget for 2023/24 and future years.

2.0 Recommendations

2.1 To note the updated budget projections for 2022/23.

2.2 To note the progress in the development of the budget for 2023/24 and the Medium-Term Financial Plan (MTFP) for years 2023/24 to 2026/27.

2.3 To note that work continues to refine the draft estimates for 2023/24 and future years and to identify ways in which a balanced budget can be achieved, and that this will form part of the MTFP Council report in February 2023.

3.0 Reasons for recommendations

3.1 This report presents an updated assessment of the Council's forecast outturn for 2022/23 and progress in addressing the deficit in year.

3.2 This report also sets out the context of the financial environment for the medium-term and represents the Council's first phase of its draft budget and MTFP setting proposals for 2023/24 to 2026/27. It is acknowledged that further work is required to produce a balanced position for 2023/24 and for the subsequent years of the plan.

4.0 Report details

Background

- 4.1 Like all local authorities, Chesterfield Borough Council continues to face financial challenges. The sustained period of austerity, the ongoing risks and uncertainties over future funding, the budgetary impacts from Covid-19 and a period of exceptionally high inflation, have all impacted on the financial position of the Council.
- 4.2 In response to these challenges, the Council has already made significant savings in previous years and taken steps to manage demand and deliver services in the most efficient way. It is within this context that the Council must develop its approach to balancing the 2023/24 budget, and the MTFP.
- 4.3 The financial impact of Covid-19 and the cost-of-living crisis on the demand for Council services has been significant, resulting in new cost pressures and reductions across the Council's income streams, particularly in areas such as, car parking, markets and town centre retail units. Income remains significantly below pre-pandemic levels and may never fully recover.
- 4.4 It should also be noted that details of the Council's funding, post 2023/24 financial year, from the Government is uncertain. The provisional settlement is only for one-year 2023/24 (with some guiding principles and additional amounts identified for 2024/25) which makes medium term financial planning highly unpredictable. We know from the overall government spending plans that future growth is limited and that further savings are likely to be required although, without detailed spending plans, it is difficult to predict how significant these will be.
- 4.5 The report sets out the assumptions which underpin the General Fund revenue element of the MTFP and the proposals to reduce net costs that will contribute towards the delivery of a balanced budget. At this stage there are still significant budget gaps remaining over the 4-year plan.

Council Plan

- 4.6 A new four-year plan has been developed for 2023 – 2027 and will be presented to Council on 22 February 2023. The Council Plan defines the Council's key priorities, objectives and commitments over the four-year period. The plan is aimed at providing focus, setting out priorities that will require a collective corporate effort during the period and draws upon our extensive 'State of the Borough' evidence base and communications, consultation and engagement activities. We have also utilised horizon scanning tools to take us through to 2027 and beyond. The Plan identifies

the key commitments places increased focus on achieving real outcomes to deliver our vision of 'putting our communities first'. Alongside the Council Plan we have developed a year 1 2023/24 Delivery Plan which sets out the key milestones and measures we will need to achieve to keep the Council Plan on target for delivery. The Delivery Plan will be reviewed annually and approved by Cabinet in March.

- 4.7 Our Performance Management Framework has also been updated to accompany the Council Plan. The framework will underpin the Council Plan, measure and demonstrate our success in terms of milestones, outputs, outcomes and measures and effectively review and challenge performance.

Financial Settlements and Funding Allocations

- 4.8 The Provisional Local Government Settlement was announced on 19 December 2022 and was more positive for local government than had been expected, although much of the increase was directed towards those authorities with social care responsibilities.
- 4.9 The settlement sets out the Core Spending Power (CSP) including the main grant allocations for individual authorities from the Department of Levelling-up, Housing and Communities (DLUHC) and is a measure of resources technically available to local authorities to fund service delivery. It comprises Council Tax, and the main government grants, including the baseline for Business Rates retention. DLUHC use an estimate for our Business Rates figures in the settlement calculation, reflecting their projections of growth, impact of capped multiplier, revaluations and shifts in rating lists. It is important to note that the Government assumes in the CSP 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.
- 4.10 The Government has published that, in their assessment, Chesterfield's overall annual increase in core spending power will be **4.5%** or **£9.36** per dwelling in 2023/24 as set out in Table 1.

| TABLE 1: CORE SPENDING POWER | | | |
|--|--------------------------|------------------------------|----------------------------------|
| Detail | Revised 2022/23 £m | Provisional 2023/24 £m | Year-on- year change £m |
| Revenue Support Grant | 0.458 | 0.663 | 0.205 |
| Business Rates Baseline and Tariff | 3.373 | 3.499 | 0.126 |
| Settlement Funding Assessment | 3.831 | 4.162 | 0.331 |
| Compensation for lower BR multiplier (<i>DLUHC estimate</i>) | 0.345 | 0.596 | 0.251 |
| Council Tax requirement (<i>DLUHC estimate</i>) | 5.371 | 5.584 | 0.213 |
| New Homes Bonus (NHB) | 0.440 | 0.398 | (0.042) |
| Lower Tier Services Grant | 0.154 | 0.000 | (0.154) |
| Services Grant | 0.233 | 0.131 | (0.102) |
| Grants rolled in | 0.158 | 0.000 | (0.158) |
| Funding Guarantee | 0.000 | 0.135 | 0.135 |
| Total | 10.532 | 11.006 | 0.474 |
| Increase | | | 0.474 |
| Increase by dwelling | | | £9.36 |
| | | | 4.5% |

- 4.11 The most disappointing aspect of the settlement was it provided funding allocations for one year only, although it did give some direction on what the funding may look like in 2024/25, stating that: *the core settlement will continue in a similar manner for 2024/25. The major grants will continue as set out in 2023/24.* This does provide some assurance that funding levels will be uplifted by inflation in 2024/25.
- 4.12 The announcement reflected a net increase of **£1.056m** in settlement funding over and above that assumed in the budget assumptions in the February 2022 report. The following paragraphs set out the allocations of government funding for 2023/24 and the assumptions we have had to make for future financial years in the absence of further information.
- 4.13 **Revenue Support Grant (RSG)** - Authorities currently continue to receive RSG from the Government in addition to their retained Business Rates. The current MTFP assumed **£458k** in 2023/24 and no RSG from 2024/25 onwards. This assumption was based on the best information available at the time. The settlement has confirmed that Chesterfield will receive **£663k** in 2023/24, however this has increased primarily due to the rolling in of specific grants (£158k - Council Tax Administration Grant). After accounting for this adjustment RSG will have increased by **£47k**. It is assumed that this level will continue in 2024/25.

- 4.14 **Business Rates** - The baseline funding level is the guaranteed allocation that has been determined by the government assessment of relative needs and resources. The localisation of Business Rates requires the Council to estimate the amount of Business Rates to be collected. The locally retained element of Business Rates is 50%, of which the Council retains 40%, 9% goes to Derbyshire County Council and 1% to Derbyshire Fire and Rescue Authority. The monitoring and estimating of Business Rates is a local responsibility and the financial risk, due to Business Rates volatility, is one that could impact on the Council's overall funding position.
- 4.15 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 Government which is used to fund other authorities where their respective Business Rates income is lower than expected. Chesterfield is a member of the Derbyshire Business Rates Pool which allows Derbyshire authorities to retain a greater proportion of income than operating independently under the national scheme. The MTFP assumed a return of **£300k** from the Pool in all years of the MTFP, although a further **£390k** has been assumed for 2023/24 based on the latest information available.
- 4.16 The 2023 Business Rates revaluation will be implemented from April 2023, which will see every non-domestic property receive a revised revaluation. This will impact on both the baseline funding and the tariff.
- 4.17 The Business Rates multiplier has been frozen for the third consecutive year. Local Authorities are provided with grant which compensates for the reduction in Business Rates income that can be collected.
- 4.18 The actual amount of Business Rates used in the February MTFP report will be those locally assessed and included in the return to government in the form of the NNDR1, which will also include any Business Rates growth above the baseline. This information will not be known until the end of January 2023.
- 4.19 **Council Tax** - The Government has confirmed that the referendum limit for the basic increase in Council Tax will be the higher of up to 3% or £5 on a Band D equivalent.
- 4.20 The total Council Tax Requirement of £5.584m assumed by DLUHC for 2023/24 is slightly higher (£79k) than had previously been assumed in the MTFP. This is because they have assumed different parameters in their own analysis of our likely tax base growth.

- 4.21 The current MTFP includes Council Tax increases of **1.99%** per annum in 2023/24 and across all years of the MTFP. The estimated Council Tax Base for 2023/24 has increased from **29,858.12** Band D equivalents to **30,222.43**. The MTFP assumes property growth of **0.5%** each financial year against the 2023/24 baseline and an assumed collection rate of **98.25%**. A **2.99%** increase on a Band D equivalent, which is the maximum that can be applied before triggering the referendum limit, together with the increase in the taxbase would provide an additional **£94k** in income, **£5.599m** in total. The Band D Council Tax would increase by **£5.38** from **£179.89** to **£185.27** in 2023/24.
- 4.22 **The New Homes Bonus (NHB)** 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. The Government has previously stated that 2022/23 represented the final year of this funding stream, therefore the MTFP assumed no NHB from 2022/23 onwards. The settlement has extended this for a further year in 2023/24 with confirmation that the Council will receive **£398k**.
- 4.23 **Lower Tier Services Grant (LTSG)** was introduced in 2021/22 to provide damping to authorities with cash-terms reductions in Core Spending Power. This grant has now been removed and replaced with a new **Funding Guarantee of £135k**. No assumption has been made in the MTFP of any further allocations of LTSG in 2023/24 onwards.
- 4.24 **Service Grant** – This was a new one-off grant for 2022/23. The **£131k** announced for general services is distributed using the original formula for assessing relative needs across the sector, using the 2013/14 Settlement Funding Assessment (SFA) as a basis of allocation. The year-on-year reduction of £102k is due to the removal of funding predicated on the now reversed NI levy, some funding distributed to Supporting Families Programme and to increasing RSG. No assumption has been made in the MTFP of any further allocations of the Service Grant in 2023/24 onwards.
- 4.25 **Funding Guarantee** – This grant is being introduced in 2023/24 and is designed to ensure that authorities receive at least 3% increase in CSP.
- 4.26 Whilst the provisional Local Government Finance Settlement (LGFS) for 2023/24 has prioritised maintaining financial stability in the immediate term, it is not enough to fund all the spending growth and still requires significant savings and increases in income generation.

2022/23 Budget

- 4.27 The Council approved the General Fund Revenue Budget for 2022/23 on 22 February 2022. The budget was constructed in accordance with the Council's budget principles and the Medium-Term Financial Plan (MTFP) was balanced for the first two financial years with an expectation that the gaps in the latter two years of the MTFP would be met from savings delivered through the Council's Organisational Development programme.
- 4.28 The budget for 2022/23 was produced against the backdrop of the ongoing Covid-19 pandemic and some of the medium and long-term effects of the pandemic relating to the demand for Council services were difficult to project. The budget assumed that income from fees and charges and expenditure levels would return to pre-Covid levels from 2022/23 with the exception of Sports Centre income which was anticipated would take one year longer to recover
- 4.29 In the months since the Medium-Term Financial Plan (MTFP) was approved, the national fiscal and economic situation has changed dramatically and a number of in-year spending pressures have emerged particularly in relation to unprecedented and unpredicted inflationary pressures around energy, fuel, contracts and pay (leading to increase costs of service delivery), increased demand for our services and a challenging employment market leading to recruitment and retention issues.
- 4.30 At the end of Period 6 the forecast deficit for 2022/23 had risen to **£1.053m** which, after management actions, mitigations and a further one-off contribution from the Derbyshire Business Rates Pool, was reduced to **£703k**.
- 4.31 Further savings of **£90k** are expected due to the delays in filling vacant posts together with additional income of **£60k** from venues and Sports Centres and other efficiencies **£83k**. This will reduce the projected overspend to **£470k**.
- 4.32 The Council is committed to delivering services within its approved budget and has been working collectively to agree clear, robust, and immediate management actions to reduce the remaining adverse forecast. Whilst there is an expectation that the Council may need to utilise a proportion of the Budget Risk Reserve to achieve a balanced outturn, this should only be after close monitoring and identification of further mitigations. The Council will continue to monitor the financial position carefully over the next two months to identify areas where spending can be contained, and income maximised to ensure projected departmental expenditures are managed within approved budgets.

Medium Term Forecasts – Updated Assumptions

- 4.33 **Inflation** - Inflation has risen dramatically since the 2022/23 budget was set. In July 2021 the Consumer Price Index (CPI) inflation was 2% rising to 5.4% by the time the 2022/23 budget was being finalised. The MTFP assumes no allowance for general inflation, but specific contractual inflation has been included within the pressures where appropriate. In November 2022 CPI rose by 10.7%, down from 11.1% in October. Due to the high levels of uncertainty and volatility in the current year, which looks likely to continue into 2023/24, it is recommended that **£300k** be set aside in a central contingency for inflationary increases. This can be allocated to services in-year once the estimates become more certain. The December CPI will be published on 18 January 2023.
- 4.34 **Utility Costs** - The Council has previously benefited from low prices for utilities. However, these contracts are due to expire in March 2023 and the retendering of these contracts will cost significantly more than the current budget provision. A report was presented to Cabinet in December, setting out the procurement process and delegations required to secure best value for the Council.
- 4.35 On 9 January 2023 the Government announced a new Energy Bills Discount Scheme (EBDS) from April 2023 to April 2024 for eligible non-domestic consumers. The existing Energy Bill Relief Scheme currently provides a discount on wholesale gas and electricity prices for all non-domestic consumers. The scheme came into effect on 1 October 2022 and was always intended to run until 31 March 2023. It was designed as a temporary six-month measure to protect non-domestic consumers from soaring energy costs, cutting the cost of power bills and providing them with the certainty they needed to plan through the acute crisis this winter. The Council has been protected in 2022/23 from the significant increases seen in utility prices as its current energy contracts endure until 31 March 2023. These contracts were secured at rates significantly below the current government cap levels.
- 4.36 The government has been clear that such levels of support were time-limited and intended as a bridge to allow businesses to adapt. The latest data shows wholesale gas prices have now fallen to levels just before Putin's invasion of Ukraine and have almost halved since the current scheme was announced. The new scheme therefore strikes a balance between supporting businesses over the next 12 months and limiting taxpayer's exposure to volatile energy markets, with a cap set at £5.5 billion based on estimated volumes.

- 4.37 Eligible non-domestic consumers will now receive a per-unit discount to their energy bills during the 12-month period from April 2023 to March 2024, subject to a maximum discount, but it is not clear what the impact will be for Chesterfield until the new contract is in place. However, it is estimated that the additional costs for gas and electricity will be in the region of **£976k**. This estimate will be amended once the new contract is in place.
- 4.38 **Pay inflation** - In July 2022 National Employers offered an increase of £1,925 on all Green Book pay points, with effect from 1 April 2022. This is significantly above the 2% assumed within the MTFP for 2022/23 and creates a base pressure in 2023/24 onwards of **c£1.079m** per annum. The current MTFP assumes a pay award of 2%, in 2023/24, which is deemed insufficient given the current projections for inflation. A further 2% increase, to 4%, would result in additional costs of **c£350k** per year.

New Cost Pressures

- 4.39 The budget assumptions have been reviewed and updated to take account of known changes, increased pressures, and inflationary increases. These have been included based on the latest forecasts, however there are risks that these may materialise differently to that assumed at the time of setting the budget and these will be reviewed on an ongoing basis. Key assumptions are set out in Table 2 with further explanations below:

| New Cost Pressures | 2023/24 £000 | 2024/25 £000 | 2025/26 £000 | 2026/27 £000 |
|---|-----------------|-----------------|-----------------|-----------------|
| Climate Change - extension of existing posts | 61 | 61 | 96 | 96 |
| Revenues and Benefits debt recovery cost increases | 26 | 26 | 26 | 26 |
| Unit 4 financial management system hosting costs | 120 | 120 | 120 | 120 |
| External Audit – additional requirement following review - new contract 23/24 | 10 | 10 | 10 | 10 |
| Homelessness- temporary accommodation/ Bed and Breakfast | 65 | 65 | 65 | 65 |
| Professional Legal fees Housing - Private Sector | 10 | 10 | 10 | 10 |
| Car parks reduced income | 400 | 400 | 400 | 400 |
| Markets reduced income | 150 | 150 | 150 | 150 |
| Town Centre retail units and Pavement reduced income | 112 | 112 | 112 | 112 |

| | | | | |
|---|--------------|--------------|--------------|--------------|
| Waste Management - Contract inflation and legislative changes | 120 | 120 | 120 | 120 |
| Review of Tier 4 management structure | 38 | 140 | 140 | 140 |
| Health and Safety review | 55 | 55 | 55 | 55 |
| Total Pressures | 1,167 | 1,269 | 1,304 | 1,304 |

- 4.40 Climate Change –The Council’s climate change activity has, so far, been funded using specific reserves. The mainstream funding of operational budgets is now required to support the implementation of the Climate Change Action Plan and target delivery up to 2030.
- 4.41 Revenues and Benefits debt recovery - costs have increased as there are more arrears due to the current financial climate. In addition, the contractual costs of producing and posting reminders and summonses have increased significantly.
- 4.42 Financial Management System - increase hosting costs and additional licence fees associate with the migration to the new cloud based financial management system.
- 4.43 External Audit – The procurement of audit services through the national scheme for the next appointing period 2023/24 to 2027/28 has now concluded and costs have increased significantly from those in 2017, due in part to a less competitive market.
- 4.44 Homelessness – Bed and Breakfast/temporary accommodation. Homelessness services are under significant pressure, and this will only increase with the cost-of-living crisis and more people facing eviction. Pressures on the General Fund have arisen from the increased use of bed and breakfast temporary accommodation and the need for additional staff, but this has been mitigated to some extent by maximising the use of external grant funding to pay for staff costs wherever possible.
- 4.45 Private Sector Housing Legal and Professional – Additional costs have arisen due to increased demand for enforcement activity in relation to private sector landlords, which has necessitated the use of external solicitors at a higher cost.
- 4.46 Car Parks – Income from all car parks is lower than forecast due to the longer than expected recovery of the economy post pandemic, the ongoing economic impact on town centre footfall (the impact of cost inflation on shopping habits and higher fuel prices) and slippage on expected increases

in demand arising from delays in the letting of the Elder Way retail units and completion of the Northern Gateway Enterprise Centre. The reduction in income is forecast to be **£400k** on a budget of £2.760m.

- 4.47 Markets – Occupancy levels, and corresponding rental income from market stalls is forecast to be **£150k** lower than anticipated. Chesterfield’s markets have not seen a recovery following the pandemic and it is not anticipated that the situation will improve as the cost-of-living crisis continues.
- 4.48 Town centre retail and Pavement shopping centre - rental income from the Pavement shopping centre and other retail units is forecast to be lower than expected due to the renegotiation of leases to retain tenants, non-renewal of leases and an increase in the number of empty retail units.
- 4.49 Waste Management Contract - Indexation of the refuse contract is based on the prevailing rate of CPI in March and is applied from May. The CPI rate to be applied to the contract was higher than the rate included in the budget assumptions resulting in additional costs on a base contract of £1.950m. The waste management contract is due for renewal in May 2026.
- 4.50 Review of Tier 4 Management Structure - retention of existing fixed term roles to support the Council in continuing to deliver its services and meeting future challenges.
- 4.51 Health and Safety Review – Additional resources require to support the new way of working, including the review of policies and procedures, to deliver on our service improvement commitments.

Updated Gaps

- 4.52 The MTFP agreed at Council in February 2022 included forecast gaps, after savings plans, of **£61k** in 2024/25 rising to **£458k** in 2026/27. Table 5 sets out the revised forecast position once the refreshed assumptions have been taken into account. The revised gap for 2023/24 of **£2.426m** rises to **£4.192m** in 2025/26.

| Table 3: Other Adjustments | | | | |
|---|-----------------|-----------------|-----------------|-----------------|
| Gaps/ changes | 2023/24 £000 | 2024/25 £000 | 2025/26 £000 | 2026/27 £000 |
| MTFP Gaps - February 2022 | 0 | 61 | 453 | 458 |
| Pay award 2022/23 - £1,925 | 1,079 | 1,079 | 1,079 | 1,079 |
| Pay award assume 4% for 2023/24 | 350 | 380 | 400 | 420 |
| Gas | 495 | 495 | 495 | 495 |
| Electricity | 481 | 481 | 481 | 481 |
| Contractual inflation contingency | 300 | 300 | 300 | 300 |
| Sub total gaps | 2,705 | 2,796 | 3,208 | 3,233 |
| New pressures | 1,167 | 1,269 | 1,304 | 1,304 |
| Subtotal gaps | 3,872 | 4,065 | 4,512 | 4,537 |
| Provisional Settlement – Additional funding | | | | |
| Additional RSG | -47 | -47 | | |
| New Homes Bonus | -398 | | | |
| Lower Tier Service Grant | 0 | | | |
| Funding Guarantee | -135 | -135 | | |
| Service Grant | -131 | -131 | | |
| S31 Grants | -251 | -251 | -251 | -251 |
| Business Rates Pool Contribution | -390 | | | |
| Council Tax increase (figure assumes a 2.99% increase - maximum that can be applied before triggering the referendum limit) | -94 | -94 | -94 | -94 |
| Gaps | 2,426 | 3,407 | 4,167 | 4,192 |

Options for addressing the gaps – proposals

- 4.53 To close the current **£2.426m** budget gap for 2023/24, **£1.120m** of new savings proposals have been included within the draft MTFP. Some of these proposals are one off and, as such, will fall out in future financial years. The ongoing impact of these savings proposals is **£1.066m** in 2025/26. Savings will be subject to the appropriate decision making and consultation as required.

Table 4: Savings Proposals

| Detail | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
|--|--------------|--------------|--------------|--------------|
| | £000 | £000 | £000 | £000 |
| <u>Efficiencies and effective use of grant funding</u> | | | | |
| General Efficiency savings - non staffing | 98 | 71 | 71 | 71 |
| General Efficiency savings - staffing including vacant posts | 67 | 67 | 67 | 67 |
| Effective charging/ maximising the use of grants | 200 | 200 | 155 | 155 |
| Further efficiencies – still being worked through | 85 | 85 | 85 | 85 |
| Total efficiency and grant proposals | 450 | 423 | 378 | 378 |
| <u>Other savings proposals</u> | | | | |
| Increase charging for planning fees | 50 | 50 | 50 | 50 |
| Organisational Development savings | 200 | 200 | 200 | 200 |
| Charge administration fee on S106 | 25 | 25 | 25 | 25 |
| Closure of APC facilities at the coach station | - | 35 | 35 | 35 |
| Review of catering facilities | 15 | 15 | 15 | 15 |
| Reduce spend on Civic activities | 5 | 5 | 5 | 5 |
| Further integration of teams within Revenues and Benefits function to achieve efficiencies | - | 42 | 42 | 42 |
| Review and restructure of Organisational Development team | 65 | 65 | 65 | 65 |
| Charge for planning pre application advice | 15 | 15 | 15 | 15 |
| Review of contribution of DEP fees | 15 | 15 | 15 | 15 |
| Targeted activity and promoted events at the Museum and Winding Wheel | 104 | 104 | - | - |
| Service redesign of environmental services | 130 | 130 | 130 | 130 |
| Rationalisation of the use of hire facilities | 6 | 6 | 6 | 6 |
| Relocation of Customer Services and Revenues and Benefits teams to the Town Hall | 40 | 86 | 86 | 86 |
| Total other savings proposals | 670 | 792 | 688 | 688 |
| Total of proposals | 1,120 | 1,215 | 1,066 | 1,066 |

4.54 Details relating to the new proposals are set out below:

- **Efficiencies and effective use of grant funding** - These are proposal that have no impact on service delivery and no policy implications. They are as a direct result of a forensic, line by line review of individual budgets and targeting historic underspending. This work is on going and it is expected that further savings will materialise. In addition, a review of grant funding has resulted in further savings through the appropriate charging to grant funded activities.

- **Increased charging from Planning fees** Government is permitting local authorities to charge more for planning fees as part of its reform proposals, providing the authority can demonstrate improvements in the planning service.
- **Charging an administration fee on S106 agreement** – Introduction of a 5% monitoring fee through Section 106 planning obligations to cover the cost of monitoring and reporting on delivery of Section 106 obligations. Enabled as part of the Community Infrastructure Levy (Amendment) (England) (No. 2) Regulations 2019. This will be implemented from April 2023.
- **Organisational Development Savings** - An Organisational Development (OD) Strategy was adopted last year, 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.” Savings include a review of the Safer Streets initiative, printing and postage efficiencies, Integration of the Housing and Customer Services functions and a review of the Contact Centre Telephony.
- **Closure of Automatic Public Convenience facilities at the Coach Station** – Closure of the rented facility at the coach station and appropriate signposting to alternative facilities nearby. The current arrangement does not represent value for money due to the low usage and high annual rental. The rental is nearing the end of the agreement and the exit clause requires appropriate notice to deliver savings for 2024/25.
- **Review of Catering Facilities** – A full review of all catering facilities provided by the Council in light of the increase cost of service delivery. Focus delivery on those facilities that provide a cost plus return to the Council.
- **Reduce spend on Civic Activities** – review of operational budgets within this service.
- **Further integration of teams within Revenues and Benefits function to achieve efficiencies.** Opportunity to increase efficiencies in 2024/25 by integrating the Business Rates and Accounts Payable teams.
- **Review and restructure of Organisational Development Team** – to enable the continued delivery of the Organisational Development programme.
- **Charge for planning pre-application advice** - Introduction of a process and charge for a pre-application service delivered by

Strategic Planning and Development Management. This will be implemented from 1 April 2023.

- **Review of contribution of Derbyshire Economic Partnership fees to the County Council.** Review of activities and outcomes from partnership working.
- **Targeted activity and promotion of events at the Museum and Winding Wheel** – during the Stephenson Memorial Hall construction and refurbishment period (2023/24 and 2024/25). Review will target delivery of activities that provide a cost plus return to the Council, whilst still fulfilling the stated objectives within the Council Plan.
- **Service Redesign - Environmental Services** – A fundamental review of the street scene and landscaping service to focus on core activity. This will include a service redesign and optimisation of performance within the service.
- **Relocation of Customer Services and Revenues and Benefits teams to the Town Hall** - Savings will be achieved through reduced operational costs. Opportunities for asset rationalisation will also be created from this proposal. One off-funding will be required to enable the relocation of the customer access provision within the Town Hall. Further work will need to be undertaken to establish costs and funding options.

4.55 **Fees and Charges** – The MTFP is constructed on the basis that additional income will be generated from fees and charges, the process for reviewing income to be realised includes an assessment of each fee to identify how it meets the Council’s strategic purpose and the level of increase that is proposed as well as considering the present economic conditions. The fees have been based on a robust estimate of the impact of cost increase, demand for the service and the Council’s overall financial position. Individual fees and charges reports have been presented to Cabinet, recommending increases and variation to fees which are estimated to deliver additional income of **£315k**, £214k of which is being generated by income from the Sports Centres.

4.56 **Reserves and Risks.** Reserves are an important part of the Council’s financial strategy and are held to create long-term financial stability. They enable the Council to manage change and are a key element of its financial standing and resilience. The Council’s key sources of funding face an uncertain future and the Council therefore holds earmarked reserves and a working balance to mitigate future financial risks. The General Fund working balance has been maintained at **£1.5m** to recognise the financial risks and uncertainties that the Council is currently facing.

- 4.57 The Council has also established a Budget Risk Reserve, as a supplement to the General Fund Working Balance, to provide a further contingency for unforeseen items. The General Fund Draft Outturn 2021/22 was presented to Cabinet in June 2022 and recommended that £440k of the 2021/22 surplus be prudently transferred to the Budget Risk Reserve to mitigate the forecast risks and pressures emerging for 2022/23 and 2023/24.
- 4.58 Given the size and scale of the financial challenges the Council is facing, it is recommended that **£990k** of the budget risk reserve be utilised to smooth the gap in 2023/24. This will enable the Council to take a more strategic approach to reviewing priorities and managing the gaps over the medium term. This exact figure for the use of this reserve will not be known until the figures are finalised as part of the February MTFP.
- 4.59 The use of reserves in this way is in line with the government's expectations, DLUHC encouraged "*local authorities to consider how they can use their reserves to maintain services in the face of immediate inflationary pressures*". The government also outlined that it would consult with "*trusted partners*", including the Local Government Association, on releasing data on reserves held by councils.
- 4.60 Sections 32 and 43 of the Local Government Finance Act 1992 require councils to consider the level of reserves when setting a budget requirement. Section 25 of the Local Government Act 2003 requires the Chief Financial Officer (Section 151 Officer) to report formally on the adequacy of proposed reserves when setting a budget requirement. The accounting treatment for reserves is set out in the Code of Practice on Local Authority Accounting. This formal report, along with the Reserves Policy, will be included within the final MTFP report to Cabinet and Council in February 2023.

Updated Gaps

- 4.61 Table 5 sets out the revised gaps, after factoring in the above savings proposals, increased fees and charges and use of reserves.

| Table 5: Updated Gaps | | | | |
|------------------------------------|-----------------|-----------------|-----------------|-----------------|
| Gaps | 2023/24 £000 | 2024/25 £000 | 2025/26 £000 | 2026/27 £000 |
| Gap prior to savings | 2,426 | 3,407 | 4,167 | 4,192 |
| New Savings | (1,120) | (1,215) | (1,066) | (1,066) |
| Fees and Charges | (316) | (316) | (316) | (316) |
| Use of Reserves | (990) | - | - | - |
| Budget gaps to be addressed | 0 | 1,876 | 2,786 | 2,810 |

Conclusion & Next Steps

4.62 This report presents the first draft of the budget for 2023/24 and MTFP. There are still a number of key factors that will influence the shape of the next phase of the budget process:

- Further work will be undertaken to check and challenge the budget assumptions for 2023/24 and over the medium term in light of new information and the volatile environment that the Council is operating in, particularly in relation to the energy contracts which are due for renewal on 1 April 2023.
- The final Local Government Finance Settlement will not be announced until mid-February 2023.
- The Business Rates (NNDR1) projections are still being worked through. They are particularly complex and challenging to calculate this year due to the additional reliefs for businesses and the revaluation and transitional arrangements. These changes are being worked through but will not be available until the end of January.

4.63 Whilst the Local Government Finance Act 1992 requires the Council to set a legal budget and Council Tax precept for the forthcoming financial year i.e., 2023-24, we will not be in a position to provide for a balanced MTFP over the 4-year period. Whilst there is no legal requirement to set a balanced MTFP, this is considered good practice with an expectation that the financial strategy is based on a balanced plan in the medium term (the Autumn Statement and provisional LGFS still leaves the overall resource equation uncertain with the reforms to local government funding delayed further until at least 2025/ 26).

4.64 The 2024/25 budget process will, therefore, require an early focus to allow maximum time for the development and delivery of future budget savings. There are likely to be difficult decisions for the Council to make.

4.65 The Full Council will consider the final budget and the Council Tax for 2023/24 at its meeting on 23 February 2023. The Cabinet will have to decide its final budget proposals ahead of the Council meeting.

5.0 Alternative options

5.1 Throughout the budget preparation process a range of different options, scenarios and assumptions have been considered.

6.0 Implications for consideration – Council Plan

6.1 The first value for money milestone in the Council Plan is to deliver the Council's MTFP and actions. This report updates progress against that milestone.

6.2 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 priorities set out in the Council Plan.

7.0 Implications for consideration – Financial and value for money

7.1 Financial and value for money implications are detailed in section 4.

8.0 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. Further work is required over the coming months to balance the in-year budget for 2021/22 and to be able to set a balanced budget for 2023/24 in February 2023.

9.0 Implications for consideration – Human resources

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

10.0 Implications for consideration – Climate Change

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

11.0 Implications for consideration – Equality and diversity

11.1 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 savings / spending options.

12.0 Implications for consideration – Risk management

12.1 There are several significant risks inherent in any budget forecasting exercise and the risks increase as the period covered increases. The most significant budget risks include:

- The economic context and high level of inflation

- Government funding reforms and uncertainty over funding beyond 2024/25
- Business Rate pooling opportunities and threats.
- Business Rate appeals, valuation changes, etc.
- Service demand changes e.g., Homelessness
- Non delivery of savings.
- Delivering the required budget savings on time and to the value required.
- Achieving income targets for rents, fees, charges and interest
- Recruitment and retention of appropriately skilled staff.
- Ability to fund climate change demands and pressures
- Funding of asset management property repairs review

12.2 These and other financial risks will be fully evaluated in the Budget Risk & Sensitivity Analysis, which will be included in the final budget report in February 2022.

Decision information

| | |
|----------------------------|--|
| Key decision number | |
| Wards affected | |

Document information

| | |
|--|--------------------------------------|
| Report author | Contact number/email |
| Theresa Channell Service Director Finance and S151 Officer | Theresa.channell@chesterfield.gov.uk |
| Background documents | |
| These are unpublished works which have been relied on to a material extent when the report was prepared. | |
| <i>This must be made available to the public for up to 4 years.</i> | |
| Appendices to the report | |
| | |