

For publication

2023/24 Budget and Medium-Term Financial Plan

Meeting:	Council
Date:	22nd February 2023
Cabinet portfolio:	Leader of the Council
Directorate:	Finance
For publication	

1.0 Purpose of report

- 1.1 To consider the General Fund revenue budget report for the financial year 2023/24 and the medium term 2023/24 to 2026/27 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 forecast outturn for 2022/23 which presents a deficit for the year of **£470k** to period 9 (**paragraph 4.12**).
- 2.2 Approves the overall revenue budget for 2023/24 (**table 4 and Appendix A – to follow**).
- 2.3 Approves the use **£1.000m** from the Budget Risk Reserve to balance the 2023/24 budget (**paragraph 4.66**).
- 2.4 Approves the 2023/24 Council Tax Requirement and financing (**Appendix C and D – to follow**).
- 2.5 Increases the Council's share of Council Tax for properties in each band, a **2.99%** increase for a Band 'D' property, in 2023/24 to **£185.27** (**paragraph 4.58**).
- 2.6 Approves the Local Council Tax Support scheme which remains unchanged for 2023/24 (**paragraph 4.62**).

- 2.7 Notes the Collection Fund and the Tax Base forecasts (**paragraphs 4.24, 4.60, 4.61 and 4.57**).
- 2.8 Notes the financial projections in the Medium-Term Financial Plan (MTFP) for 2024/25 to 2026/27 (**paragraph 4.64**).
- 2.9 Approves the estimates of reserves including maintaining the General Working Balance at **£1.5m (paragraphs 4.70 - 4.72)**
- 2.10 Notes the budget risks and sensitivity analysis (**Appendix B**) and the Chief Finance Officer's assurances (**paragraphs 4.73 – 4.88**).

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 2023/24.

4.0 Report Details

This report was considered by Cabinet at its meeting on 21 February, 2023 where it was resolved that the report and its recommendations be supported and referred to Council for approval.

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 sustained period of austerity, the ongoing risks and uncertainties over future funding, the budgetary impacts from Covid-19, the cost-of-living crisis and a period of exceptionally high inflation, have all impacted on the financial position of the Council, 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. The Council is committed to making the changes needed in response to these challenges 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.

- 4.4 The first draft of the MTFP was presented to Cabinet in January 2023 and, at that point, some elements of the budget were still to be confirmed, although it did include the outcomes of the Provisional Local Government Finance Settlement, which was announced on 19 December 2022. The Settlement was more positive than had previously been expected, although much of the increase was directed towards those authorities with social care responsibilities.
- 4.5 The announcement reflected additional funding, for Chesterfield, of c£1m over and above the level prudently assumed within the MTFP budget for 2023/24. Whilst the Settlement for 2023/24 has prioritised maintaining financial stability in the immediate term, it is not enough to fund all the spending pressures and still requires significant savings and increases in income generation.
- 4.6 The draft MTFP, presented to January's Cabinet, was balanced for 2023/24, with the use of £0.990m of reserves, but presented significant gaps of £1.9m in 2024/25 rising to £2.8m in 2026/27. The report acknowledged that there were still a number of key factors that would influence the shape of the next phase of the budget process. This included further work to check and challenge the budget assumptions, in light of new and emerging information and the volatile environment the Council is operating in, the announcement of the final Local Government Finance Settlement and finalising the Business Rates projections. Any changes to assumptions are set out in this report.
- 4.7 The final Local Government Finance Settlement was announced on 7 February 2023 and was largely in line with the provisional figures, but included small increases in Services Grant, New Homes Bonus and the Rural Services Delivery Grant, offset by reductions in the 3% Funding Guarantee payments for those receiving them. However, this is the fifth one-year only funding settlement in succession and there remains significant uncertainty over forecasting the level of resources over the medium term. 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.

Policy & Financial Planning Framework

- 4.8 The 2023/24 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 new Council Plan. 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. The Plan identifies the key commitments and places increased focus on achieving real outcomes to deliver our vision of 'putting our communities first'. The strategic principles embedded within the MTFP,

aim to establish a framework for aligning the revenue and capital spending proposals with the Council's strategic priorities.

2022/23 Forecast Outturn

- 4.9 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.
- 4.10 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.
- 4.11 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 increased costs of service delivery), increased demand for our services and a challenging employment market leading to recruitment and retention issues.
- 4.12 At the end of Period 9 the forecast deficit for 2022/23 was £470k, reduced from £703k at the end of period 6.
- 4.13 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 use 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. Any surplus at the end of the financial year will be used to supplement the Budget Risk Reserve.

Settlement Funding

- 4.14 The Local Government Finance Settlement was published on 7 February 2022. To prioritise certainty and stability for 2023/24, the Government has opted for another one year rather than a multiyear settlement. This is the fifth one-year settlement for councils and continues to hamper the ability of

councils to undertake effective financial planning and ensure financial sustainability.

- 4.15 The announcement reflected a net increase of **£1.000m** 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.
- 4.16 The announcement did provide 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.
- 4.17 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 uplifted by inflation.
- 4.18 Lower Tier Service Grant (LTSG) - was introduced in 2021/22 to provide damping to authorities with cash-terms reductions in Core Spending Power (CSP). This grant has now been removed and replaced with a new Funding Guarantee of £129.6k. No assumption has been made in the MTFP of any further allocations of LTSG in 2024/25 onwards.
- 4.19 Funding Guarantee – This grant is being introduced in 2023/24 and is designed to ensure that authorities receive at least 3% increase in CSP. **£129.6k** has been included within the budget for 2023/24, with the assumption that this will reduce to **£59.7k** in 2024/25 to reflect the increase in RSG. The grant is expected to be discontinued after 2024/25.
- 4.20 Service Grant -This was a new one-off grant for 2022/23. The **£136.4k** 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 the Supporting Families Programme and to increasing RSG. The grant is assumed to continue in 2024/25, at the same level as 2023/24. No assumption has been made in the MTFP of any further allocations of the Service Grant after 2024/25.
- 4.21 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. 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 £397.5k.

- 4.22 Council Tax Referendum Threshold - The Settlement has confirmed referendum levels for 2023/24. District Councils are permitted to increase their share of the Council Tax by the greater of up to 3% or £5 without triggering the need to hold a referendum. It is important to note that the Government assumes in the CSP calculation that councils will increase Council Tax to 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

- 4.21 The estimate of business rates income for 2023/24 has been calculated as part of the NNDR1 on 31 January 2023. This has included the 2023 Business Rates revaluation which will be implemented from April 2023. This will see every non-domestic property receive a revised revaluation. This will impact on both the baseline funding and the tariff. The estimated level of business rates income is **£37.5m** and the Council's 40% share **£15.0m**. 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 **£6.07m** for 2023/24. 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.
- 4.22 The business rates baseline was due to be reset in 2022/23, however this has been delayed until at least 2025/26. 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 and hinders its ability to plan over the Medium Term. To help mitigate against these losses we have assumed no further growth in business rates income after the financial year 2023/24.
- 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 Each financial year we are required to calculate the surplus/deficit on the business rates element of the Collection Fund. The Council's share is **£74k** in 2023/24 and this has been included in the MTFP.

- 4.25 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 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

- 4.26 The introduction of the expected fair funding reforms, which will look at redistribution of government funding to areas of need, does not have a confirmed implementation date. This could result in the Council receiving a reduced level of funding from government in the medium to long-term. The impact of this will remain unknown until further information is provided. This means that funding levels over the medium term continue to remain speculative beyond the next financial year.

Budget 2023/24 and Updated Medium Term Plans

- 4.27 The first draft of the budget was presented to Cabinet on 24 January 2023 and the report set a **balanced budget for 2023/24**, with gaps of **£1.876m** in 2024/25, rising to **£2.810m** in 2026/27. This section provides details of the assumptions used in the construction of the MTFP and any updates from the draft budget presented in January 2023.
- 4.28 **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 December 2022, the CPI stood at 10.5%, down from 10.7% in November.
- 4.29 Whilst inflation is expected to peak during 2022/23, the impact will continue into 2023/24 and beyond. Many of the Council's contracts attract inflationary uplifts for the coming financial year based on inflation in the preceding September and October. Furthermore, uplifts in prices agreed in the early part of 2022/23 will not have included the more recent inflation rises which will then factor into costs for 2023/24.
- 4.30 Due to the high levels of uncertainty and volatility in the current year, which looks likely to continue into 2023/24, the January draft MTFP recommended that **£300k** be set aside in a central contingency for inflationary increases, to be allocated to services in-year once the estimates become more certain. Further work has been undertaken to review contracts and we are seeing significant costs emerging in relation to our ICT, waste and recycling contracts. This work is still ongoing and will not be completed until after the budget is set. It is therefore recommended that the inflationary contingency

be increased by a further £250k, in 2023/24, to **£550k**, with an additional £100k in future years to accommodate any further increases.

- 4.31 **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.
- 4.32 On 9 January 2023, the Government announced a new Energy Bills Discount Scheme (EBDS) for the period 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.
- 4.33 The Government has been clear that such levels of support are 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.
- 4.34 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 assumes that any increase in energy costs associated with our commercial property portfolio will be passported to tenants in 2023/24.
- 4.35 **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 annum.
- 4.36 The outcomes of Derbyshire Pension Fund's actuarial valuation, at 31 March 2022, has recently been received and confirms the employer contribution rate

payable from 1 April 2023 to 31 March 2026. There has been an improvement in the funding level of the Pension Fund from 97% at 31 March 2019 to 100% at 31 March 2022. Although the primary rate or employer contribution rate in respect of future benefit accrual has increased to 20.4%, this has been offset by past service costs lump sum annual payments.

- 4.37 The first draft of the budget identified new cost pressures of **£1.167m** in 2023/24 rising to **£1.304m** by 2026/27. There has been a net increase in pressures of **£245k** in 2023/24 and **£232k** in future years, since the January report and these are included within Table 1 below.

Table 1: New Cost Pressures				
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
Review of Tier 4 management structure	38	140	140	140
Health and Safety review	55	55	55	55
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 Enterprise Centre reduced income	197	112	112	112
Pavement Shopping Centre	(204)	-	-	-
Waste Management - Contract inflation and legislative changes	120	120	120	120
Housing Benefits Subsidy	132	-	-	-
Financing costs/ bank charges / other	232	232	232	232
Total Pressures	1,412	1,501	1,536	1,536

- 4.38 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.

- 4.39 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. The new posts were funded by a combination of one-off and permanent funding, with an appropriate split between general fund and HRA. This proposal provides permanent funding for the roles to enable delivery of key strategic activities, in terms of Council plan commitments as well as ICT transformation and organisational development projects.
- 4.40 Health and Safety Review – Additional resources are required to support the new ways of working, undertake a fundamental review of policies and procedures, and deliver health and safety improvements.
- 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 - increased hosting costs and additional licence fees associated with migration to a 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 Enterprise Centre - rental income from these 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. Delays in the completion and opening of the Enterprise Centre have also led to reduced income in 2023/24 only.
- 4.49 Pavements Shopping Centre – the previous budget assumed a deterioration of income due to loss of an anchor tenant, which has not materialised. This assumption has been removed in 2023/24 but remains as a risk in future years.
- 4.50 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. Significant further costs are emerging in relation to waste management and the recycling contract. Negotiations are ongoing and will be kept under review. Any further costs will be met from the inflation contingency which has been increased by £250k in 2023/24 and by a further £100k in 2024/25.
- 4.51 Housing Benefits Subsidy – reflects the difficulties in recovery of benefits overpayments due to the challenging financial environment and cost of living crisis.
- 4.52 Financial costs, bank charges and other adjustments - Additional financing costs, primarily due to increases in interest rates, particularly on short term variable rate loans. This has been partially offset by the increased income from our investments. Bank charges have also increased due to the increase in card transactions and the decline in the use of cash. There are a number of small budget changes which have also been included.

Savings and Efficiency Proposals

- 4.53 The first draft of the budget set out several new savings and efficiency proposals to address the budget gaps. Some of these proposals are one off and, as such, will fall out in future financial years. A 'target' saving of £85k in relation to further efficiencies has been removed.
- 4.54 Total proposals of **£1.035m** have been included for 2023/24, and the ongoing impact of these are **£981k** in 2025/26. These are subject to the appropriate decision making and consultation as required. Savings and efficiencies are detailed in Table 2 below.

Table 2: 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
Total efficiency and grant proposals	365	338	293	293
<u>Other savings proposals</u>				
Increase planning fees	50	50	50	50
Organisational Development savings	200	200	200	200
Charge administration fee on S106 agreements	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	1,035	1,130	981	981

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

- **Efficiencies and effective use of grant funding** - These are proposals 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. In addition, a review of grant funding has resulted in further savings through the appropriate charging out of costs to grant funded activities.
- **Increase 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 agreements** – Introduction of a 5% administration 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 have been achieved through a review of the Safer Streets initiative; printing and postage efficiencies; integration of Housing and Customer Services functions; and a review of 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 costs 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 from the Customer Services Centre to the Town Hall. Further work will need to be undertaken to establish costs and funding options.

4.56 **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 increases, demand for services and the Council’s overall financial position. Individual fees and charges reports have been presented to Cabinet, recommending increases and variations to fees and charges which are estimated to deliver additional income of **£316k**, £214k of which is being generated from the Sports Centres.

Council Tax & Collection Fund

4.57 The overall Council Tax base for 2023/24 has been calculated and set at **30,222.43**, an increase of just over 1.2% from 2022/23. 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 30 January 2023 as set out in Table 3. The MTFP assumes a collection rate of 98.25% and a 0.5% growth for future financial years.

Area	2022/23	2023/24	Increase	
			No.	%
Brimington Parish	2,405.15	2,508.11	102.96	4.3
Staveley Town	4,378.04	4,434.99	56.95	1.3
Chesterfield Area	23,074.93	23,279.33	204.40	0.9
Total	29,858.12	30,222.43	364.31	1.2

4.58 To help maintain and protect current levels of service provision the budget forecasts assume a Council Tax increase of 2.99%, in line with the referendum limit set by the Government. The Band D Council Tax would increase by £5.38 - from £179.89 to **£185.27** in 2023/24 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 **£3.59** per annum or **6.9** pence per week
- For a Band ‘D’ property, the increase is equivalent to an extra **£5.38** per annum or **10.3** pence per week

4.59 A 2.99% increase together with the increase in tax base will contribute an additional **£94k** per annum, over and above what had been assumed in our original MTFP assumptions, to be invested in local service provision. The Council’s share of the overall Council Tax bill is approximately 10%.

- 4.60 Collection Fund Balance – The estimated year-end balance is a deficit of £70k, this deficit is shared amongst the major precepting authorities; the Borough’s share is **£7k** (10.1%).
- 4.61 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 last share of the 2020/21 Council Tax Collection Fund deficit of **£22k**.
- 4.62 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 2023/24. 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.
- 4.63 Energy Bills Support Scheme - Alternative Funding and alternative fuel payment – The Government has announced new energy bill support schemes to help households with rising energy prices. This is aimed at those people who live in households without a domestic electricity meter, do not have a direct relationship with an energy provider and who use alternative fuels. This scheme will go live on 20 February and will end on 30 April 2023. All applications and queries will be through the Department of Business Energy and Industrial Strategy. Local authorities will be expected to verify details of applications and make payments.

Balancing the budget

- 4.64 Table 4 sets out the final budget position, showing the movements (increases and decreases) from the original budget estimates, within the existing MTFP, as approved in February 2022.

Table 4: Updated budget				
Gap	2023/2 4 £000	2024/2 5 £000	2025/2 6 £000	2026/2 7 £000
Existing MTFP gaps @ Feb 2022	0	61	453	458
<u>Pressures</u>				
Pay award – impact of 2022/23. Further 2% (total 4%) in 2023/24	1,429	1,429	1,429	1,429

Utilities (gas and electricity)	976	976	976	976
Inflation contingency	550	650	650	650
Service Pressures / other	1,412	1,501	1,536	1,536
Gaps after cost pressures	4,367	4,617	5,044	5,049
<u>Updated funding assumptions</u>				
Revenue support Grant	(47)	(96)		
New Homes Bonus	(398)			
Service Grant/ Funding Guarantee	(266)	(196)		
Business Rates/ S31Grants/ contribution	(1,292)	(250)	(250)	(250)
Collection Fund deficits (CTax and NNDR)	81			
Council Tax assuming £5 increase	(94)	(94)	(94)	(94)
Gaps after cost pressures and funding	2,351	3,981	4,700	4,705
<u>Balancing the budget</u>				
New savings	(1,035)	(1,130)	(981)	(981)
Additional Fees and charges	(316)	(316)	(316)	(316)
Use of the Budget Risk Reserve	(1,000)			
Budget Gaps	0	2,535	3,403	3,408

- 4.65 **The use of Reserves to balance 2023/24** - The Council has 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.
- 4.66 Given the size and scale of the financial challenges the Council is facing, it is recommended that **£1.000m** of the budget risk reserve be used 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.
- 4.67 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.
- 4.68 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, the Council 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. However, the Autumn Statement and anticipated government funding still leaves the overall resource equation uncertain with the reforms to local government funding delayed further until at least 2025/26.

4.69 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.

Reserve balances

4.70 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.

4.71 General Fund Balance – The General Fund working balance has been set at **£1.5m** and has been informed by the detailed risk assessment undertaken as part of the budget process. The on-going financial risks set out in this report suggest that it is imprudent to consider reducing this amount. Details of the updated assessment of financial risks and uncertainties is provided in **Appendix B**.

4.72 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. Table 5 below shows a summary projection of the General Fund Reserves at 31 March 2024. The summary of useable reserves excludes the General Working Balance of £1.5m, S106 and Community Infrastructure Levy sums.

Table 5: Updated reserves	
Type	Estimated Balance @ 31 March 2024 £000
Budget Risk/General Reserve	1,027
Business Rates Reserve	2,224
Insurance Reserve/ Provision	470
Vehicles and Plant	197
Repairs and Maintenance - various	2,522
Enterprise Zone Business Rates	1,846
Service Redesign/ service improvement	330
Other - various	1,440
Total Reserves	10,056

Financial Stability and Resilience – Robustness of estimates and adequacy of reserves

- 4.73 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.
- 4.74 Robustness of estimates - The Medium-Term Financial Plan forms the overarching framework within which the Council's financial planning and management activity takes place. The annual budget is an integral part of the rolling multi-year MTFP. This approach enables it to support delivery of the Council's priorities and services as detailed within the Council Plan.
- 4.75 The assessment of the robustness of the budget focuses on the likelihood that actual spending and income may vary from the 2023/24 budget, the long-term financial sustainability of the Council, the impact on reserves of the current budget strategy and the subsequent impact on the financial health of the organisation.
- 4.76 The Council has well established and robust budget processes. These have been followed when compiling the 2023/24 budget and medium-term projections. A prudent approach has been taken to the estimates and assumptions used in the preparation of the budgets. The focus was to deliver a balanced 2023/24 budget in line with legal requirements rather than to deliver a medium-term financial plan in the face of so much uncertainty. Following a period of intensive financial work, the Council is able to present a balanced budget for 2023/24.
- 4.77 However, the Council is subject to significant market uncertainties that make the estimation of costs and income difficult. CPI inflation remains above 10%, interest rates are expected to rise further, possibly peaking later in 2023, and the labour market is particularly difficult, and many areas of the Council are finding staff recruitment and retention difficult, leading to the need to take on interim staff to maintain service delivery. Furthermore, adverse economic conditions are leading to an increase in service demands. As a result of these challenges the estimates contained within the budgets are less robust than would normally be expected.
- 4.78 In addition, the outlook for local government funding remains uncertain. This is the fifth year that a single year financial settlement has been announced. This hinders financial planning and makes it more difficult for the Council to achieve financial sustainability. Fundamental changes to the distribution of funding have been delayed and implementation of changes not now expected until 2026/27. The assumption in relation to future funding reflects a prudent view and could be more negative than the eventual outcome.

- 4.79 In constructing the budget, priority has been given to funding existing and emerging service pressures. These have been subject to vigorous review, scrutiny and challenge by budget holders, Corporate Leadership Team and members. It is expected that levels of emerging pressures will reduce over the coming months as we start to work on the 2024/25 budget and MTFP. However, the scale of savings to be achieved by the council over the next few years is considerable. The inclusion of an inflation contingency of £550k in 2023/24, rising to £650k from 2024/25, will provide flexibility should additional pressures materialise.
- 4.80 Savings proposals have also been subject to robust challenge and the MTFP assumes that they will be delivered in full. Savings delivery plans have been introduced as part of the 2023/24 MTFP process. These plans are to give the Council and the S151 Officer the necessary assurance that the savings included within the budget are robust, credible and deliverable. These plans will form part of the Corporate Leadership Team accountability in achieving the commitments made as part of the budget process. Future savings will require a fundamental change in the way that the council operates, and services are delivered.
- 4.81 Subject to the risks and uncertainties highlighted elsewhere in this report and in Appendix B, 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 budget managers supported by finance colleagues. A robust approach to risk management minimises the inherent risks and uncertainties in the forecasting process.
- 4.82 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.
- 4.83 Levels of reserves - details of the Council's reserves are provided in **sections 4.70 – 4.72** above. The assessment of reserves is important in the context of the sustained cuts in funding, the level of risk and depletion of reserves. It is important to acknowledge that reserves are 'one off' funds and are therefore suitable for funding 'one off' or unexpected costs. The use of reserves to fund ongoing expenditure or a failure to achieve budgeted savings is never advised, except in emergencies and/or to enable transition to new ways of working. Whilst the use of reserves to date has been deemed to be affordable, they are now at a level whereby any significant further use would leave the Council exposed to risk and unable to manage potential risks.
- 4.84 The General Fund minimum working balance is being maintained at **£1.5m** to recognise the financial risks the Council currently faces. The 2023/24 budget assumes that the updated Budget Risk and Sensitivity Analysis in

Appendix B also supports the General Fund minimum working balance being maintained at this level.

- 4.85 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.
- 4.86 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.
- 4.87 The CFO considers that the estimates for the financial year 2023/24 to be robust and the financial reserves, up to 31 March 2024, to be adequate. However, it should be noted that the position in future financial years will depend on the Council's success in delivering planned budget savings and its ability to replenish and apply surpluses to maintain and bolster the levels of both earmarked and unearmarked reserves. Given the financial challenges, and the size and scale of future budget gaps, the CFO advises that the 2024/25 budget process will require an early focus to allow maximum time for the development and delivery of future budget savings.
- 4.88 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.
- 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.
 - 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.

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.

The Council will continue to assess its compliance with the Code. The section 151 Officer will be undertaking rigorous training for elected members and officers on the implications and actions needed to meet the requirements of the code as part of a programme to enhance financial management skills and accountabilities across the organisation.

Flexible Use of Capital Receipts Strategy

- 4.89 As part of the Local Government Settlement, the Government announced in February 2021 that there would be a continuation of the capital receipts flexibility programme for a further three years to give local authorities the continued freedom to use capital receipts from the sale of their own assets (excluding Right to Buy receipts) to help fund the revenue costs of transformation projects and release savings. This was formally confirmed on 4 April 2022.
- 4.90 The Guidance on the Flexible Use of Capital Receipts allows set-up and implementation costs to be counted as qualifying costs, however the on-going revenue costs of new processes or arrangements cannot be included. The Council is not obliged to fund transformation projects from capital receipts, however, on the adoption of this strategy, will have the option to do so.
- 4.91 As part of the 2022/23 MTFP, £500k was ringfenced to fund possible transformation programme support and pump priming to ensure that we have the appropriate skills and resources to deliver change. Drawdown will remain subject to Cabinet approval.

Consultation

- 4.92 The consultation meeting with the business ratepayers' representatives took place on 1 February 2023. 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

- 4.93 Details of the Council Taxes for each major preceptor and by each tax band will be shown in **Appendix D** (to follow).

Calculation of Expenditure

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

5.0 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 **Appendix B**. This is the fifth one-year settlement for councils and continues to hamper the ability to undertake effective financial planning and ensure financial sustainability.
- 5.2 A 2.99% Council Tax increase will contribute an additional **£94k** per annum, over and above that already assumed within our estimates, 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.

6.0 Implications for consideration – Financial and value for money

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

7.0 Implications for consideration – Legal

- 7.1 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.

8.0 Implications for consideration – Human resources

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

9.0 Implications for consideration – Council Plan

- 9.1 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 new Council Plan.

9.2 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.

10.0 Implications for consideration – Climate Change

10.1 Climate Change has been a key consideration during the development of the Medium-Term Financial Plan. Climate Change Impact Assessments are undertaken for specific spending options and activities and form a key part of informed decision making. The Medium-Term Financial Plan makes a significant positive climate change commitment with the mainstream funding package to enable the staffing resource and project funds required to support the Climate Change Strategy and 2030/2050 targets.

11.0 Implications for consideration – Equality and diversity

11.1 Equality and diversity has been a key consideration during the development of the Medium Term Financial Plan. Equality analysis is undertaken for specific spending options and activities and form a key part of informed decision making.

12.0 Implications for consideration – Risk management

12.1 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. A more detailed budget risks and sensitivity analysis is included at **Appendix B**.

Decision information

Key decision number	
Wards affected	

Document information

Report author	Contact number/email
Theresa Channell	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	

Appendix A	General Fund Revenue Budget Summary – marked to follow
Appendix B	Budget Risks & Sensitivity Analysis - marked to follow
Appendix C	Section 32 Statement – marked to follow
Appendix D	Council Taxes – marked to follow