

Budget 2022/2023 and Medium-Term Financial Strategy Update

For Cabinet 10 February 2022

Summary

Lead Member: Councillor Tom Dawlings, Finance and Governance Portfolio Holder

Lead Director: Lee Colyer, Director of Finance, Policy and Development

Head of Service: Jane Fineman, Head of Finance and Procurement

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Classification: Public document (non-exempt)

Wards Affected: All

Approval Timetable	Date
Management Board	5 January 2022
Portfolio Holder	10 January 2022
Finance & Governance Cabinet Advisory Board	25 January 2022
Cabinet	10 February 2022
Full Council	23 February 2022

Recommendations

Officer / Committee recommendations as supported by the Portfolio Holder:

1. That Cabinet considers the changes to the base budget along with the assumptions and approach set out throughout the report;
2. That Cabinet considers the responses to the budget consultation;
3. That Cabinet proposes that Full Council approves the rolling forward of the capital programme including additional gross funding of £2,140,500 for new schemes listed within the report; and

4. That Cabinet proposes that Full Council approves an increase in the 'Basic Amount' of Council Tax of £5.00 for 2022/23 for a Band D property.

1. Purpose of Report and Executive Summary

1.1 This report outlines the assumptions that have been built into the budget for 2022/23.

1.2 Cabinet is asked to recommended this budget to full Council which includes the following main headlines;

- The financial impact of the pandemic continues to affect the local economy resulting in the cost of providing local services being greater than the income generated.
- The erratic nature of government financial support has significantly reduced the forecast deficit from £2,066,000 to £944,000 but this makes service planning and strategic decision-making difficult.
- New capital programme investment schemes with a gross cost of £2,140,000.
- In-line with the outcome of the public consultation no major cuts to services have been made with the council continuing to focus attention on supporting residents and business during the pandemic.

1.3 The draft budget was subject to six weeks of public consultation which ended on 14 January 2022 and discussions occurred with representatives of the Parish Councils and the Town Forum who have provided a written response (Appendix D).

Members are reminded that Section 106 of the Local Government Finance Act 1992 applies to any meeting where consideration is given to matters relating to, or which might affect, the calculation of Council Tax.

Any Member of a Local Authority, who is liable to pay Council Tax, and who has any unpaid Council Tax amount overdue for at least two months, even if there is an arrangement to pay off the arrears, must declare the fact that he/she is in arrears and must not cast their vote on anything related to the Council's Budget or Council Tax.

Members are reminded of their obligation to have regard to the Chief Financial Officer's report and the importance of the Council setting a budget as failure to do so will have legal, financial, and reputational consequences for the Council.

2. Introduction and Background

2.1 This is the final report in the well-rehearsed budget setting cycle that has taken place over the past year. The main reports in the budget setting process are set out below which were also considered by the Finance and Governance Cabinet Advisory Board.

- Budget Projection and Strategy - July
- Budget Update and Financial Benchmarking - October
- Draft Budget for consultation – December
- Overview and Scrutiny Committee – Approach and process - November
- Final Budget for approval – February
- Setting of Council Tax – Discharging the statutory function as the Billing Authority - February

2.2 In addition to the above, all member briefings have taken place along with the annual offer to attend each political group meeting by the s151 Officer.

Provisional Local Government Finance Settlement

2.3 On 16 December 2021 the Government published the Provisional Local Government Finance Settlement which includes more detail on the funding available to individual councils.

2.4 The settlement is for a single year with no future indicative figures despite the recent Spending Review (SR21) being for 3 years. A more fundamental review of Local Government funding and distribution is still required, and this may well start early in 2022 for implementation from 2023/24.

2.5 The supporting technical documents are still awaited but the main headlines for this council are as follows:

- The Baseline Funding Level (minimum share of business rates) is as expected £2,374,680.
- Council Tax can increase by £5.00 (2.6 per cent) and the Government assumes this will happen in their assessment of this council's spending power.
- The delay in replacing the New Homes Bonus (NHB) scheme has resulted in an extra year being paid and the council will receive an additional £923,994 which will help to reduce the budget deficit. There are still no indications of the replacement incentive scheme.
- Revenue Support Grant will be increased in-line with inflation, this Council will still receive zero.
- The fifty per cent share of business rates growth will continue for another year and this Council will continue to be part of the Kent Business Rates Pool which has been approved for a further year.
- A new 2022/23 Services Grant of £163,700 will be received to pay towards the cost of local services and the extra recurring cost from the increase in National Insurance and the National Living Wage.
- A Lower Tier Services Grant of £106,520 will be received by district councils to meet the extra costs of housing, environmental and planning services.

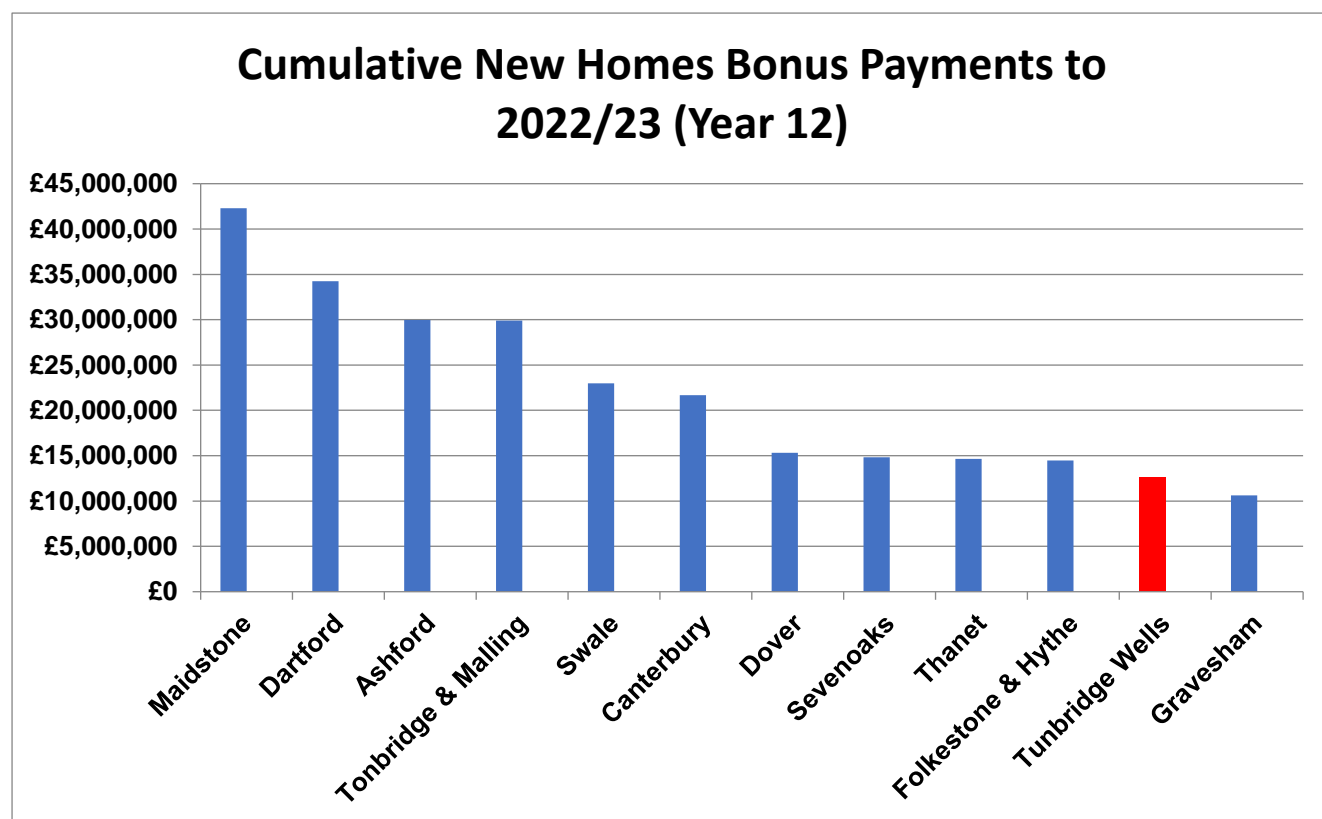
- 2.6 The surprise extra funding from the Government is welcomed but this erratic and fickle method of funding Local Government does inhibit the ability to make informed decisions on major changes to the range and quality of services the council provides.
- 2.7 Single year funding settlements can also undermine the ability to make strategic decisions and medium-term financial planning. The current Secretary of State for the Department for Levelling-Up, Housing and Communities (DLUHC) has said that this will be the end of roll-over settlements.

New Homes Bonus (NHB)

- 2.8 The NHB scheme was introduced by the Government in 2011 as a “powerful, predictable, permanent incentive to reward the delivery of housing growth”, funded by a £900 million top-slice of Revenue Support Grant.
- 2.9 Since 2011 various amendments have been made to dilute the financial incentive and in advance of consulting on changes the Government announced that in effect the current scheme will be phased out. The official position remains that no decision has been made on the future of NHB.
- 2.10 The Council expected to just receive the remaining legacy payment of £222,000 in 2022/23 but the lack of progress by the Government in implementing a replacement scheme has resulted in a further year of NHB of £923,994 being awarded. This is illustrated below:

	16/17	17/18	18/19	19/20	20/21	21/22	22/23
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Year 12 - Net							924
Year 11 - Net						454	
Year 10 - Net					571		
Year 9 - Net				222	222	222	222
Year 8 - Net			184	184	184	184	
Year 7 - Net		183	183	183	183		
Year 6	554	554	554	554			
Year 5	135	135	135				
Year 4	96	96					
Year 3	390	390					
Year 2	339						
Year 1	259						
NHB Allocation	1,773	1,358	1,056	1,143	1,160	860	1,146
NHB in Budget	1,773	1,358	1,056	921			1,146
NHB to/(from) Reserves	0	0	0	222	1,160	860	0

2.11 Since the creation of NHB this Council has received tens of millions of pounds less funding from NHB than neighbouring councils who have delivered far greater levels of house building which is shown below:



Retained Business Rates

- 2.12 In July 2020 HM Treasury undertook a call for evidence on the fundamental review of the business rates system. The revaluation of business rates was put back to April 2023 and is to be based on the property market on 1 April 2021 so will reflect the impact of the Covid-19 pandemic on the commercial rental market.
- 2.13 There was a further delay by the Government in resetting the business rates baseline, that determines the Settlement Funding Assessment for local authorities. Councils were invited to make submissions for business rates pools for 2022/23 and this council's bid as part of the Kent Business Rate pool was successful.
- 2.14 The continuation of the Kent Business Rate Pool using the existing baseline will enable this Council to continue to retain a greater share in the proceeds of business rates growth for a further year. The retained business rate growth share is shown below:

Type of Authority	Local Business Rate Growth Share
Districts	40%
Kent County Council	9%
Kent Fire & Rescue Service	1%
Total	50%
Government	50%

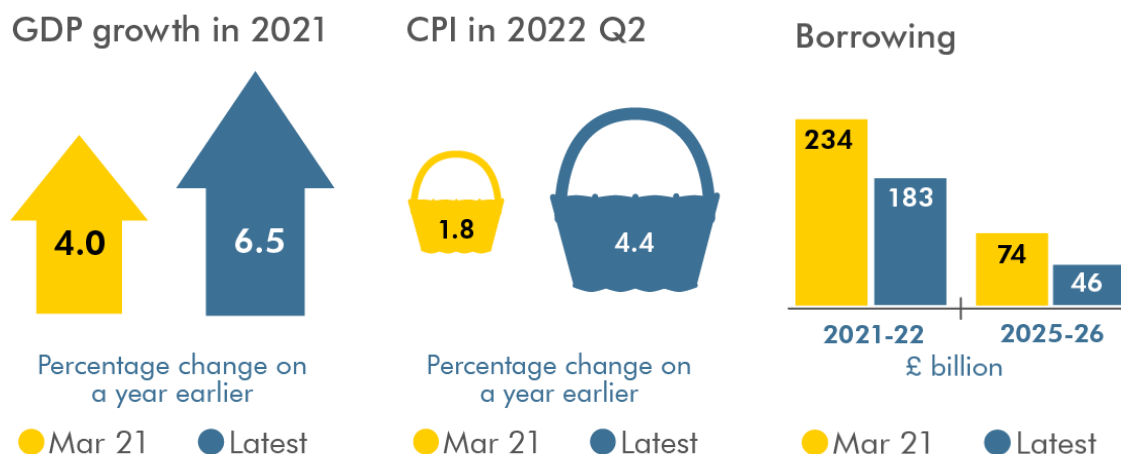
- 2.15 The Council has prudently not included the proceeds of business rates growth within the base budget and transfers any receipts into reserves at year end.

Financial Strategy – Covid-19 Pandemic

- 2.16 The Covid-19 Pandemic is a health and financial emergency and unlike other events there is no historical data on which to make reliable forecasts. The crisis is continuing to effect council budgets across the sector as a result of increases in expenditure and reductions in income from sales, fees and charges (SFCs) along with disruption to the overall economy.
- 2.17 From the outset of the crisis the s151 Officer formulated a financial strategy to reflect the fluid nature of the situation, to update projections monthly with Cabinet retaining the ability to revise the budget on a quarterly basis reflecting:
- Actual monthly outturn of income and expenditure compared to budget forecasts,
 - Economic data including unemployment, collection rates, business activity and local footfall; and
 - Government support packages and other announcements.
- 2.18 This approach still holds true and accords with the Government's advice that councils should not make drastic budgetary decisions due to the pandemic and should use their reserves as the government will provide councils with the funds needed.

National Economic Forecasts

2.19 Prior to the emergence of the highly infectious omicron coronavirus variant the Office for Budget Responsibility (OBR) published their Economic and Fiscal Outlook for October 2021. The economic forecasts show a strong recovery from last year's recession and a reduction in borrowing but with much higher levels of inflation.

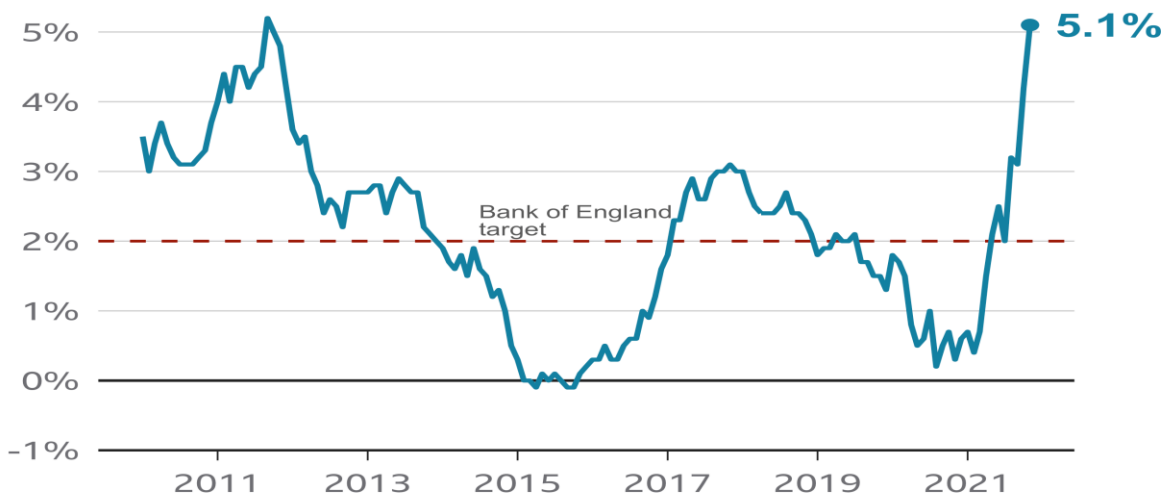


2.20 On 15 December 2021 the Office of National Statistics announced that the Consumer Prices Index (CPI) annual rate to November 2021 had increased to 5.1 per cent. This is the highest rate for 10 years and the indexation of council external contracts is already approaching 10 per cent whilst the ability to increase council tax is effectively capped at 2.6 per cent.

2.21 The CPI compared to the Bank of England's target is shown below.

UK inflation rises to 5.1%

Consumer Prices Index

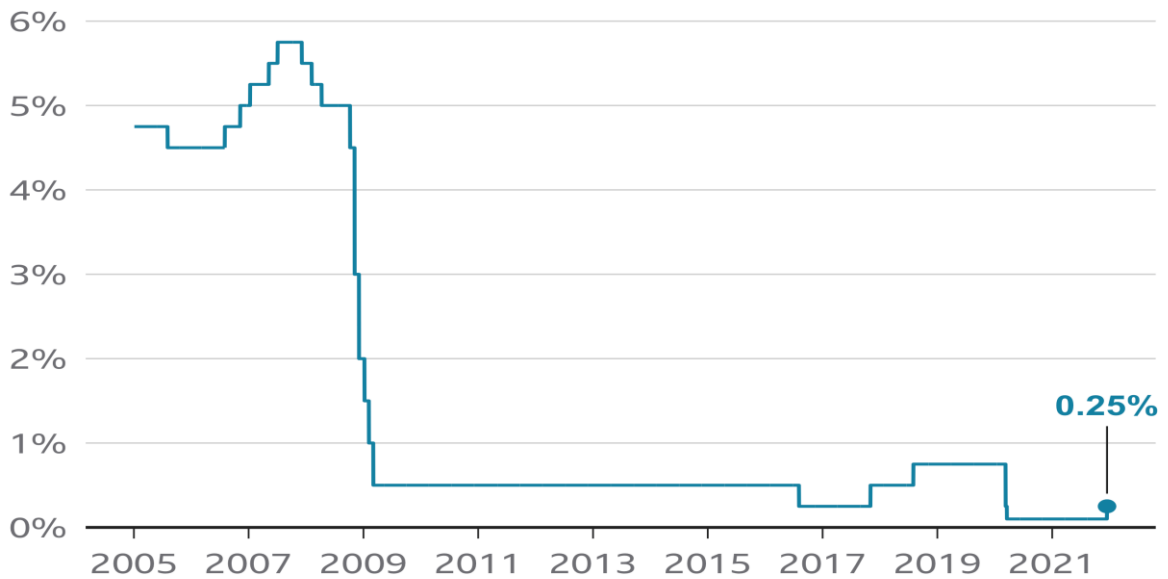


Source: Office for National Statistics



2.22 In response to surging inflation the Bank of England raised interest rates on 16 December 2021, for the first time in more than three years.

Interest rates rise to 0.25%



Source: Bank of England

BBC

2.23 The above graph illustrates that interest rates still remain at a relatively low level.

Local Economic Forecasts

2.24 The impact of coronavirus varies depending on the type of business and location of operation. The borough has been very resilient during previous recessions with the impact being less severe and the rate of recovery quicker than the national situation. However, disruption from the pandemic is being combined with labour shortages and supply chain issues which continues to create huge uncertainty and pressure points for residents and local businesses.

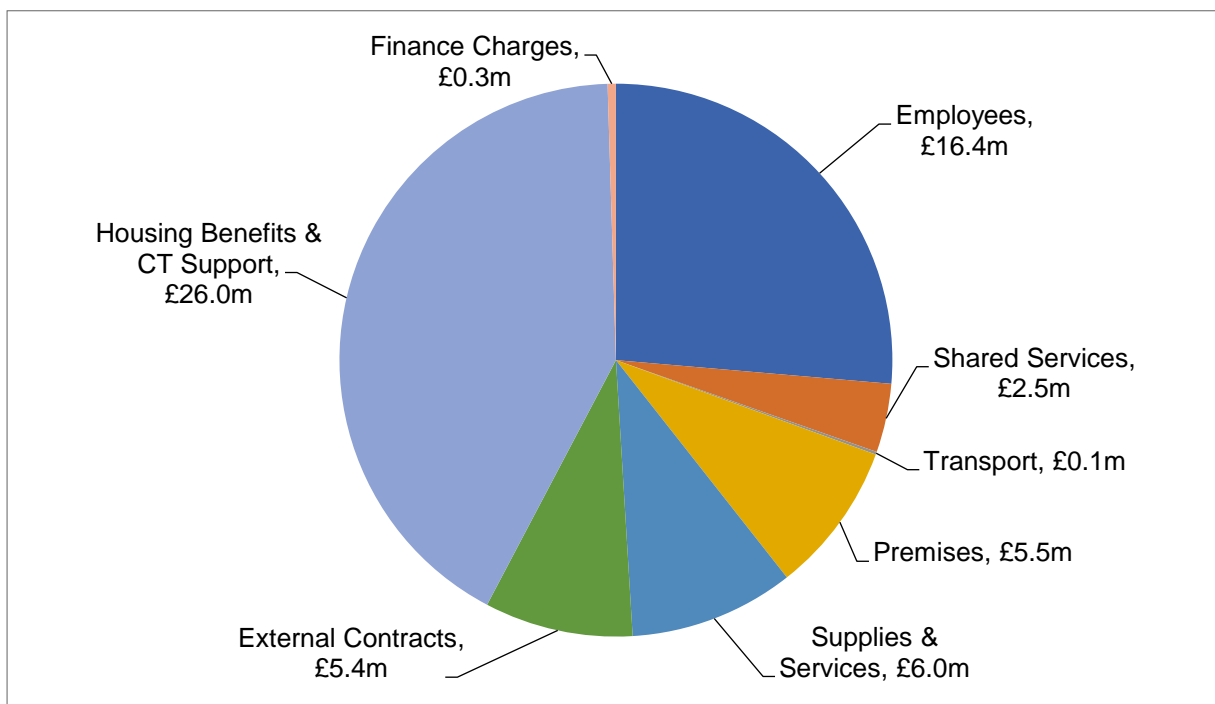
2.25 A summary of local economic data is shown below:

- Council Tax collection rates to November 2021 are up 0.13 per cent.
- Business Rates collection rates to November 2021 are down 5.22 per cent.
- Unemployment Rate for November 2021 for the borough is 2.9 per cent (2,110 claimants) and the 3rd lowest in Kent where the average is 4.2 per cent.
- Empty business properties were 338 in November 2021 compared to 314 properties pre-covid.

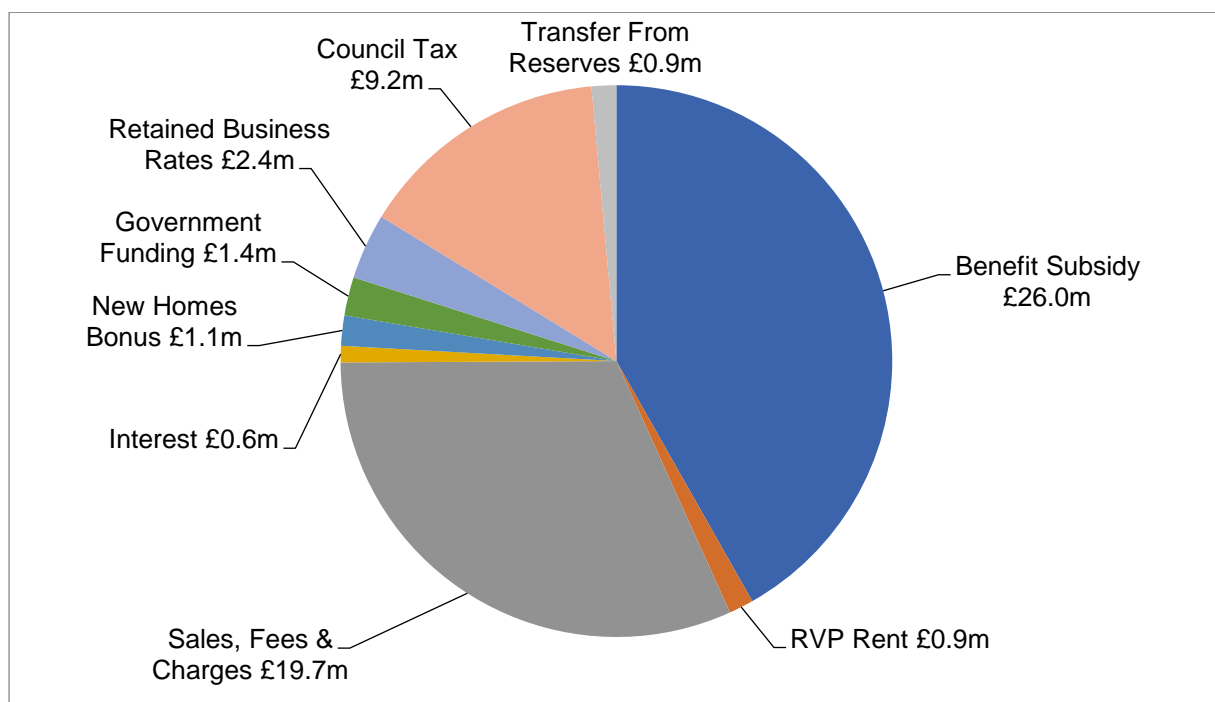
Budget Breakdown

2.26 The Council provides a diverse range of services across the Borough which is estimated to cost £62.2 million. The services are provided either by contractors, through partnership with other councils or by directly employing staff. The budget is based on an approved establishment of 326.39 Full Time Equivalents (FTEs). The following pie charts show the revenue expenditure and how this is to be funded.

Pie Chart of 2022/23 Revenue Expenditure



Pie Chart of 2022/23 Revenue Income



2.27 A breakdown of the budget by service is provided in Appendix B. A subjective breakdown of the budget per cost centre is available on the Council's website.

Major Budget Variances

2.28 The current year's budget forms the base budget upon which projections are made for the medium-term to reflect the Council's Five-Year Plan and other strategies. The projection model has been updated to reflect expected changes at this time and is summarised in Appendix A.

2.29 The key variances over the current budget are shown below:

Budget as at February 2022	£000s
Employment Costs	380
Transport	0
Premises	102
Business Rates	0
Supplies and Services	0
Contracts	315
The Amelia Scott Opening	292
Fees and Charges - Various	(403)
Fees and Charges - Crematorium	274
Fees and Charges - Car Parking	(667)
Management Fee - Sports Centre	(290)
Miscellaneous	56
Investment Income	(83)
Council Tax Increase	(441)
Collection Fund Surplus	(209)
Minimum Revenue Provision	34
Revenue Support Grant	0
New Homes Bonus	(1,146)
Lower Tier Services Grant	(106)
2022/23 Services Grant	(164)
Remove Reserve Funding (2021/22)	3,000
Budget Gap to be funded from Reserves	944

Budget Strategy

2.30 There remains a deficit forecast for 2022/23 of £944,000 which will be funded from reserves. In normal times the use of general reserves is unsustainable over the longer-term which led Cabinet in 2012 to set a definition of a balanced budget as follows:

“Where ongoing expenditure is met from fees, charges, government grant and council tax with only the use of earmarked reserves being used to meet one-off priority expenditure.”

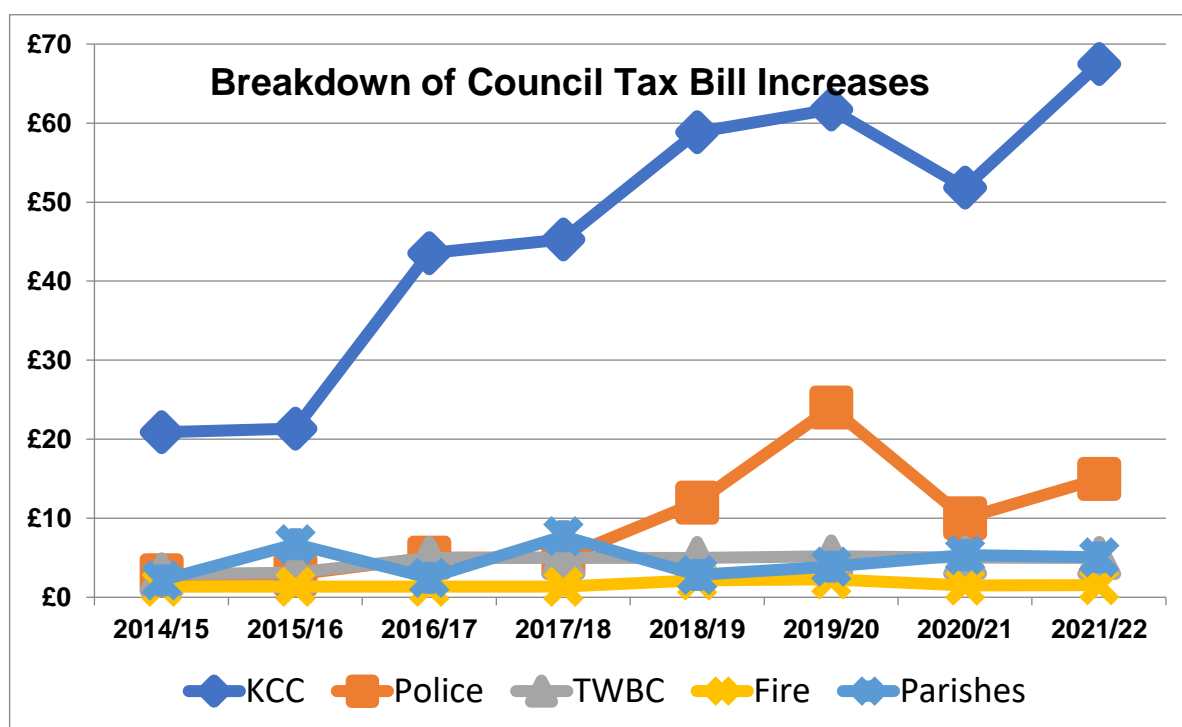
2.31 These are not normal times, and the Council will need to continue to meet as a priority; the impact of the ongoing pandemic, the Council’s responsibilities under the Civil Contingencies Act 2004 and the provision of statutory services.

Council Tax Strategy

2.32 One source of funding for the provision of local services is council tax. This Council has historically had a policy of very low council tax levels and the strategy is for council tax to increase up to the threshold (the ‘cap’) for triggering a referendum.

2.33 In previous years, the most efficient authorities such as this Council have been able to increase council tax up to £5.00 a year rather than the cap of 2 per cent. This has been confirmed in the Provisional Local Government Settlement 2022/23. The Government assumes this Council will increase council tax by the maximum permitted in their assessment of this Council’s available financial resources.

2.34 The Government has set different ‘caps’ for the various authorities who make up the council tax charge appearing on the bills for this borough, this is shown below:



- 2.35 The MTFs assumes that Council Tax will increase by £5 annually. It will be for Full Council in February each year to decide the level of council tax.

Fees and Charges

- 2.36 For the fees and charges which are not imposed by central government these were set by Cabinet on 2 December 2021.

Car Parking Charges

- 2.37 There are no plans to increase pay and display car parking charges.

Staff Savings and Efficiencies

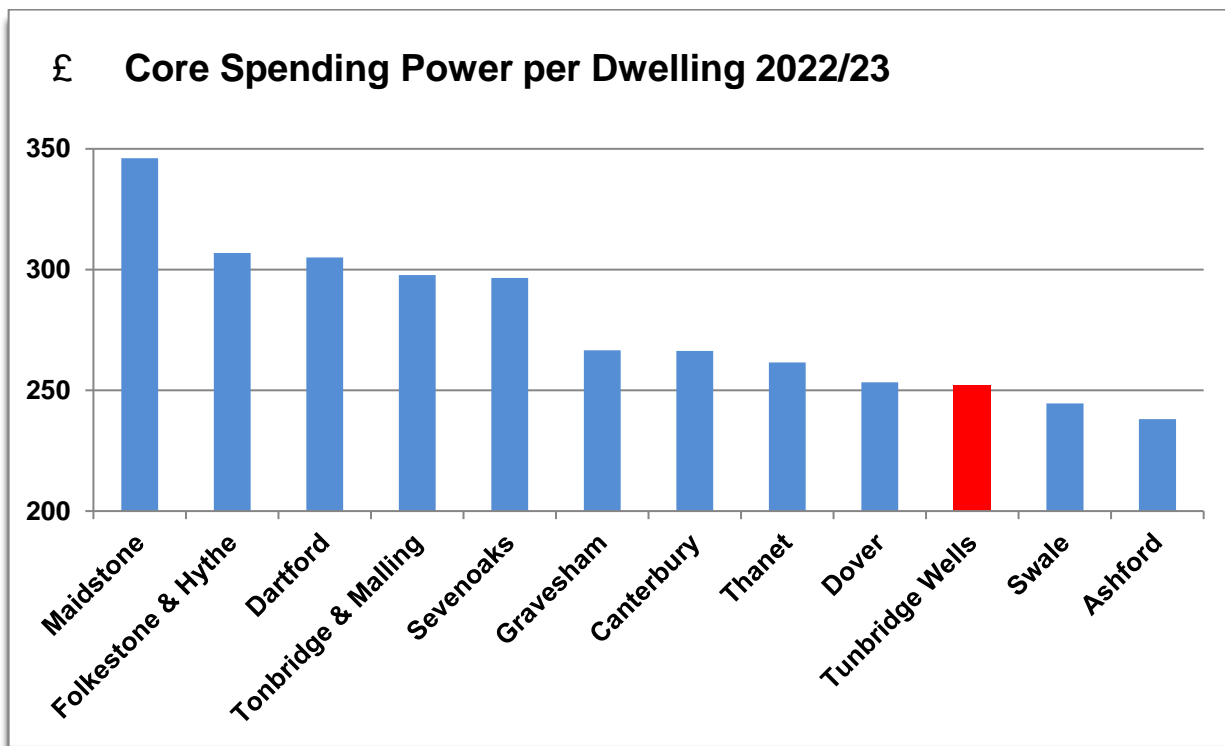
- 2.38 Directors/Heads of Services and Portfolio Holders have been busy trying to identify further efficiency options to reduce the cost of their services and to increase income. After a decade of austerity and lower spending power than neighbouring councils the scope for further savings has been exhausted based on current policies and levels of service delivery. This situation was supported by the Financial Benchmarking exercise reported to Cabinet in October 2021 which confirmed that the council has the leanest net cost base of the comparator group.
- 2.39 The major changes to the range and level of services provided which will be required to balance the budget are dependent on officers being provided with a political mandate that identifies those services to be reviewed and reduced. Major changes to services should be informed by evidence of demand (which is disrupted at this time due to the continuing pandemic) and subject to public consultation and in the case of staffing changes adhere to formal employment procedures.

Digital Transformation

- 2.40 It is not possible to keep working harder and faster with fewer resources and still provide safe, effective services. The Council will need to find new ways of working smarter and deliver services in a more digitally efficient form which meets with the way the public now interact with service providers. The Council has a Digital Services and Transformation Team in place to improve operational delivery and transform the way that services are provided. Details of these projects are reported quarterly to Cabinet and the resulting efficiencies will be incorporated into the budget-setting process.

Spending Power

- 2.41 The Government has developed a universal benchmarking indicator called 'Spending Power' to enable comparisons between councils of the income they receive from national and local taxpayers. This indicator appears to be the best available for identifying how much each council receives per household to provide local services. The graph below shows that using the Government's own calculation TWBC has the third lowest spending power in Kent at just £252 per household (£248 in 2021/22).



Capital and Revenue Reserves

2.42 The Medium-Term Financial Strategy maintains the following as an adequate level of reserves:

	Minimum
General Reserves (Revenue)	£3.0 million
Capital Receipts	£1.0 million

2.43 The reserves and balances are currently forecast to meet the above levels although maintaining this position relies on delivering not just a balanced budget in 2022/23 but a sustainable budget for the future.

Capital Programme

2.44 At the Full Council meeting on 24 February 2021 the capital programme for 2021/22 to 2024/25 was approved.

2.45 Over the course of the past year the Council has made significant efforts to dispose of surplus land and property identified in the Asset Management Plan (AMP) with a view both to deliver capital receipts and to reduce operational running costs. The AMP provides a framework for further such work over the coming year and this work will be funded from a proportion of the capital receipts received (subject to the necessary approval).

2.46 The four-year capital programme will be rolled forward for another year. Any subsequent additions will be considered using the formal application approval process throughout the year.

2.47 Below is a summary of new applications to the capital programme which will require Full Council to agree in principle the additional total gross project funding of £2,140,500. The decision to procure each scheme and the source of funding will be determined by the s151 Officer.

New Schemes	Total Gross Project Cost £	2022/23 Gross Cost £	Earmarked Reserve Funding £	Cap & Rev Initiatives Res. Funding £
A LIST - Health & Safety Related, Revenue or Capital Income Stream, S106 funded or Political Priority				
Camden Centre Roof	204,000	204,000		(204,000)
Theatre Lighting Desk	32,000	32,000		(32,000)
Parking Electric Van	24,500	24,500	(24,500)	
Assembly Hall LED Lighting	88,000	88,000	(88,000)	
TOTAL	348,500	348,500	(112,500)	(236,000)
B LIST - Service/Property Improvements				
Dowding House	924,000	231,000		(231,000)
Camden Centre Lift	45,000	45,000		(45,000)
Town Hall Lift	43,000	43,000		(43,000)
Theatre Lift	40,000	40,000		(40,000)
Town Hall Switchgear	55,000	55,000		(55,000)
Town Hall Security System	30,000	30,000		(30,000)
Council Chamber Furniture	30,000	30,000		(30,000)
Cinderhill Additional Plot & Amenity Buildings	625,000	625,000		(625,000)
TOTAL	1,792,000	1,099,000	0	(1,099,000)
TOTAL	2,140,500	1,447,500	(112,500)	(1,335,000)

2.48 The significant recurring cost of; planned maintenance, responsive repairs and the above capital investment in the Council's Civic Buildings, Car Parks and Leisure Centres is not financially sustainable over the medium-term and a solution that provides value for money needs to be determined.

2.49 The Council has no external debt but with reserves largely allocated it will be necessary to commence borrowing to fund additional capital schemes. The Council does have the potential for using new capital receipts, building up usable reserves and access to internal and external borrowing. The determination as to which source of funding is most appropriate is a technical judgement that will be made by the s151 Officer.

2.50 In addition to the revenue and capital budgets, the Council has earmarked reserves which form part of the Budget and Policy Framework and are available to fund the specific purpose of the reserve in accordance with the virement procedure rules. The projected balances of these reserves are shown below and assume that the revenue budget is balanced after 2023/24 without further utilisation of reserves.

	31-Mar-21 Actual	31-Mar-22 Forecast	31-Mar-23 Forecast	31-Mar-24 Forecast	31-Mar-25 Forecast	31-Mar-26 Forecast
	£000's	£000's	£000's	£000's	£000's	£000's
General Fund	4,301	4,301	4,301	4,301	4,301	4,301
Earmarked Reserves	13,662	9,339	7,049	5,562	4,726	3,995
2021/22 Budget Deficit	0	-1,518	-1,518	-1,518	-1,518	-1,518
2022/23 Budget Deficit	0	0	-944	-944	-944	-944
Grant Volatility (CFund adj)	15,398	2,602	1,301	0	0	0
Capital Grants & Contributions	2,781	2,781	2,781	2,781	2,781	2,781
Capital Receipts Reserve	3,118	1,000	1,000	1,000	1,000	1,000
Amelia Scott Capital Receipt	7,680	7,680	7,680	7,680	7,680	7,680
Amelia Scott Capital Spend	-7,474	-7,680	-7,680	-7,680	-7,680	-7,680
Total Reserves	39,466	18,505	13,970	11,182	10,346	9,615
Outstanding Financing						
33 Monson Road	-1,496	-1,425	-1,354	-1,282	-1,211	-1,140
Dowding House	-1,960	-1,870	-1,781	-1,692	-1,603	-1,514
The Lodge, Calverley Park	-489	-468	-447	-426	-404	-382
Royal Victoria Place	-966	-924	-882	-840	-798	-756
Waste Bins & Caddies	-598	-532	-465	-399	-333	-267
Civic Site Essential Works	-95	-1,922	-1,845	-1,768	-1,691	-1,614
Amelia Scott (additional funding)	0	-2,000	-1,920	-1,840	-1,760	-1,680
Total Outstanding Financing	-5,604	-9,141	-8,694	-8,247	-7,800	-7,353

Note: Schemes not funded from reserves need to be charged to revenue and this repayment is reflected in the reduction in financing over the life of the asset.

- 2.51 The Council does not have any external debt but with borrowing costs at very low levels the s151 Officer has the flexibility to take advantage of this situation and borrow as an alternative to utilising capital receipts.

Budget Calculations and Adequacy of Reserves

- 2.52 In accordance with Section 25 of the Local Government Act 2003 the Chief Financial Officer is required to report formally to the Council on the robustness of the estimates and adequacy of reserves. It should be noted that Section 26 of the Act gives the Secretary of State power to set a minimum level of reserves for which an authority must provide in setting its budget.
- 2.53 At the time of writing this report I have had regard to the CIPFA Resilience Index, and Financial Benchmarking and I am satisfied with the robustness of the estimates.
- 2.54 Fundamental changes to the range of services provided by the council will be required to contain expenditure to within much lower levels of income. To make informed decisions further time is needed to allow the disruption from the pandemic to settle and to interpret the data from the appetite of the public to use and pay for council services. The level of changes to services goes beyond efficiencies and will require clear political policy decisions to provide officers with the mandate needed to cost and consult on potential options and to provide the necessary professional advice.
- 2.55 With regards to the adequacy of the reserves the Council must act within the medium-term to bring the cost and demand of providing local services to within the level of income that can be generated and to balance the revenue budget without reliance on reserves. The government is providing financial support to councils during the pandemic, but this source of income cannot be relied upon to continue.
- 2.56 The Council will also need to reduce the drain on reserves from its properly assets and to identify an agreed way forward with regards to the Town Hall and Assembly Hall Theatre. In October 2021 Full Council approved the establishment of a capital budget to enable the conversion of the Town Hall for co-working.
- 2.57 Assets which can be sold and are either generating little income or which are underutilised should be identified for disposal to replenish the Council's reserves and to help fund the Capital Programme. In July 2021 Cabinet approved funding and established a working group to bring forward proposals from a schedule of council assets to generate capital receipts or to consider their repurposing.
- 2.58 Historically the Council has delivered a supply of capital receipts to help fund the capital programme, but this supply has stalled, and no receipts have been achieved in 2021/22. A method of cross-party decision-making is required to ensure those assets approved as surplus to requirements are delivered.



Lee M Colyer FCPFA

Director of Finance, Policy and Development (S151 Officer)

2.59 Section 114 of the Local Government Finance Act 1988 provides the mechanism for the S151 Officer to halt council expenditure when resources are no longer sufficient to maintain or achieve a balanced financial position. The S151 Officer would only take this course of action when all options to stabilise the council's financial position had been unsuccessful. To be clear this council is not in the territory where a S114 notice is likely as the Council has a strong balance sheet and is able to act on the professional advice of the S151 Officer when necessary and make decisions to reduce net expenditure and raise capital receipts.

Risk Factors

2.60 It is important to recognise that there are many factors that can affect some budgets and where variances could be significant requiring closer budget management and action; these areas include:

Risk Area	Management
Covid-19 Pandemic	The pandemic is a health emergency which resulted in the greatest recession in a century. Further economic and health restrictions will continue to have significant and fundamental budgetary implications.
Climate Emergency	<p>In July 2019 Full Council declared a climate emergency. A climate cross-party task force has been established and a dedicated report is due with actions to make the Borough carbon neutral by 2030.</p> <p>A budget of £150,000 has been set aside for a carbon assessment survey of the council's assets.</p> <p>The cross-party group agreed to lobby central government to provide additional resources and to grant the necessary freedoms to deliver the above ambition.</p>
Labour Shortages	Numerous parts of the economy are exposed to critical shortages of essential skills and professions. Where possible the council will work with its contractors and across the sector to manage any disruption.
Growth	<p>The Government is clear that local authorities have a responsibility to grow their local economies through new housing and businesses.</p> <p>The private sector is very selective in identifying those areas in which to invest and there is tough competition between destination towns. The borough needs to be viewed as 'open for business' and receptive to growth if it is to retain and attract residents and businesses and to deliver wider economic benefits.</p> <p>It is important to avoid a lack of confidence by the private sector to invest in the borough.</p>
Market Failure	The Council is required to procure services and is reliant on a free and competitive market to obtain best value. In some circumstances contractors may be unwilling or unable to take on the risk of providing services without significant cost increases in existing or new contracts.

Property Assets	The cost of maintaining property assets is currently around 10 per cent of the Net Revenue Budget and annually consumes around £1- £3 million in capital expenditure. Despite this some property assets have reached the end of their useful life and are at risk of further responsive costs to keep them operational.
Planning Inquiry Costs	Whilst the primacy of planning is paramount, decisions taken by the Planning Committee can lead to formal planning inquiries which have the potential for substantial costs to arise which are not budgeted for.
Business Rates Retention Scheme	Part of the Council's funding is now linked to the amount of business rates due in the Borough. However, the Government has also transferred the liability for business rate appeals already in the system. To help mitigate the impact of appeals the Council maintains a Grant Volatility Reserve and is part of a Kent Business Rate Pool.
Economic Conditions	The majority of the Council's income is derived from sources which are subject to the prevailing economic conditions. Economic conditions can also alter the demand for council services and those provided by partners and the voluntary sector.
Employee Costs	The move to local pay offers some protection but a watching brief is still required especially regarding the vacancy factor. Changes to pensions, National Insurance and the introduction of an apprentice levy have been included where known but such further changes can have a significant cost. Demand for some professionals exceeds supply and this is exacerbated by the higher salaries available in London and parts of the private sector which can now be earned without the need to commute daily.
Parking Income	Dependent on usage and the economic environment.
Planning and Licensing Income	Dependent on the economy and the impact of legislative changes which limit the full recovery of the cost of providing these services.
Crematorium Income	Dependent on mortality rates and competition.
Contracts	Dependent on inflation indices and a competitive market.
Utilities	Global supply and demand plus above inflation price rises.

Land Charges	The Infrastructure Bill was approved, paving the way for Local Land Charges to be centralised into a single computer system. The Land Registry are scheduled to take over the main income collection from 2023/24.
Investment Returns	New cash deposits are dependent on interest rates and levels of balances. Property investments are dependent on the type of asset and rental demands.
Targeted Options to Reduce Net Expenditure	Assumes that savings identified are delivered and there are no unintended consequences.
Capital Receipts	Capital is tied up in non-operational assets which if released will help to reduce the use of cash reserves to fund the capital programme.
Government Policy and Announcements by Ministers	There has been a significant increase in the volume of legislation and announcements which can undermine strategic planning and compromise budget assumptions.
Capital Programme	Major capital schemes carry a significant risk which is managed through the Council's Strategic Risk Register. The funding of capital can also have a significant impact on the revenue budget where external borrowing is required.

National Policy and Legislative Changes

2.61 The above forecasts are subject to changes from the following government activities:

- The health and financial measures required for the impact of, and recovery from the Pandemic
- The Final Local Government Finance Settlement 2022/23; and
- The White Paper on 'Levelling Up' and reforming Local Government Finance.

3. Options Considered

3.1 The budget-setting process is well rehearsed and has largely been successful in delivering a balanced budget and engaging with the public. There may be other alternatives but ultimately the Council must produce a budget which meets its statutory responsibilities.

4. Preferred Option and Reason

4.1 This report is the forth in the formal budget-setting process and has been informed through consultation and research. Decisions on priorities and services will be communicated on a regular basis.

5. Consultation on Options

5.1 A budget survey was undertaken for six weeks along the lines of previous years and generated 310 (575 in 2021/22) responses from across the borough. The budget survey is designed to raise public awareness of the services provided by the council and the challenges it faces to balance income and expenditure whilst having limited local decision-making. To encourage participation the budget survey has been kept relatively straightforward and consistent, although further detailed financial information is available on the council's website.

5.2 The public was asked whether they supported the budget strategy of temporarily using reserves as an alternative to cuts to services.

Outcome: 87 per cent of the public who responded supported the strategy of temporarily using reserves as an alternative to cuts to services.

5.3 The public were asked whether they supported an increase in Council Tax by £5 a year for 2022/23 and for 2023/24.

Outcome: 62 per cent of the public who responded supported the increase in Council Tax of £5 for 2022/23 and 60 per cent supported the same increase for 2023/24.

5.4 The public were also asked whether they supported an increase in Council Tax greater than £5 a year.

Outcome: 57 per cent of the public who responded did not support an increase in Council Tax greater than £5 a year.

5.5 The respondents indicated that they would support a reduction in most council services from 2023/24 if necessary, to balance the budget without further government support apart from:

- Community Centres
- Community Safety and CCTV
- Recreation including sports and leisure centres
- Public Conveniences

5.6 The respondents significantly reduced the level of funding for the following services compared to the proposed budget for 2022/23:

- Committee, mayoral and member services
- The Amelia Scott
- Planning and Building Control
- Property and development programme

5.7 There was strong support for the principle of setting fees and charges locally (69 per cent) rather than being determined by central government which results in services such as Planning and Licencing being subsidised by local council tax payers.

- 5.8 There was agreement on the importance of climate change and recognition that action would require savings from existing budgets and increases in income to fund the local response to the climate emergency.
- 5.9 The results of the budget survey are contained in Appendix C.

6. Implementation

- 6.1 The budget will be agreed by Cabinet in February and proposed for approval by Full Council in February 2022.

7. Appendices and Background Documents

Appendices:

- Appendix A: Medium-Term Budget Projections
- Appendix B: Budget by Service
- Appendix C: Budget Consultation Survey Responses
- Appendix D: Budget response from the Town Forum

Background Papers:

- None

8. Cross Cutting Issues

Issue	Implications	Sign-off
Legal including Human Rights Act	The Local Government and Finance Act 1992 requires Councils to approve their budget and set the Council Tax. Failure or delay in setting a legal budget/council tax could have a number of significant consequences/implications for the Council including a significant loss of revenue, the obligation to provide statutory services and making payments to precepting authorities. There would also be a risk of statutory reports served by the Chief Financial Officer and/or Monitoring Officer, intervention by the external auditor or Secretary of State and risk of judicial review. In some limited	Director of Finance, Policy and Development, 26 December 2021.

	circumstances, there may be personal liability for Members.	
Finance and other resources	This report forms part of the Council's Budget and Policy Framework.	Director of Finance, Policy and Development, 26 December 2021.
Staffing establishment	Where savings proposals impact on staff then this will be managed in accordance with Human Resources policies.	Director of Finance, Policy and Development, 26 December 2021.
Risk management	An assessment of the risk factors underpinning the budget will accompany the final budget report. The Strategic Risk Register also includes a risk on funding streams which is being monitored by Cabinet and the Audit and Governance Committee.	Director of Finance, Policy and Development, 26 December 2021.
Environment and sustainability	The budget has regard to the environmental sustainability priorities within the Five-Year Plan.	Director of Finance, Policy and Development, 26 December 2021.
Community safety	The budget has regard to the community safety priorities within the Five-Year Plan.	Director of Finance, Policy and Development, 26 December 2021.
Health and Safety	The budget has regard to the Health and Safety obligations and priorities within the Five-Year Plan.	Director of Finance, Policy and Development, 26 December 2021.
Health and wellbeing	The budget has regard to the health and wellbeing priorities within the Five-Year Plan.	Director of Finance, Policy and Development, 26 December 2021.

Equalities	Changes to service delivery may impact on equalities; however, heads of service will ensure that an equality assessment is in place where this has been identified.	Director of Finance, Policy and Development, 26 December 2021.
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