Rushcliffe Borough Council	**Council** **Thursday, 2 March 2023** **2023/24 Budget and Financial Strategy**

Report of the Director – Finance and Corporate Services

Cabinet Portfolio Holder for Strategic and Borough-wide Leadership, Councillor S J Robinson

1. Purpose of report

1.1 This report presents the detail of the 2023/24 budget, the five-year Medium Term Financial Strategy (MTFS) from 2023/24 to 2027/28, which includes the revenue budget, the proposed Capital Programme, the Transformation Programme and the Capital and Investment Strategy (with associated prudential indicators).

1.2 Cabinet has considered the attached budget and strategies and recommended their acceptance by Council, along with the resultant decisions regarding Rushcliffe's Band D Council Tax and Special Expenses for 2023/24. The Governance Scrutiny Group has also recommended the Capital and Investment Strategy for adoption by Full Council, the amendment to the Empty Homes Premium and the proposed Council Tax Support Fund.

1.3 The final financial settlement has been received from Central Government with no significant changes from the draft settlement.

1.4 Annex A gives authoritative commentary from the Council's s151 Officer, a legal requirement, so that members have all the relevant information available to them when making budget and Council Tax decisions.

2. Recommendation

It is RECOMMENDED that Council:

a) accepts the report of the Council's Responsible Financial Officer on the robustness of the Council's budget and the adequacy of reserves (as detailed at attached **Annex A**;

b) adopts the budget setting report and associated financial strategies 2023/24 to 2027/28 (attached **Annex B**);

c) adopts the Capital Programme as set out in **Annex B**, **Appendix 3**;

d) adopts the Capital and Investment Strategy at **Annex B, Appendix 4**;

e) adopts the Council Tax Support Scheme at **Annex B, Appendix 6;**

f) approves that the period for applying the Empty Homes Premium is reduced from 24 months to 12 months (as stated at **Section 3.4 of Annex B**) to help incentivise housing use within the Borough;

g) sets Rushcliffe's 2023/24 Council Tax for a Band D property at £153.95 (increase from 2022/23 of £3.02 or 2%);

h) approves the Council Tax Support Fund (CTSF) to support economically vulnerable households with up to £25 reduction in their Council Tax bills;

i) linked to the CTSF approves further funding from RBC of around £30k to ensure anyone in Bands A to D Council Tax are given a discount, effectively resulting in no person up to a Band D paying an increase in the Rushcliffe element of Council Tax;

j) sets the Special Expenses for West Bridgford, Ruddington and Keyworth, **Annex B, Appendix 1**, resulting in the following Band D Council tax levels for the Special Expense Areas:

  i) West Bridgford £55.95 (£53.91 in 2022/23);
  ii) Keyworth £4.38 (£3.30 in 2022/23);
  iii) Ruddington £3.68 (£3.82 in 2022/23);

k) with regards to recommendations e) and f), sets the associated Bands in accordance with the formula in section 36(1) of the Local Government Finance Act 1992; and

l) adopts the Pay Policy Statement at **Appendix 7.**

3. Reasons for Recommendation

To comply with the Local Government Finance Act (1972) and ensuring the budget enables corporate objectives to be achieved. The Council is required to set a balanced budget and demonstrate that it has adequate funds and reserves to address its risks. Covid and recent inflation risks have highlighted the importance of adequate reserves to support short-term shocks.

4. Supporting Information

The Budget and Associated Strategies

4.1 The attached report and appendices detail the following:

a. The anticipated changes in funding over the five-year period;

b. The financial settlement for 2023/24 and the significant budget pressures the Council must address over the Medium Term;

c. The budget assumptions that have been used in developing the 2023/24 budget and MTFS;

d. The detailed budget proposals for 2023/24 including the Transformation and Efficiency Plan (and associated programme) to deliver the anticipated efficiency and savings requirement;

e. The recommended levels of Council Tax for Band D properties for the Council and its special expense areas of West Bridgford, Ruddington and Keyworth;

f. The projected position with the Council's reserves over the medium term;

g. Risks associated with the budget and the MTFS;

h. The proposed Capital Programme;

i. The proposed Capital and Investment Strategy;

j. The proposed Council Tax Support Scheme; and

k. The proposed Pay Policy Statement.

4.2 The salient points within the MTFS are as follows (MTFS report (**Annex B**) references in parenthesis):

a. It is proposed that Council Tax for 2023/24 will increase by £3.02 to £153.95 (2%). This still means that Rushcliffe's Council Tax remains the lowest in Nottinghamshire and amongst the lowest in the country (Section 3.4);

b. Applying additional Council Tax discounts to give those more economically vulnerable on local Council Tax support a Council Tax discount of up to £25; and for all taxpayers on Bands A to D ensuring there is also a discount to ensure no increase in Rushcliffe's element of Council Tax;

c. In line with proposed changes in Levelling-Up legislation, the period for applying the Empty Homes Premium is proposed to reduce from 24 months to 12 months (as stated at Section 3.4 of the Annex) to help incentivise housing use within the Borough;

d. Special Expenses increasing to £861k (£817k 2022/23) and taking into effect tax base changes, this results in Band D charges for West Bridgford increasing by £2.04 to £55.95 (£53.91 in 2022/23). Keyworth increases from £3.30 to £4.38 (due to rising closed churchyard maintenance costs) and Ruddington decreases from £3.82 to £3.68 as a result of the tax base increasing while costs remain the same (Section 3.5);

e. Business Rates (Section 3.3) are still subject to significant uncertainty with the de-commissioning of Ratcliffe on Soar Power Station, the development of the Freeport and the continued delay to proposals for a review of the Business Rates system, making forecasting difficult. The Council anticipates that the reset will be delayed until 2025/26 at the earliest and has therefore set a budget of £4.905m in 2023/24 and projections for 2024/25 of £4.941m in retained Business Rates. This reflects the closure of the Power Station and the anticipated delay in Business Rates reset. Thereafter the budget is reduced to reflect Business Rates reform;

f. The Council no longer receives Revenue Support grant (reduced to zero in 2019/20) and represents a reduction of £3.25m from 2013/14 (Section 3.6). Importantly the Council has mitigated the loss of income through its Transformation and Efficiency Plan;

g. For 2023/24, Councils are permitted to raise Council Tax by the higher of 3% or £5 (previously 2%); however, Council Tax has been based on an increase of just 2.2% or £3.71 for 2023/24, 2.97% in 2024/25 and £4.99 thereafter. This takes into account increases in Special Expenses. The tax base has been assumed to increase by 1.5% and 2% per annum from 2024/25;

h. New Homes Bonus (NHB) was due to cease after 2022/23; however, in the provisional settlement it was announced that the Council would receive an additional payment in 2023/24 of £1.414m (section 3.7). It is anticipated that there will be no replacement to NHB announced before 2024/25 and therefore the budget assumes that the £1.414m will be received for two years. The additional NHB receipts are budgeted to repay MRP and therefore is not relied upon to support balancing the revenue budget;

i. The budget reflects the significant increases in inflation offset partially by the positive effect on the Council's investment returns due to higher interest rates but also the 'windfall' of the delay in Business Rates reset, which temporarily supports the budget. The budget shows a deficit of £0.270m in 2023/24 and a surplus of £1.297m in 2024/25 followed by three years of an anticipated deficit. Over the five-year period the budget shows a net £0.298m deficit. The budget allows for 4% growth in staffing costs for 2023/24 (with salary costs rising due to a combination of meeting the minimum national living wage and job retention and recruitment issues) and 2% per annum thereafter. Fuel and utilities are expected to increase significantly with budget assumptions between 200% and 300% increases on utilities (section 2.1). These pressures demonstrate the cost-of-living challenge to the Council;

j. It is proposed not to increase car parking charges, ensuring the Council continues to support the retail sector and encourage greater footfall (Section 3.8);

k. Green waste charges are not proposed to increase until 2024/25 (last increased in 2020/21) to take into account inflationary pressures and the need to replace vehicles that are lower in carbon emissions;

l. Taking into account resource predictions, spending plans and savings already identified, there is a Transformation Programme requirement of an additional £0.622m in 2023/24, rising to £1.5m by 2027/28 (Section 7);

m. Commercial investment income will now reach £1.96m over the period of the MTFS accounting for 20.3% of fees and charges income. This is continually managed and proportionate given the risks and opportunities associated with such investments (Appendix 4, Table 14);

n. The Council has a number of earmarked reserves (excluding NHB Reserve), their balance largely stable over five years, slightly increasing from £8.9m to £10.1m, largely as a result of the proposed new Treasury Capital Depreciation reserve (below) and the transfer of £1m to the Regeneration and Community Projects Reserve to support Capital projects (Section 6). Retaining sufficient reserves is essential given the volatile financial environment we currently operate in (see risks highlighted below) along with the need to grow the Borough and to withstand any unexpected financial shocks. Anticipated low external funding means the Council has to future proof its resources;

o. A new reserve has been created; the Treasury Capital Depreciation Reserve of £1m funded by £0.8m 2021/22 and 2022/23 in-year budget efficiencies and an additional £0.2m in 2023/24. The Council faces many opportunities and significant challenges going forward and any in-year surpluses are essential to replenish reserves. This MTFS reports an estimated net deficit over the five-year period of £0.298m and the reserves will be used to smooth the impact in each year (a very small proportion of average annual net expenditure - 0.75%) (Section 5);

p. Key risks to the MTFS are highlighted, including the potential impact of the Fair Funding Review, NHB, the volatility caused by the aforementioned various Business Rates issues and the impact of climate change, and inflationary pressures and the contraction in demand and supply in areas such as housing, all of which can impact on both revenue and capital costs and income streams (Section 8); and

q. The Capital Programme demonstrates the Council's commitment to deliver more efficient services, improve its leisure facilities, and to facilitate both economic development and housing growth. Spend over the five years is estimated at £23.486m. The Council's capital resources are slowly being depleted in order to fund the Capital Programme and it is projected that capital resources will be in the region of £5.5m at the end of the five-year life of the Programme. The level of Capital Receipts will be slowly rebuilt by the repayment of capital loans but will only significantly increase if major assets are identified for disposal. External borrowing is currently not anticipated in the medium term.

4.3 The MTFS has been developed at a time of significant economic uncertainty with inflation at a record high and the impact on residents' cost of living a significant consideration when balancing the budget. The process has been rigorous and thorough, with a Transformation Programme that takes into account both officers' and Members' views. Whilst the Council faces financial constraints both the revenue and capital budgets delicately balance the need for efficiency and economy with the desire for growth; and the aim of encouraging economic development in the Borough, supporting the vulnerable, with the Council aiming to meet its corporate priorities.

4.4 **Annex A** is a legal requirement under Section 25 of the Local Government Act 2003, that the Council's s151 Officer authoritatively advises Members on the robustness of the budget and the adequacy of the reserves; so that they have all the relevant information available to them when making budget and Council Tax decisions.

5. Alternative options considered and reasons for rejection

There are other options in terms of increasing Council Tax by a lesser amount, but this would put severe pressure on already stretched Council resources (see Section 11). For example, comparing the difference from no increase to the maximum increase in Council Tax, in 2027/28, the Council Tax income foregone is £0.215m and over the five-year period amounts to £1.032m. Council Tax could be increased by a higher amount up to the maximum 3% but this would negatively affect Borough residents.

6. Risk and Uncertainties

Section 8 of the Annex covers key risks that may impact upon the MTFS. There are a number of reviews that due to economic and political uncertainty have been further delayed such as the Fair Funding review, Business Rates reform and NHB many of which are now unlikely to be concluded before 2025/26. In addition to the Environment Policy changes are likely to have a budgetary impact. There are significant expenditure pressures on the Council including pay and inflation and consequently the impact on, for example, leisure services and similarly a risk of falling demand with individual disposable income falling. There are also potential future limitations on Government funding for capital projects which may affect the delivery of some schemes. The Council's Regeneration and Community Projects Reserve has been increased by £1m and this should help address some of this pressure. All of these factors make longer term forecasting subject to even more uncertainty.

7. Implications

7.1 Finance Implications

These are detailed in the attached budget report (Annex B). The Council is required to set a balanced budget for the 2023/24 financial year (by use of the Organisation Stabilisation Reserve) and the proposals present a balanced budget. In the opinion of the S151 Officer, a positive assurance is given that the budget is balanced, robust and affordable. The Capital Programme is achievable, realistic, and resourced, with funds and reserves including the General Fund, adequate to address the risks within the budget.

7.2 Legal Implications

The recommendations of this report support compliance with the Local Government Finance Act 1972.

7.3 Equalities Implications

None.

7.4 **Section 17 of the Crime and Disorder Act 1998 Implications**

None.

8. Link to Corporate Priorities

Quality of Life Efficient Services Sustainable Growth The Environment	The budget resources the Corporate Strategy and therefore impacts upon all Council Corporate Priorities.

9. Recommendation

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For more information contact:	Peter Linfield Director – Finance and Corporate Services 0115 914 8439 plinfield@rushcliffe.gov.uk
Background papers Available for Inspection:	Department for Levelling Up, Housing and Communities (DLUHC) website, 2023/24 Financial settlement papers
List of Annexes and Appendices (if any):	**Annex A** Commentary of the Responsible Financial Officer **Annex B** to the Budget Report, the MTFS **Appendix 1** Special Expenses **Appendix 2** Revenue Budget Service Summary **Appendix 3** Capital Programme 2023/24 – 2027/28 (including appraisals) **Appendix 4** Capital and Investment Strategy 2023/24 to 2027/28 **Appendix 5** Use of Earmarked Reserves 2023/24 Appendix 6 Council Tax Support Scheme 2023/24 **Appendix 7** Pay Policy Statement 2023/24