



Cabinet

Tuesday, 8 February 2022

2022/23 Budget and Financial Strategy

Report of the Director – Finance and Corporate Services

**Cabinet Portfolio Holder for Finance and Customer Access,
Councillor G Moore**

1. Purpose of report

- 1.1 This report presents the detail of the 2022/23 budget, the five-year Medium Term Financial Strategy (MTFS) from 2022/23 to 2026/27, which includes the revenue budget, the proposed Capital Programme, the Transformation Strategy and the Capital and Investment Strategy (with associated prudential indicators).
- 1.2 It should be noted that this report, is based upon the provisional Local Government Finance Settlement (the final settlement is due later in February 2022). Whilst no significant changes are expected in the final settlement, if anything is deemed significant it will be covered in the final report to Full Council.

2. Recommendation

It is recommended that Cabinet RECOMMENDS to Council that it:

- a) adopts the budget setting report and associated financial strategies 2022/23 to 2026/27 (attached **Annex**) including the Transformation Strategy and Efficiency Plan (**Appendix 3**) to deliver efficiencies over the five-year period;
- b) adopts the Capital Programme as set out in **Appendix 4**;
- c) adopts the Capital and Investment Strategy at **Appendix 5**;
- d) sets Rushcliffe's 2022/23 Council Tax for a Band D property at £150.93 (increase from 2021/22 of £3.57 or 2.42%);
- e) sets the Special Expenses for West Bridgford, Ruddington and Keyworth, **Appendix 1**, resulting in the following Band D Council tax levels for the Special Expense Areas:
 - i) West Bridgford £53.91 (£49.65 in 2021/22);
 - ii) Keyworth £3.30 (£3.41 in 2021/22);
 - iii) Ruddington £3.82 (£4.00 in 2021/22);
- f) adopts the Pay Policy Statement at **Appendix 7**; and

- g) Cabinet delegates authority to the Director of Finance and Corporate Services to make any minor amendments to the Medium Term Financial Strategy once the final local government finance settlement is received and advise the Finance Portfolio Holder accordingly, to be reported to Full Council.

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 that it has adequate funds and reserves to address its risks. Covid has 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 2022/23 and the significant budget pressures the Council must address over the Medium Term;
- c. The budget assumptions that have been used in developing the 2022/23 budget and MTFs;
- d. The detailed budget proposals for 2022/23 including the Transformation Strategy (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; and
- j. The proposed Pay Policy Statement.

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

- a. It is proposed that Council Tax for 2022/23 will increase by £3.57 to £150.93 (2.42%). This still means that Rushcliffe's Council Tax remains the lowest in Nottinghamshire and amongst the lowest in the country (Section 3.4);

- b. Special expenses increasing to £817k (£733k 2021/22) and taking into effect tax base changes, this results in Band D charges for West Bridgford increasing by £4.26 to £53.91 (£49.65). Keyworth decreases from £3.41 to £3.30 and Ruddington decreases from £4.00 to £3.82 as a result of the tax base increasing while costs remain the same (Section 3.5);
- c. Business Rates (Section 3.3) are still subject to significant uncertainty with the Government's proposals for a review of the Business Rates system now delayed another year and proposals for 75% retention now unlikely. The risk surrounding the de-commissioning of Ratcliffe-on-Soar power station in 2024 and pending reset of the baseline both make forecasting the likely levels of business rates difficult. The Council has budgeted to reflect a recent successful appeal from the power station in 2022/23 and therefore have set a budget of £3.958m in retained Business Rates and a reduction thereafter to reflect the anticipated changes mentioned above from 2023/24;
- d. 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 Strategy;
- e. Council Tax has been based on the assumption that the maximum increase of £5 or 2% will be applied each year but takes into account increases in Special Expenses. The tax base has been assumed to increase by 2.55% and 2% per annum from 2023/24;
- f. New Homes Bonus (NHB) is due to cease from 2023/24. In the provisional settlement it was announced that the Council would receive a one-off additional payment in 2022/23 of £0.934m (total payment £1.587m) which is proposed to be used to acquire land for a traveller settlement as part of the Local Plan requirements (section 9.2);
- g. The budget has been refined to reflect the evolving impact of Covid on the Council with previously anticipated income reductions in planning and car parking now removed. The budget shows a deficit of £0.846m in 2022/23 (relating to the Collection Fund deficit as a result of the power station business rates appeal) followed by two years of an anticipated deficit which is expected to be partly replenished by planned surpluses from 2025/26. The budget allows for 2% growth in staffing costs and expected increases in fuel and utilities. If spending plans and Capital Receipts materialise as planned, the Council does not anticipate externally borrowing during the period of this MTF5;
- h. 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);
- i. Green waste charges are not proposed to be increased until 2024/25 (last increased in 2020/21) and take into account future inflationary

pressures and the need to replace vehicles that are lower in carbon emissions;

- j. Taking into account resource predictions, spending plans and savings already identified there is a Transformation Programme requirement of an additional £0.327m in 2022/23, rising to £1.196m by 2026/27 (Section 7);
- k. The Transformation Strategy continues to roll forward with an updated programme to ensure the savings required can be achieved (Appendix 3);
- l. With new investment in commercial property now ceased the full year effect of existing investments will now reach £2.4m over the period of the MTFs accounting for 24.5% of fees and charges income. This is continually managed and proportionate given the risks and opportunities associated with such investments (Appendix 5, Table 13);
- m. The Council has a number of earmarked reserves (excluding NHB Reserve), their balance largely stable over five years slightly increasing from £7.5m to £8.6m (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 effectively deliver significant projects such as the Bingham Leisure Hub and the Crematorium and to withstand any unexpected financial shocks;
- n. The Collection Fund Reserve (£6m) will be released over the next two years to offset deficits arising from additional business rate reliefs;
- o. A new reserve has been created for Vehicle Replacement of £1m (to be funded from 2021/22 in-year budget efficiencies). Any in-year surpluses the Council may generate are essential to replenish reserves given the significant opportunities and risks the Council faces and to smooth the impact of future year deficits from 2022/23 to 2026/27 (which are estimated to amount to £0.624m) (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 on revenue and capital costs (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 £27.426m. 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 £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 MTFFS has been developed at a time of significant financial challenge both nationally and locally. The process has been rigorous and thorough, with a Transformation Strategy (and associated 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, with the Council aiming to meet its corporate priorities.

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 of Annex B). For example, comparing the difference from no increase to a £5 increase in Council Tax, in 2026/27 the Council Tax income foregone is £1.15m and over the five year period amounts to £3.213m.

6. Risk and Uncertainties

Section 8 of the Annex covers key risks that may impact upon the MTFFS. There is the Fair Funding review, reform of the Business Rates system and NHB in addition to the Environment Bill; all of which will have a direct impact on the income streams for the Council (which will not be known until such reviews are concluded). Expenditure pressures include inflation, the impact of climate change and carbon reduction measures including replacing the Council's vehicles. The Council's Climate Change Action Fund and creation of the Vehicle Replacement Reserve should help address some of the resulting financial pressures. 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). The Council is required to set a balanced budget for the 2022/23 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	Ensuring services that residents value are maintained and enhanced
Efficient Services	Ensuring efficient use of resources and maximising returns
Sustainable Growth	No direct impact
The Environment	Allocating resources to invest in projects that support the Council's environmental objectives.

9. Recommendation

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For more information contact:	Name; Peter Linfield Director – Finance and Corporate Services 0115 914 8439 plinfeld@rushcliffe.gov.uk
Background papers Available for Inspection:	Department for Levelling Up, Housing and Communities (DLUHC) website, 2022/23 Financial settlement papers
List of Annexes and Appendices (if any):	Annex to the Budget Report Appendix 1 Special Expenses Appendix 2 Revenue Budget Service Summary Appendix 3 Transformation Strategy and Efficiency Plan 2022/23 – 2026/27 Appendix 4 Capital Programme 2022/23 – 2026/27 (including appraisals) Appendix 5 Capital and Investment Strategy 2022/23 to 2026/27 Appendix 6 Use of Earmarked Reserves 2022/23 Appendix 7 Pay Policy Statement 2022/23