

<b>Committee(s):</b> Policy Resources and Economic Development	<b>Date:</b> 2 <sup>nd</sup> February 2022
<b>Subject:</b> Budget 2022/23	<b>Wards Affected:</b> All
<b>Report of:</b> Jacqueline Van Mellaerts, Corporate Director (Finance & Resources) & Section 151 Officer	<b>Public</b>
<b>Report Author/s:</b> Name: Phoebe Barnes Corporate Finance Manager Telephone: 01277 312500 E-mail: phoebe.barnes@brentwood.gov.uk  Name: Jacqueline Van Mellaerts Corporate Director (Finance & Resources) & Section 151 Officer Telephone: 01277 312500 E-mail: Jacqueline.vanmellaerts@brentwood.gov.uk	<b>For Decision</b>

### Summary

This report and appendices sets out all the relevant information in support of setting the Councils Budget for General Fund services and Council Tax for 2022/23, together with financial forecast information through to 2024/25. Also included is information on the Housing Revenue Account (HRA) budget for 2022/23 and the Capital Programme 2022/23 to 2024/25.

- (i) Appendix A - The General Fund budget proposals for 2022/23 to 2024/25.
- (ii) Appendix B - The Housing Revenue Account (HRA) budget proposals for 2022/23 onwards.
- (iii) Appendix C - The Capital and Investment Strategy for 2022/23 including the Councils capital Programme 2022/23 to 2024/25
- (iv) Appendix E - Pay Policy Statement
- (v) Appendix F - Section 151 Officers Assurance Statement and useful information
- (vi) Appendix G: Corporate Strategy Budget Summary

The Policy, Resources and Economic Development Committee is required to consider the proposals and make recommendations to Ordinary Council for approval on 23<sup>rd</sup> February 2022.

The figures presented summarise the detailed service budgets, together with known adjustments including the impact of the provisional central government grant funding along with financial implications of COVID-19.

The key elements of the proposed budget are:

#### General Fund

- 1) £5 increase in Council Tax for 2022/23 for Brentwood Council services.
- 2) Earmarked Reserves to set aside appropriate balances to mitigate future financial risk and build up in borough regeneration.
- 3) Future uncertainty of Local Government Financing.

#### Housing Revenue Account

- 1) For 2022/23 a budget that delivers a small surplus of £34k.
- 2) Increase in rents of CPI plus 1% per annum; equating to 4.1%.
- 3) Continued investment in the delivery of Decent Homes and Development of Housing within the Borough.
- 4) Significant investment in the Strategic Housing Delivery Programme ensuring the 30 year business plan is sustainable.

#### Capital

- 1) Total capital investment of £41.420 million in 2022/23
- 2) Subsequent investment of £38.9 million & £22.3million from 2023 to 2025.

### **Recommendation(s)**

**Members are asked to**

**R1. Approve the proposals for the General Fund Budget and Medium-Term Financial Strategy as set out in Appendix A and recommend to Ordinary Council for approval on 23<sup>rd</sup> February 2022.**

**R2. Recommend that Council Tax has a £5 increase for 2022/23, the charge of Band D property remaining at £198.63 per annum for Brentwood Council services only.**

**R3. Approve proposals for the HRA budget 2022/23 including the 30 year HRA Business Plan within Appendix B and recommend to Ordinary Council for approval on 23<sup>rd</sup> February 2022.**

**R4. Approve an increase to rents for 2022/23 by CPI plus 1%**

**R5. Approve the Capital and Investment Strategy in Appendix C including the Capital Programme and recommend to Ordinary Council for approval on 23<sup>rd</sup> February 2022.**

**R6. To note the Pay Policy Statement in Appendix D and recommend for approval at Ordinary Council on 23<sup>rd</sup> February 2022.**

**R7. To note the Section 151 Officers Assurance Statement in Appendix E when recommending all for approval to Ordinary Council on 23<sup>rd</sup> February 2022.**

## Main Report

### **Introduction and Background**

1. Appendix A sets out the full detail on all relevant considerations in setting the budget and Council Tax for 2022/23. Key issues have been summarised in this report by way of background.
2. All figures in Appendix A should be considered to be draft at this stage. The final local government finance settlement has not yet been issued. It is expected at the end of January or early February.

### Financial Implication of the Pandemic

3. During the past year, the COVID pandemic still continues to have a significant financial impact on the council in its role as community leader.
4. This has included the direct costs of managing COVID 19 activities, supporting businesses and protecting the vulnerable. This is in respect of a wide range of areas, particularly building and co-ordination of the community and business support response, payment of grants and business reliefs, supporting testing and vaccinations, and encouraging the adoption of the Government's COVID 19 guidelines.
5. The estimated impact on the council of additional expenditure and reduced income in 2021/22 is approx. £1.9 million (£3.4 million 2020/21). To offset this, the Government has provided a total of £0.306 million in grants (£0.908 million 2020/21). In addition, an income compensation scheme for lost sales and fees and charges was put in place for 2020/21, this has continued into the first quarter of 2021/22 which is anticipated to compensate the council for around £0.250 million in lost income.
6. The ongoing impact of the pandemic still cannot be accurately assessed and is dependent on many factors outside the control of the council. During 2021/22 the impact has been monitored in-year and the Council has seen a continued decrease in income from the result of the pandemic. The loss of income is not short-term and therefore the proposed MTFs has built in the following income loss into the base budget because of the pandemic.

<b>Income Loss</b>	<b>2022/23 £'000</b>	<b>2023/24 £'000</b>	<b>2024/25 £'000</b>
Leisure	12	12	12
Taxi Check	23	23	23
Parking	888	788	688
Taxi Licence	31	24	17
Other Licensing	6	6	6
<b>Total Income Loss</b>	<b>960</b>	<b>853</b>	<b>746</b>

7. It is prudent to assume that normal operations on certain services will not resume fully when all restrictions are lifted. For this Council this is Leisure services, Parking Services and Licensing services. The most significant income loss to this Council is Parking income and is predominantly to do with the loss of individual and business season tickets not being renewed. As businesses adopt a Hybrid working approach, scale down their office size and therefore scale down the need to supply parking for employees. In addition, those who are individually commuting less require less days to park in the Borough and no longer require a parking season ticket. This trend is deemed to be an ongoing trend.

#### Government Funding

8. The financial pressures that face Local Government are well known. Despite these pressures however, the Council remains committed to both the maintenance of service delivery and continuing to improve community outcomes that enhance the quality of life for the residents of Brentwood.
9. The financial position and the Councils total Government funding is detailed within Appendix A for the General Fund, which continues to reflect the ongoing reductions and uncertainty in government support.
- The Settlement is for a 1-year period only, leaving uncertainty around the Council's funding from 2022/23.
  - The Government's calculation on core spending power assumes councils will increase council tax by 2%. Borough Authorities are allowed to apply the higher of the referendum limit (of 2%) or £5.
  - New Homes Bonus in year allocations will have no legacy payments paid in future years, a review of this system of central allocation is under review by Government and we are waiting the results following consultation.

#### Council Tax

10. This committee is to recommend increasing the Council Tax by £5 for 2022/23 per band D property. The Band D charge will increase to £198.63 per annum. £5 increase equates to an additional 9.6p (10p rounded to the nearest whole penny) per week per band D. The government has assumed in its forecast of Local Authority spending power that Council Tax will increase by 2%. The authorities settlement is based on the assumption by government that authorities maximise their income generation through Council Tax increases.

### General Fund

11. The continued significant reduction in Government Funding and the pressures of COVID-19 means that 2021/22 is forecasted to be in a breakeven position. However, through proposed savings and Investment Targets, the Council is expected to balance its 2022/23 budget. This is outlined below in Table 1.

Table 1 – General Fund Revenue projected Working balances.

	2020/21 Actual £'000	2021/22 Forecast £'000	2022/23 Budget £'000	2023/24 Budget £'000	2024/25 Budget £'000
<b>Total General Fund Net Expenditure</b>	<b>12,063</b>	<b>9,061</b>	<b>9,147</b>	<b>9,881</b>	<b>10,473</b>
<b>Total Funding</b>	<b>(11,820)</b>	<b>(9,061)</b>	<b>(9,025)</b>	<b>(8,477)</b>	<b>(8,647)</b>
<b>Deficit/(Surplus)</b>	<b>243</b>	<b>0</b>	<b>122</b>	<b>1,404</b>	<b>1,826</b>
<b>Use of Earmarked Reserves</b>	<b>0</b>	<b>0</b>	<b>(122)</b>	<b>0</b>	<b>0</b>
<b>Deficit/(Surplus)</b>	<b>243</b>	<b>0</b>	<b>0</b>	<b>1,404</b>	<b>1,826</b>
<b>Working Balance b/fwd</b>	<b>3,117</b>	<b>2,874</b>	<b>2,874</b>	<b>2,874</b>	<b>1,470</b>
<b>(Deficit)/Surplus</b>	<b>(243)</b>	<b>0</b>	<b>0</b>	<b>(1,404)</b>	<b>(1,826)</b>
<b>Working Balance c/fwd</b>	<b>2,874</b>	<b>2,874</b>	<b>2,874</b>	<b>1,470</b>	<b>(356)</b>

12. However, there is a requirement that the Council needs to continue delivering budget reductions and income generation in order to deliver a sustainable medium-term financial position for future years, further information is set out in Appendix A

### Saving Targets

13. In delivering the proposed budget for 2022/23 and financial forecasts, there are a number of proposed saving targets that are planned to ensure the Council's

resources and the services it delivers are directed in delivering and achieving the Councils Corporate Strategy. These savings targets are summarised in Appendix A (Page 15).

14. As well as delivering investment, the Council has also allocated saving targets to be delivered on in order to achieve the current balance budget for 2022/23 and working balance surpluses. These are detailed with Appendix A.

### Reserves

15. Appendix A (Page 18) summarises the overall level of General Fund Reserves and reflects the realignment of reserves to meet current and anticipated investment requirements.

### Housing Revenue Account

16. Appendix B sets out the full detail on all the relevant considerations in respect of setting the HRA budget for 2022/23
17. The budget has been prepared on the basis of current levels of service of delivery but taking account of any known priorities and relevant legislation.
18. The HRA capital programme has been prepared by taking account of current known knowledge of stock condition and the asset management priorities arisen.

### Capital and Investment Strategy

19. As well as detailing the Councils capital programme this strategy (Appendix C) sets out the capital and investment arrangements for 2022/23. This strategy includes the Council's treasury management which relates to the Councils borrowing and investment activities and the effective management of these.
20. This strategy details the levels and boundaries officers must work within in delivering effective financial management of investing and borrowing for Council finances.
21. The full capital programme and detail schemes are also outlined in Appendix C (Page 16)

### Treasury Management Strategy

22. Treasury management is a key element of the Council's overall financial management arrangements. It relates to the Council's borrowing and investment activities and the effective management of the associated risks. These activities are strictly regulated by statutory requirements and professional codes of practice, which require authorities to set local parameters for their Officers to work within.

23. For 2022/23 the following changes have been made to the Strategy:

- Introduction of Non-specified investments. For 2022/23, investments of up to three years with other local authorities will be allowed, up to a total value of £5m. This is to enable the Council to access higher returns through investing for longer periods and have the opportunity to build up some long-term investments for repayment of borrowing in future years. .
- Credit rating limits. Accepting a financial institution for investment where they have two out of the three credit ratings from the three main credit agencies deemed at the Council's minimum level. It is not considered that this change will expose the Council to the risk of loss.
- Country limits. Allowing investments to be invested with non-UK banks that are accessible via the Agency Treasury Service provided by Link Group. The Agency Treasury Service is a facility that gives the Council easy access to a number of UK and non UK banks. The Council has used this facility for a number of years in order to access some UK banks such as Standard Chartered Bank. The purpose of this change is to help diversify the Investment portfolio. The minimum credit rating would apply to each of these, and in addition the minimum acceptable sovereign credit rating of the country of origin at the time of placing the deposit will be AA-. The strategy recommends that UK financial institutions are prioritised first when making investments.

24. The purpose of these changes is to ensure any surplus cash can be invested appropriately. The current strategy is becoming too restrictive, and the changes provide flexibility to diversify the Council's investment portfolio without exposing the Council to any further risk.

### Fees & Charges

25. Proposed Fees and Charges were taken to the appropriate Council Committee during the financial year 2021/22, however these were subsequently deferred depending on further financial review and discussion with Committee Chairs and Senior Leadership Team directors. Fees and Charges for 2022/23 will be reported



to Policy, Resources & Economic Development Committee for approval on 2<sup>nd</sup> February 2022 in a separate report and recommended to Ordinary Council for approval.

### Pay Policy

26. Section 38(1) of the Localism Act 2011 and supplementary guidance issued in February 2013 requires Local Authorities to produce a Pay Policy Statement for each financial year, which must be approved formally at Ordinary Council by the 31 March each year and must be published on the Council's website. It may be amended during the course of the financial year by further reference to Ordinary Council. The committee is asked to consider the Pay Policy Statement (Appendix D) and endorse it for Ordinary Council approval.

### **Issue, Options and Analysis of Options**

27. The Council is free to set its own Council Tax requirement, within the resources available. The Council must have regard to the robustness of the budget calculations, identified risks and the financial climate. Details on Council Tax Setting are set out in Appendix A. (Page 28)

28. A local referendum Members should note that excessive council tax increase will be subject to a local referendum. Any referendum would have to take place no later than the first Thursday in May. The cost of conducting the referendum and rebilling would both fall on the Council. The government has determined that for 2022/23 an increase of 2% or £5 which is higher would be excessive and require a positive vote in a referendum.

29. Each year's council Tax level forms the base for measuring future increases against any government referendum criteria. A risk of setting Council Tax too low is that it limits the level of the referendum threshold in the future years too as there is cumulative effect and the Councils ability to sustain service levels in the future become affected. The Section 151 Assurance Statement in Appendix E addresses the robustness of the budget calculations and the adequacy of reserves as well as provides useful information for the Budget reports.

### **Reasons for Recommendation**

30. Effective financial management underpins all of the priorities for the Council and will enable the Council to operate within a sustainable budget environment.

31. The Council is required to approve the Budget as part of the Budget and Policy Framework

## **Consultation**

32. The Council undertook a Consultation on the budget between 2 September 2021 to 3 October 2021. Further information is set out in Appendix A (Page 28)

## **References to Corporate Strategy**

33. The Budget is linked to achieving the current priorities in the Corporate Strategy.

## **Implications**

### **Financial Implications**

**Name/Title: Jacqueline Van Mellaerts, Corporate Director of Finance & Resources**

**Tel/Email: 01277 312500/jacqueline.vanmellaerts@brentwood.gov.uk**

34. The financial implications are set out within the report and the Appendices accompanying the reports.

### **Legal Implications**

**Name & Title: Amanda Julian Corporate Director (Law and Governance) and Monitoring Officer**

**Tel & Email: 01277 312500/amanda.julian@brentwood.gov.uk**

35. The Council is obliged by Section 151 of the Local Government Act 1972 to make proper arrangements for the management of its financial affairs. It is consistent with sound financial management and the Council's obligation under Section 151 of the Local Government Act 1972 for the Council to adopt and monitor a medium-term financial strategy. The medium-term financial strategy informs the budget process and may be viewed as a related function.

36. The report provides information about risks associated with the medium-term financial strategy and the budget. This is consistent with the Council's obligation to make proper arrangements for the management of its financial affairs. It is also consistent with the Council's obligation under the Accounts and Audit (England) Regulations 2011 to have a sound system of internal control which facilitates the effective exercise of the Council's functions and includes arrangements for the management of risk.

### **Economic Implications**

**Name/Title: Phil Drane, Corporate Director of Planning and Economy**

**Tel/Email: 01277 312500/philip.drane@brentwood.gov.uk**

37. There are specific parts of the budget in place to enable the Council to facilitate local economic growth within the service area Economic Development. This is in line with the Council's Corporate Strategy, Brentwood 2025, which includes objectives to grow the economy. More generally, and in terms of other parts of the budget, it is important that the Council maintains a robust and resilient budget for the responsible upkeep of public services, which in turn can help contribute to a healthy borough economy.

### **Background Papers**

38. None

### **Appendices to this report**

Appendix A: General Fund Budget 2022/23

Appendix B: Housing Revenue Account Budget & 30-year Business Plan 2022/23

Appendix C: Capital and Investment Strategy 2022/23

Appendix D: Pay Policy Statement

Appendix E: Section 151 Officers Assurance Statement & Useful Information

Appendix F: Corporate Strategy Budget Summary