BRENTWOOD
BOROUGH COUNCIL

Brentwood Borough Council
Guidelines for Budget Setting
2023/24

Contents

Medium Term Financial Strategy (MTFS)

These guidelines apply to the General Fund, Housing Revenue Account, and the Capital Programme.

General Fund

The Council's General Fund budget for 2022/23 through to 2024/25 was approved by Ordinary Council on 23rd February 2022. The General Fund Working Balances and projected budgets deficits were agreed as detailed below:

	2022/23 Budget £'000	2023/24 Budget £'000	2024/25 Budget £'000
Total General Fund Net Expenditure	9,147	9,881	10,473
Total Funding	(9,025)	(8,477)	(8,647)
Deficit/(Surplus)	122	1,404	1,826
Use of Earmarked Reserves	(122)	0	0
Deficit/(Surplus)	0	1,404	1,826
Working Balance b/fwd	2,874	2,874	1,470
(Deficit)/Surplus	0	(1,404)	(1,826)
Working Balance c/fwd	2,874	1,470	(356)

Included in the table below are the current saving targets built within the General Fund budget for 2022/23 and future years:

Proposed Saving Targets	2022/23 £'000	2023/24 £'000	2024/25 £'000
Corporate Vacancy Factor	(459)	(470)	(479)
Capitalisation Staff Costs *	(50)	(50)	(50)
Digital Efficiencies*	(30)	(30)	(30)
Vehicle Fleet Maintenance	(135)	(135)	(135)
Total Efficiency Targets	**(674)**	**(685)**	**(694)**
Waste Service Income	(365)	(365)	(365)
Leisure Strategy Income	(175)	(175)	(175)
Service Income Generation	(130)	(135)	(136)
Total Income Generation Targets	**(670)**	**(675)**	**(676)**
Total Saving Targets	**(1,344)**	**(1,360)**	**(1,370)**

*Previously in part incorporated within the 2021/22 base budget.

The budget approach for the General Fund will be focused on how the Council will deliver a balanced budget; the overall aim of the Council is to be financially self-sufficient and resilient over the term of the MTFS; whilst maintaining high standards of services to the general public.

The ability of the council to deliver a balanced or surplus budget given ongoing uncertainties will be a challenge for 2023/24. Key challenges and approaches have been highlighted below.

Central Government funding

Continues to reduce over time and now focuses on ring fenced funding to deliver central government initiatives. Therefore, the Council needs to identify ways to replace this funding to continue to support the costs of current services. This will include identifying ways of generating sustainable income from assets, services, and business interests, to support service delivery in the long term.

Ongoing impact of COVID-19

There is continued uncertainty over the financial impact of the pandemic on the Council. The budget strategy will be prepared on the basis of business adjusted by the current known impacts of COVID-19, with anticipated longer-term impacts being reviewed.

Service Changes
Alternative service delivery proposals will continue to be part of the budget strategy process to fulfil continuous improvement and provide value for money, without adversely affecting services received by residents.

Regional and Local Pay
Brentwood Council is not part of the National Joint Committee (NJC) which sets regional local government pay and can currently make local decisions, we have a statutory duty to apply the NLW increase to the lower end of our pay scales. This in turn causes added pressures throughout, ensuring they remain competitive and appropriate.
Using the Local Pay Commission (LPC) forecasts the NLW is expected to increase to £10.70 by 2024 (currently £9.50 from 1st April 2022) and recently the Local Government Association (LGA) have advised that our budgeted future 2% pay awards will not be enough to meet the statutory requirements. We continue to work on capturing the future pressures that may arise and deliver on an appropriate strategy for future Pay.

Rochford/Brentwood Partnership
The Council entered into a shared Partnership with Rochford District Council on 26th January 2022. This partnership initially shares a Chief Executive and Senior Management Team. The Partnership will develop over the next 3 years to look at individual services and develop individual business cases to improve service delivery and deliver savings.

Inflation and Cost of Living
At the time of writing the economic outlook for the UK is bleak. Consumer Price index is expected to reach 10% or higher by the Autumn which Retail Price Index forecast to hit around 13%. In addition to this Electricity and Gas that has already increased looks to increase further by another 30%. The Council will need to balance the ability to absorb some of these costs to ensure further financial burden is not passed onto residents who are already feeling the pressures currently.

Council Tax and Business Rates Income
There is continued uncertainty over the financial impact of the pandemic and the degree of economic recovery, especially on Business Rates. NNDR collection fund deficits are being managed by government grants that have been earmarked within reserves. Local businesses and residents may continue to feel pressures with cost of living increases and higher fuel and energy prices rising. In turn this will continue to put the Council under pressure with potentially lower Council Tax and Business Rate collection Income.

Housing Revenue Account (HRA)

The Council's Housing Revenue Account for 2022/23 through to 2024/25 was approved by Ordinary Council on 23rd February 2022. The HRA forecasts and Working Balances are detailed below:

	2022/23 £'000	2023/24 £'000	2024/25 £'000
Deficit/(Surplus)	(34)	(483)	(461)
Working Balance bfwd	1,480	1,514	1,997
Working Balance cfwd	1,514	1,997	2,457

The budget approach for the HRA will be focused on the provision of a budget which is financially sustainable in the medium term (7 years), generating a materially improved in year surplus year on year and replenishing balances to a level which matches the risks associated with the operation of the HRA.

Rent increases will be in line with Central Government direction of CPI (as at September 2021) plus one per cent - current estimated to be **11%** for 2023/24 which is not acceptable. Central Government have not issued any guidance yet as to the expectation around rent setting, the Council continues to model other increases that are less than this percentage to determine what the minimum increase is required to protect tenants but allow the Council to deliver the service.

Repairs contract
Continues to be bedded in and there will be ongoing pressure to ensure value for money for the service. The introduction of the Building and Regulation Act for Social Landlords will generate a workstream that needs to be funded. Alongside the retro fit requirement for the Council's existing stock.

Budget Setting Timetable

The Medium-Term Financial Strategy for 2023/24-2025/26 will be reviewed by Policy, Resources and Economic Development Committee on 8 February 2023. This committee will then recommend the final budget for approval including Council Tax setting to Ordinary Council on 1st March 2023. The timetable highlights the process and key deadlines officers need to adhere to meet the budget setting requirements for the Council:

Deadline	Action
May	
27th	Draft Outturn Presented to SLT
24th	Draft Outturn presented to Leader and Chairs
June	
28th	Budget Guidelines and Assumptions presented to SLT and ELT
July	
8th	Growth Bid Templates (GF,HRA & Capital) Circulated
8th	Fees & Charges Review Commences
13th	Outturn Report and Budget Guidelines present to PRED committee
TBC	Monthly Financial Update to SLT
TBC	Monthly Finance Session with Leader Chairs & SLT
31st	Partial Exemption Calculation Finalised
August	
TBC	Monthly Financial Update to SLT
TBC	Monthly Finance Session with Leader Chairs & SLT
30th	Budget Consultation goes live
September	
2nd	Council Establishment Review
2nd	Recharge Model allocations reviewed
9th	Capital Growth Bid Deadline
12th	Review of Capital Growth and Financing
TBC	Capital Growths presented to SLT for Review
TBC	Monthly Finance Session with Leader Chairs & SLT
14th	Budget Update presented to PRED Committee
30th	Recharge Allocations returned and recharge model updated.
October	
3rd	Bad Debt and Provisions Reviewed
2nd	Budget Consultation Ends
7th	Rent Model Updated
TBC	Meeting with Treasury Advisors
TBC	CTB1 Submitted – Council Tax Base
TBC	Initial Business Rates Forecast
TBC	Budget Consultation Responses presented to SLT
TBC	Monthly Finance Session with Leader Chairs & SLT
28th	All Growth Bids Submitted

28th	All Fees & Charges Amendments to be submitted
28th	Interest Payable and Receivable Budgets Calculated
November	
TBC	Members Renumeration Panel Held
TBC	Growth Bids and Savings targets presented to SLT
TBC	Monthly Finance Session with Leader Chairs & SLT
23rd	First Draft MTFS presented to PRED
December	
1st	Parish Council's contacted regarding Parish Precept for 2023/24
12th	Housing Committee – Fees & Charges and Rent Setting Approved
19th	Community, Environment & Enforcement Committee – Fees & Charges approved
20th	Planning & Licensing Committee – Fees & Charges approved
TBC	Provisional Settlement Received
TBC	Monthly SLT Finance Update
TBC	Monthly Finance Session with Leader Chairs & SLT
January	
TBC	Final Budget presented to SLT
TBC	Monthly Finance Session with Leader Chairs & SLT
24th	Budget Assumptions presented to Audit Committee
TBC	All Member Briefing on Budget Report 2023/24
31st	Deadline for Parish Precept returns
February	
3rd	Parishes notified of their Council Tax Bandings
8th	Budget presented to PRED committee
March	
1st	Ordinary Council – Budget Set and Council Tax Set

Budget Setting and Monitoring Guidelines

The Council's budget for 2022/23 through to 2024/25 was approved by Ordinary Council in February 2022. This includes the General Fund, Housing Revenue Account, Capital Programme and Treasury Management Strategy.

Managers are expected to work within the budgets set by Council and no changes will be made to the budget unless approved by the Section 151 Officer and in line with the Financial Regulations as set out in the Constitution.

When reviewing budgets in year and for future years, managers should consider the following:

- Resources should be aligned to deliver the Corporate Strategy.
- Anticipated long term operational impact of COVID-19 should be highlighted by managers early and discussed with their Link Accountants.
- Managers are required to use Collaborative Planning every month to record their estimated outturn for the current year. Working alongside their Link Accountant managers should be highlighting any issues that may affect the outturn and future financial years budgets. It is the Managers responsibility to provide outturn estimates and explanations to variances.
- The year-end outturn is the expected variance between the budget set at Ordinary Council and estimated actual net expenditure. Managers need to ensure they undertake all reasonable actions to manage any budget pressures, as well as maximise any underspends and over-recovery of income. All variances are reported monthly to the Chief Executive, Section 151 Officer, and the Senior Leadership Team.
- Budget update reports will be taken to Policy Resources and Economic Development Committees during the year, allowing members of the committee to review and comment. The reports will be taken to the committees throughout the year.
- Managers are required to review the base budget for the next financial year as agreed at Ordinary Council. This budget is reviewed in Collaborative Planning and allows managers to identify any potential financial issues and capture them when developing the MTFS.
- Managers should be highlighting to their Link Accountants any future legislative, demand or service delivery change which will have a financial impact. The revenue impact of any capital investment also needs to be factored into the MTFS. Link Accountants can work with managers to model the financial impact and update the MTFS accordingly.

Salaries, Fees & Charges, Other Non-Salary Expenditure, Other Income and Growth Bids must be reviewed and considered using guidance as set out below.

Salary Budgets

When budgeting for the Council's establishment, the following will be applied:

- All vacant posts will be budgeted at the bottom of the grade.
- There will be a vacancy factor set at 4% for all years, this will be held centrally.
- Pay scales are reviewed on an annual basis. The current assumption is that 2% pay inflation will be built into the current pay scales. However, Corporate Finance in light of the cost of living crisis are currently working of other options alongside the financial impact on the MTFS. This will be presented to Chairs and SLT and recommended to PRED as part of the budget setting timetable.
- Increments will be calculated allowing for one additional increment per annum until the employee is at the top of the grade.
- All establishment growth for 2023/24 to 2025/26 will require the approval of a growth bid approved by the Senior Leadership Team and Section 151 Officer.
- Managers need to take into consideration staff who are delivering work on capital projects, as these costs can be charged directly to the capital budget. These arrangements come under external audit review annually and therefore managers need to ensure that there is an adequate audit trail to support the decision.
- Managers will be required to review their establishment information and confirm back to their link accountant that the information is accurate.

Support Service Recharges

- Support Service areas are required to be recharged to the Direct Service areas. Most of these support areas are considered 'back office', examples include, Finance, ICT, Payroll, HR etc.
- Finance will circulate a proforma to each recharging service area. It is the responsibility of managers to complete the allocation for their service area.
- Managers are requested to supply specific information to support the allocations provided.
- Finance will collate the completed allocations to calculate the recharges which are then built into the budget.

Other Non-Salary Expenditure

- Inflation, CPI for May was confirmed at 9.1%. The rise was mainly due to a further leap in food price inflation from 6.7% to a 13-year high of 8.5%. With agricultural commodity prices having risen rapidly over the past year and set to continue. Inflation will be monitored throughout the year and will be set by Corporate Finance in the Autumn.
- Insurance budgets will be calculated based on 2022/23 premiums, with an inflation factor applied later on in the year.
- The HRA Repairs and Maintenance contract will have an inflation factor of **2.4%** applied to reflect the higher cost of building materials.

Fees and Charges

Non-Statutory Fees and Charges income budgets will usually be increased by the estimated CPI of 2022/23, because of the current economic outlook further work needs to be undertaken by Corporate Finance to ascertain a balanced increase. For the purpose of this guidance **2%** is to be set as a minimum. Given the current economic situation, there may be areas which cannot bear the increase in CPI and may even experience a material reduction in income. These areas of income need to be separately identified in the budget preparation along with key assumptions.
The general principle remains that all fees and charges are set on a full cost recovery basis and should be reviewed annually.

It is important that Service Managers review their fees and charges thoroughly and ensure that all charges are included in the schedule. A charge should not be made to members of the public without formal approval by Members.

Any proposed changes should be considered in terms of the impact on the budgeted income levels along with usage/volumes. With the ongoing financial challenges that the Council is facing, managers should have a clear understanding of what drives service income.

Increasing Fees and Charges above the average increase, or not changing them at all needs to be explained and justified in the cover sheet that supports the Fees & Charges schedule. This cover sheet goes to all individual committees to support the Fees & Charges schedules that members are being asked to approve.

All Fees and Charges information will be collated and will be presented to individual committees in December, as outlined in the Budget Setting timetable within this guidance for formal approval.

The VAT liability of each fee and charge will be determined by Finance, in consultation with the Manager if appropriate, and this will be clearly indicated on the schedule of fees and charges approved by Council and posted on the Council's website. Managers should ensure that the correct VAT liability is always applied. Any queries concerning the VAT liability of a fee or charge should be raised with Finance as soon as possible.

Other Income

- Business Rates for Council properties are reviewed, and any increase is based on the national multiplier, which is restricted to CPI. In the absence of any formal notification, the multiplier should be increased by **2%.** Business Rates retention forecasts will be maintained at safety net levels.
- Council Tax is assumed to increased annually by **2%.** The Council Tax base will increase by **0.5%** growth year on year, however an annual reconciliation process is carried out and the council tax base is realigned to actual levels each year. Further modelling work is being carried out to strengthen future forecasting.

Growth Bids - Capital and Revenue

When reviewing the base budget for future years, managers are expected to consider whether these budgets are realistic for the delivery of the service. Any increase in the base budget needs a growth bid completed.

Growth bids are to be discussed with the managers Link Accountant and relevant Director. Managers should be mindful of their budgets and whether they are deemed sufficient to deliver the current service and future demand for the service.

No growth will be added to the budget without completion of a growth bid which has gone through the approval process. The growth bid template and guidance on competing the template will be circulated to all managers in July.

All Growth bids will be reviewed by Finance and presented to the Senior Leadership Team for scrutiny. Growth bids will be reflected in the budget once scrutinised by SLT and approved by the Section 151 Officer.

Capital Financing

When considering capital projects, budget holders need to determine how the project will be financed. Capital Projects can be financed by the following:

- Capital Receipts
- Section 106 – Planning Obligations
- External Grants & Contributions
- Revenue Contributions
- Balances and Reserves
- Borrowing

Capital projects that cannot be funded from any other source can be funded from Prudential Borrowing. The Council must be able to afford the borrowing repayment and interest charges on the loan from existing revenue budgets or the Council must see this as their key priority for the budget process and to be factored into the Medium-Term Financial Strategy accordingly.

The Council does not have excess capital receipts, revenue or reserves to contribute to capital projects that are not within the existing Capital Programme. Therefore, projects that cannot secure funding are assumed 100% funded by borrowing. This will have revenue implications to the Council's revenue budget.

Capital projects will assume that these projects will be short term borrowed during development. On completion of the project, the short-term borrowing will be replaced with long term borrowing aligned with the development's life.

Interest rates to be assumed are:

Short- term rate at 2.5%

Long-term Rates

Period	Forecast Interest Rate (%)
5 Years	3.2
10 Years	3.4
25 Years	3.7
50 Years	3.4

Minimum Revenue Provision (MRP) is based on the Council's MRP policy as outlined in the Capital and Investment Strategy.

Minimum revenue provision for new capital expenditure incurred wholly or partly by unsupported (Prudential) borrowing will be determined by reference to the expected life of the asset on an annuity basis. The asset life is deemed to begin once the asset becomes operational. Minimum revenue provision will commence from the financial year following the one in which the asset becomes operational.

For forecasting, 3.5% is the MRP rate to use on an annuity basis.

There is no requirement on the HRA to make a minimum revenue provision but under HRA reform there is a requirement to charge depreciation on its assets, which will have a revenue effect. The HRA business plan will need to fund this depreciation over the life of the assets.