

<b>Committee(s):</b> Ordinary Council	<b>Date:</b> 1 March 2023
<b>Subject:</b> Budget 2023/24 and Medium Term Financial Strategy	<b>Wards Affected:</b> All
<b>Report of:</b> Tim Willis, Interim Director (Resources) & Section 151 Officer	<b>Public</b>
<b>Report Author/s:</b> Name: Tim Willis, Interim Director (Resources) & Section 151 Officer Telephone: 07870 863270 E-mail: tim.willis@brentwood.rochford.gov.uk	<b>For Decision</b>

### Summary

This report and appendices set out all the relevant information in support of the Council's Budget for General Fund services and Council Tax for 2023/24, together with financial forecast information through to 2025/26. Also included is information on the Housing Revenue Account (HRA) budget for 2023/24 and the Capital Programme 2023/24 to 2025/26.

- (i) Appendix A - The General Fund budget proposals for 2023/24 to 2025/26.
- (ii) Appendix B - The Housing Revenue Account (HRA) budget proposals for 2023/24 onwards.
- (iii) Appendix C - The Capital and Investment Strategy 2023/24.
- (iv) Appendix D – Fees & Charges Schedule 2023/24.
- (v) Appendix E - Pay Policy Statement.
- (vi) Appendix F - Section 151 Officer's Assurance Statement and useful information.
- (vii) Appendix G - Corporate Strategy Budget Summary.

The Budget was considered by the Policy, Resources and Economic Development Committee on 8 February 2023 and has been recommended to Ordinary Council for consideration and approval.

The report summarises the detailed service budgets, together with known adjustments including the impact of the provisional central government grant funding.

The key elements of the proposed budget are:

#### General Fund

- 1) A proposed 3% increase in Council Tax for 2023/24 for Brentwood Borough 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 2023/24 a budget that delivers a surplus of £26k.
- 2) Proposed increase in rents of 7% per annum.
- 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 £36.3 million (General Fund) and £22.0 million (HRA) in 2023/24.
- 2) Subsequent investment of £20.2 million (General Fund) and £50.3 million (HRA) from 2024 to 2026.

### Recommendation(s)

#### **Members are asked to:**

**R1. Approve the General Fund Budget 2023/24 and Medium-Term Financial Strategy as set out in Appendix A.**

**R2. Approve a proposed Council Tax increase of 3% for 2023/24, the charge of Band D property increases to £204.58 per annum for Brentwood Council services only.**

**R3. Approve the HRA budget 2023/24 including the 30-year HRA Business Plan within Appendix B.**

**R4. Approve a proposed increase to rents of 7% for 2023/24.**

**R5. Approve the Capital and Investment Strategy 2023/24 in Appendix C.**

**R6. Approve the Fees & Charges Schedule in Appendix D.**

**R7. Approve the Pay Policy Statement in Appendix E.**

**R8. To note the Section 151 Officers Assurance Statement in Appendix F.**

## Main Report

### **Introduction and Background**

1. This report sets out the budgets for the General Fund revenue and capital, Housing Revenue Account revenue and capital, as well as fees and charges, treasury management and the pay policy statement.
2. Appendix A sets out the full detail on all relevant considerations in setting the budget and Council Tax for 2023/24. Key issues have been summarised in this report by way of background.

### Economic Impacts

3. During the past year, inflation and interest rates have risen, to a degree that was not predicted this time last year. The Consumer Price Index rose above 10% in the summer of 2022 and stands at 10.5% now. These high rates were and are, in part, due to substantial increases in energy costs. Inflation means the council pays more for all its goods and services, including via payments to contractors, and its staff.
4. Interest rates have similarly risen, with typical borrowing rates for local authorities being around 2% this time last year, rising to 6% in the autumn and around 4.6% now. The council has had a mix of short term and long term borrowing and the cost of repaying this debt has risen.
5. Covid-19 infection rates are still high, but the impact on the economy, or on council services, is not as significant as over the last two years. However, it is difficult to assess what normal activity rates are, for such council budgets as fees and charges. Income from fees and charges during lockdown were reduced, and there has been Government compensatory financial support, but some council income has not fully returned to earlier levels. This is probably due to a combination of changed habits and the cost of living, but it makes forward projections difficult.

6. Although some council spending has increased and some income declined, this has been compensated by Government support, careful budget management and some underspends. The current forecast for 2022/23 is for an underspend in the order of £156k.

### Government Funding

7. The financial pressures that face local government are well known. Despite these pressures, 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.
8. The financial position and the Council's total Government funding is detailed within Appendix A for the General Fund, which continues to reflect the ongoing uncertainty in government support.
  - The Financial Settlement is for a one-year period, leaving uncertainty regarding 2024/25 and beyond.
  - The Government's calculation on core spending power assumes councils will increase council tax by 3%. Lower tier authorities are allowed to apply the higher of the referendum limit of 3% or £5.
  - New Homes Bonus allocations have continued in 2023/24 for one year. The Government has signalled a review of the system of allocation for 2024/25.
  - The Borough will receive a Services Grant, Revenue Support Grant and a Funding Guarantee Grant, as described in Appendix A.

### Council Tax

9. Council is recommended to increase Council Tax by 3% for 2023/24 per band D property. The element of the Band D charge related to the council will increase by £5.95 per annum. This increase equates to an additional 11.4p per week for a Band D property. The Government has assumed in its forecast of Brentwood's spending power that Council Tax will increase by 3%, i.e. the authority's settlement is based on the assumption by Government that the authority will maximise its income generation through Council Tax increases.

### General Fund

10. The council is forecast to underspend by £156k in 2022/23. However, in light of the pressures outlined above, £111k of reserves are proposed to be used to support the 2023/24 budget. Whilst the use of reserves to support the budget is

not sustainable over the longer term, Brentwood is far from alone in needing to utilise reserves. Many authorities will be doing so in 2023/24 to manage the significant costs associated with higher inflation and interest rates. Details are outlined below in Table 1.

Table 1 – General Fund Revenue projected Working balances

	2021/22	2022/23	2022/23	2023/24	2024/25	2025/26
	Actual	Budget	P9 Forecast	Budget	Budget	Budget
	£'000	£'000	£'000	£'000	£'000	£'000
Total General Fund Net Expenditure	9,148	9,768	9,612	10,357	10,094	10,025
Total Funding	(9,148)	(9,646)	(9,646)	(10,246)	(9,845)	(10,025)
Deficit/(Surplus)	0	122	(34)	111	249	0
Use of Earmarked Reserves	0	0	0	0	0	0
Deficit/(Surplus)	0	122	(34)	111	249	0
Working Balance b/fwd	2,874	2,874	2,874	2,908	2,797	2,548
(Deficit)/Surplus	0	(122)	34	(111)	(249)	0
Working Balance c/fwd	2,874	2,752	2,908	2,797	2,548	2,548

11. 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.

### Savings

12. In delivering the proposed budget for 2023/24 and beyond, the Council will continue to seek efficiencies that are already in progress, whilst specifically embarking on the strategic partnership with Rochford District Council. This partnership will deliver significant savings over the medium term, whilst also enhancing capacity and resilience.

### Reserves

13. Appendix A summarises the overall level of General Fund Reserves and reflects the realignment of reserves to meet current and anticipated investment requirements.

#### Housing Revenue Account

14. Appendix B sets out the full detail on all the relevant considerations in respect of setting the HRA budget for 2023/24.
15. 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.
16. 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

17. This Strategy sets out the Council's treasury management arrangements as well as the capital programme for 2023/24 to 2025/26 in Appendix C.

#### Fees and charges

18. Proposed Fees and Charges have been taken to the appropriate Council Committee and are attached for information in Appendix D.

#### Pay Policy

19. 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 C is asked to approve the Pay Policy Statement (Appendix E).

#### Assurance Statement

20. The Section 25 of the Local Government Act 2003 requires the Section 151 Officer to report to the Council on the robustness of the budget calculations and the adequacy of reserves as part of the budget and council tax setting decision.

21. The Council's budget is based on a range of assumptions. In considering the overall budget position, it is necessary for Members to be aware of the range and scale of risk and uncertainty surrounding the budget projections, particularly with regard to external factors. The assurance statement is attached in Appendix F, which also includes useful information for members on the legalities of setting a balanced budget and a glossary for all the budget documents.

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

22. The Council sets its own Council Tax requirement, within the resources available and regulation. 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.

23. Members should note that a proposed "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 2023/24 an increase above 3% or £5 whichever is higher would be excessive and require a positive vote in a referendum.

24. 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 a cumulative effect on the Council's ability to sustain service levels in the future. The Section 151 Officer's Assurance Statement in Appendix F addresses the robustness of the budget calculations and the adequacy of reserves as well as providing useful information for the Budget reports.

### **Reasons for Recommendation**

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

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

### **Consultation**

27. The Council undertook a Consultation on the budget between 30<sup>th</sup> August 2022 to 16<sup>th</sup> October 2022. Further information is set out in Appendix A.

## **References to Corporate Strategy**

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

## **Implications**

### **Financial Implications**

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

### **Legal Implications**

**Name & Title: Andrew Hunkin, Director (Law and Governance) and Monitoring Officer**

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30. 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.

31. 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**

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32. 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**

33. None.

## **Appendices to this report**

Appendix A: General Fund Budget 2023/24

Appendix B: Housing Revenue Account Budget & 30-year Business Plan 2023/24

Appendix C: Capital Programme 2023/24 - 2025/26

Appendix D: Fees & Charges Schedule 2023/24

Appendix E: Pay Policy Statement

Appendix F: Section 151 Officers Assurance Statement & Useful Information

Appendix G: Corporate Strategy Budget Summary