

Report to: Cabinet



Date of Meeting 5 January 2022

Document classification: Part A Public Document

Exemption applied: None

Review date for release N/A

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## Draft Revenue and Capital Budgets 2022/23

### Report summary:

This report presents the draft revenue and capital budgets for 2022/23 for adoption by the Cabinet before consideration by a joint meeting of the Overview and Scrutiny Committees and the Housing Review Board.

Recommendations from these meetings will be presented back to Cabinet on 2<sup>nd</sup> February 2022 when members will finalise budget proposals to recommend to Council.

### Is the proposed decision in accordance with:

Budget Yes ☒ No ☐

Policy Framework Yes ☒ No ☐

### Recommendation:

**That the draft revenue and capital estimates are adopted before forwarding to a joint meeting of the Overview and Scrutiny Committees and Housing Review Board for consideration.**

### Reason for recommendation:

There is a requirement to set a balanced budget and to levy a Council Tax for 2022/23

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Portfolio(s) (check which apply):

- ☒ Climate Action and Emergency Response
- ☒ Coast, Country and Environment
- ☒ Council and Corporate Co-ordination
- ☒ Democracy, Transparency and Communications
- ☒ Economy and Assets
- ☒ Finance
- ☒ Strategic Planning
- ☒ Sustainable Homes and Communities
- ☒ Tourism, Sports, Leisure and Culture

## **Equalities impact** Low Impact

An analysis of budget changes has not highlighted areas that give rise to any equality issues that need highlighting. Key service changes have been addressed in separate reports to members and implications have been considered.

## **Climate change** High Impact

The budget approval gives the Council the resources necessary to undertake its business which will significantly contribute to the carbon footprint of the Council. The Council is committed to reducing its carbon net emissions to zero by 2040 and resources have been factored into the budget to meet this priority.

## **Risk:** Low Risk;

Risks have been considered in preparing the budgets and the financial implications have been assessed at the point of preparation. Various budget assumptions have been made including the treatment of inflation and interest rates; estimates on the level and timing of capital receipts; the treatment of demand led pressures; the treatment of planned efficiency savings/productivity gains; levels of income; financial risks inherent in any new arrangements; capital developments; the availability of funds to deal with major contingencies and the need for any provisions. In each of these areas the Council's financial standing, management and track record have been considered in order to prepare robust budget proposals. Other specific areas of risk have been highlighted where appropriate within the report.

## **Links to background information**

[2022/23 Draft Revenue and Capital Budget Book](#)

[Staffing resources request Streetscene](#)

[Staffing resources request Environmental Health & Car Parks](#)

[Staffing resources request Development Management](#)

[Voluntary, Community and Social enterprise support](#)

[Tree Strategy scoping document](#)

Report to Scrutiny Committee 10<sup>th</sup> December 2020 (car park charges) [\(Public Pack\)Agenda Document for Scrutiny Committee, 10/12/2020 18:00 \(eastdevon.gov.uk\)](#)

## **Link to [Council Plan](#)**

Priorities (check which apply)

- ☒ Better homes and communities for all
- ☒ A greener East Devon
- ☒ A resilient economy

## **1. Process**

- 1.1 The Constitution requires Cabinet to approve the draft revenue and capital budget prior to consideration by the Overview and Scrutiny Committees. The Housing Review Board will undertake the same function in relation to the Housing Revenue Account budgets.
- 1.2 Recommendations from these meetings will be presented back to Cabinet at its meeting on 2<sup>nd</sup> February, along with any comments from the business community. At this meeting

members will be required to recommend to Council a budget and the Council Tax requirement for 2022/23.

- 1.3 At the same time as preparing the draft budget, draft service plans have been prepared for member consideration. Service plans and budgets are aligned and link back to the new Council Plan.

## **2. General Fund Budget**

### **The Overall Financial Picture**

- 2.1 Members will be aware this Council no longer receives Revenue Support Grant to help finance the cost of services it provides to the public. Instead costs are met through Business Rate income, New Homes Bonus Grant (NHB), Council Tax and mainly through fees and charges on services it provides.
- 2.2 The Government Spending Review, which is then followed by Local Government Finance Settlement are important elements in the Council's budget preparation. They detail the rules around key income streams and how much the Council can expect to receive from them. The exception being fees and charges which in the main the Council can determine itself.
- 2.3 The Government Spending Review (SR21) on the 27<sup>th</sup> October 2021 set out departmental budgets for 2022/23 and the following 2 years, including allocations to the Department for Levelling Up, Housing and Communities (DLUHC) [Autumn Budget and Spending Review 2021: documents - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/publications/autumn-budget-and-spending-review-2021).
- 2.4 In line with the departmental budgets, individual authority allocations were then announced in the 2022/23 Provisional Local Government Finance Settlement on 16<sup>th</sup> December 2021 [Provisional local government finance settlement: England, 2022 to 2023 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/publications/provisional-local-government-finance-settlement-england-2022-to-2023) . This being a one-year spending round only which has been the case now for a number of years. Not providing details to authorities for further years significantly hinders future planning. The settlement put on hold again the planned reforms to the local government funding formula; the fairer funding review with changes to the business rate retention scheme (including the rebasing of any growth income authorities are receiving above their baseline) and changes to the New Homes Bonus Scheme. Consultation on these reforms are now signalled to be in the New Year, presumably affecting 2023/24 onwards but this is uncertain.
- 2.5 The adopted Financial Plan which contains the Medium Term Financial Plan (MTFP) estimated for 2022/23 a budget gap of just over £3m, this comprised £2.3m from losses in business rate income and new homes bonus payments from proposed Government funding changes and £0.7m from services costs increasing greater than income generated.
- 2.6 The delay in the funding reforms means that the £2.3m loss will now not materialise in 2022/23. So the focus for next year's budget is the funding gap of £0.7m.
- 2.7 The process of completing the detailed draft budget for 2022/23, working from the base up inevitably gives a different position to that calculated in the MTFP, which is prepared at an earlier stage, at a much higher level and before key Government announcements. The MTFP has proven again to be a good estimate and guide in preparing the Council's annual budget.

- 2.8 **The base draft budget proposed for members' does require £323k to be taken from the General Fund balance, it is estimated this will retain the Fund within the adopted range but does create a risk in taking it to the lower end of the range. By not addressing this deficit sum in the 2022/23 budget the amount will be added to the budget deficit that will be required to be found in 2023/24.**
- 2.9 **Members as part of the budget approval process are being asked to consider a revised increase in prime car parks which will then negate the need to use the Fund Balance and the requirement to find this deficit in 2023/24 budget process. If agreed, raising the hourly charge from the approved £1.20 in April 2022 to £1.50 will generate an estimated additional income of £339k balancing the books for 2022/23.**

**These areas are covered more fully below.**

### **Draft Revenue Budget 2022/23**

- 2.10 A summary position of the General Fund draft budget is given below. Further details are contained in the Budget Book linked to this report showing the current budget and the draft budget proposed for 2022/23 alongside variation between years. The Budget Book provides a summary of the services we operate, the assets, resources involved in each area and portfolio graphs.
- 2.11 The draft budget includes key areas that align to the New Council Plan and details can be drawn from the service plans.

## General Fund Revenue Budgets 2022/23

Portfolio Budget - Net Expenditure	Original 2021/22	Original 2022/23	Variation	%age Change	Notes
Corporate Business	152,640	175,750	23,110	15%	1
Corporate Services	1,728,601	1,754,304	25,703	1%	
Economy And Regenrtn Portfolio	364,010	205,760	-158,250	-43%	2
Environment Portfolio	1,585,734	2,085,980	500,246	32%	3
Finance	1,599,050	1,481,428	-117,622	-7%	4
Strategic Development & P'Ship	2,297,590	2,557,812	260,222	11%	5
Street Scene Portfolio	10,324,690	10,401,587	76,897	1%	6
Sustainable Homes & Communitie	767,940	900,220	132,280	17%	7
<b>Portfolio Totals</b>	<b>18,820,255</b>	<b>19,562,841</b>	<b>742,586</b>	<b>4%</b>	
Reversal of Capital Charges (Depreciation)	-3,057,560	-3,133,070	-75,510	2%	
<b>Portfolio Totals Net of Capital Charges</b>	<b>15,762,695</b>	<b>16,429,771</b>	<b>667,076</b>	<b>4%</b>	
Interest Receipts (Net of investment management fees)	-426,750	-392,130	34,620		
Interest Payable	300	300	0		
PWLB Interest & Principal Repayments	427,130	438,040	10,910		
<b>Net Expenditure</b>	<b>15,763,375</b>	<b>16,475,981</b>	<b>712,606</b>	<b>5%</b>	
<b>Government Grants</b>					
New Homes Bonus Grant	-1,500,000	-1,500,000	0		
Rural Services Delivery Grant	-225,590	-225,590	0		
Savings Target	-63,345	-70,000	-6,655		
<b>Use of Reserves</b>					
Use of Collection fund surplus	0	-197,680	-197,680		
Earmarked Reserves	-134,230	-284,400	-150,170		
Use of General Fund Balance for elections	0		0		
Use of General Fund Balance	0		0		
<b>Budget Requirement</b>	<b>13,840,210</b>	<b>14,198,311</b>	<b>358,101</b>	<b>3%</b>	
Revenue Support Grant	0	0	0		
Business Rate Baseline Funding	-2,720,660	-2,720,660	0		
Business Rate Retention Inflation Uplift	-2,000,000	-2,000,000	0		
Council Tax Support Grant paid to Parishes	0	0	0		
Parish Support Reserve	0	0	0		
<b>Funding Position - General Fund Surplus</b>		<b>55,359</b>			
<b>Council Tax Requirement</b>	<b>9,119,550</b>	<b>9,533,010</b>	<b>358,101</b>	<b>4%</b>	

### Variations to highlight

1. Main element of increase is external investigation fees required by Monitoring Officer
2. £95k Economic Development Staffing (reserve to meet costs), £80k inclusion of Seaton Jurassic Centre. Additional costs offset by recharges.
3. £340k Employee costs increase in total comprising general inflation increase and minor amendments in hours and posts (previously agreed), main areas: Car Parks £69k, Arts & Culture £29k, Countryside £147k (includes additional Tree Officer & Ecologist Officer) & Public Health £104k. Other items to note inclusion of £50k outreach payment to LED.
4. Minor variations offset by savings in Revenue & Benefits.
5. No significant changes to highlight - general salary & price increase across the board offset in part by additional EZ income contribution for staffing costs.
6. Total employees increase of £182k pay inflation and grading restructure, other increases through contracts, inflation increases. Additional £38k on Exmouth Lifeguard Service (H&S issue). Offset by public toilet savings of £304k
7. Homeless costs net increase £124k, other general cost increase offset by Homesafeguard additional net income £66k through receipts and recharges.

2.12 **The above General Fund Summary shows a budget position of £55k surplus.** This draft base budget position **excludes key costs given below which will require a budget** but the precise amount is unknown at this stage.

- **Recycling and Refuse contract negotiations** are ongoing regarding additional crew and vehicles required to meet the demand of additional properties and increased recycling materials. A separate report will be coming to Cabinet and Council with the full details which will have both revenue and capital budget implications. Although members will be able to debate the details and possible range of costs and options involved, it is necessary to include a revenue sum in the budget as it is certain there will be significant additional costs which the Council will have no choice to meet in order to deliver this core service to the public. Discussions with the Service have given an indication of the costs and that they will not be incurred until part way through the year. **It is assessed that a budget should be included in the range of £400k to £600k** (full year could be an ongoing cost of up to £1.2m).
- **The Service Level Payment to LED** has been included in the draft budget at £944k (£894k service payment and £50k for outreach work), details will be presented through the LED Forum for debate but there is a risk that the final sum could be higher than that provided. Work is in place to review the total service but an interim budget based on existing services needs to be provided at the current time. LED are to present the service implications if the service payment remains at £894k and are signalling a higher sum will be required if no service degradation is to be seen. **It is proposed a sum in the range of £50k to £100k as additional budget may be required to give members the option to choose.**
- An **Authority wide independent pay review** has been instigated by Council, the review is in progress and the outcome is likely to be known in February 2022. Indications are that EDDC pay has fallen below the medium pay level in areas and the assumption is this review will recommend to Council an increase in the Council's pay bill. This will affect the General Fund and the Housing Revenue Account. It is considered sensible to consider **a budget sum with a range for the General Fund of £300k to £500k.**

**These areas need to be considered more fully, with negotiations and decisions to be made by Council, it is assumed cost implications will be kept to the minimum possible whilst meeting the required objectives. Therefore it is proposed to include a budget sum at 75% within the bandings identified. This is considered prudent but also assumes a level of reductions will be made. This gives a budget sum required of £1.088m.**

**There will be future budget implications in the above items as they are continuing costs that will need to be factored in and addressed in the 2023/24 budget and the Financial Plan/MTFP.**

2.13 The General Fund draft budget (as detailed in the budget book attached) gives a surplus position of £55k. The above expenditure budgets need to be added to that position giving a budget deficit of £1.033m. The settlement provided some adjustments and additional funding not reflected (because of timing) in the budget book and General Fund Statement above. This give us an additional income of £710k (details below) to bring into the equation, **giving a final draft budget position requiring £323k to be met from the General Fund Balance.** The £710k additional income comprises:

- An uplift in Business Rate base income by £166k to £2.886m

- Increase in Rural Service Delivery Grant by £11k to £237k
- Inclusion again of a Lower Tier Service Grant that was reported as a one-off last year £349k
- New services Grant given to all authorities stated as one-off £184k

2.14 The draft budget has been prepared on the basis of continuing to provide existing services, Service Leads, however, in some areas are highlighting additional staffing resources are required to maintain service levels and without the resources service levels will fall. These requests for additional resources **have not been included in the 2022/23 draft budget** as they are unaffordable unless additional income or savings are found within services. The requests are as follows with further details contained in the link papers to this report.

- **Streetscene request of £285k in base budget, summary from Service submission below:**

Streetscene are currently facing staffing and resource issues, proposals are outlined in the attached report to address the situation. Proposals to meet shortfalls so that rising service demand, statutory duties and ambitions set out in the council plan can be met effectively. Service demand has increased greatly over the last few years, with a notable uplift in visitors and tourism, and an exponential rise in housing developments across the district such as Cranbrook, meaning more residents and use of our towns, parks, beaches, and public spaces. Failure to invest in appropriate staffing resource, may result in the need to undertake a wider and more in-depth review as to what Streetscene carries out beyond its statutory duties going forward.

There has been no investment in staffing resource over the last 10 years through austerity, but at the same time demand, population and strain on our services has increased. Just last year, demand for seafront cleansing rose by 29%. The paper recommends the appointment of posts to match rising demand. This is reported as a stand-still position and does not account for inevitable future growth.

- **Environmental Health and Car Parks request £250k to £300k in base budget, summary from Service submission below:**

The report attached considers the future of both Environmental Health Service and the Car Parking Service against the capacity to meet council ambitions, customer expectations and statutory duties.

Recognising the scale of change being proposed and the potential cost, the Service has produced the paper as a discussion document.

- **Development Management request £129k in base budget, summary from Service submission below:**

The development management team have seen a rapid and sustained increase in demand for their services over the last 18 months or so. This increase in the number of applications received is then reflected in increases in demand across the other work streams including discharge of conditions, minor amendments and other enquiries. Whilst we have managed to increase the number of decisions

being issued it has consistently remained below the numbers received and hence a backlog has been built up such that we have gone from having around 500 applications on-hand to over 600. The 500 we had on-hand at the start of 2020 was already a record high.

Much of this backlog is a result of the high numbers of household extensions which has overloaded our householder team despite additional resources having been put in place. The report proposals additional staffing resources including an additional manager.

- **Arts and Culture request for £23k in base budget, submission below:**

A request for a new role of Theatre Supervisor at Manor Pavilion Sidmouth and a part time Box Office Assistant. The proposal requires a net cost of £23K if implemented with saving proposals. To provide the appropriate level of support for the Theatre Manager as the venue has no other supervisory staff who can be deployed to run the venue, manage performers and cover Health and Safety issues, facilities management issues etc. Therefore the theatre is "at risk" in the event of the Theatre Manager being absent. This also ensures we have a clear succession planning process in place. The current budget is for 1 Full Time manager 1 Part Time admin and 2 Part Time Box office. The proposed new structure 1 Full Time Manager, 1 Full Time Assistant Manager, 1 Part Time Admin and 1 Part Time Box office

2.15 **These requests totalling £737k are unaffordable** within the resources available if we are to continue to fund existing services as they currently are. This report proposes that Cabinet and SMT+ work closely over the coming months to understand the details of these requests, determine their priority against existing services and determine whether additional income/savings can be generated to support a proposal of supplementary budget being recommended to Council in year for part or all of these requests.

2.16 **A request for £60k for a Council Voluntary Service** has been made. **This has not been included in the draft budget as unaffordable** but members need to be aware. A more detailed paper is attached to this report.

East Devon is the only district within Devon that doesn't have a Council for Voluntary Service (CVS). A CVS is part of a national umbrella organisation that provides whatever support is needed by the Voluntary, Community and Social Enterprise Sector (VCSE) in a geographical area. This was highlighted as a bigger issue at the start of the Coronavirus pandemic when other CVSs from throughout Devon led / coordinated their areas responses in terms of getting support to residents that needed it. Our VCSE sector did a fantastic job of supporting residents, and still are, but we want to help support them so they can be even better at what they do.

The money provided would be used to provide support such as the following to the VCSE sector within East Devon, as has been requested by them:

- Networking opportunities with other VCSE groups to enable the sharing of best practice and increase collaboration as well as other benefits.
- Training for the VCSE sector and their volunteers.



- Legal and financial advice on topics such as data protection, safeguarding, and changing structures.
- Representation for East Devon's VCSE sector on a wider stage.
- Support and guidance around accessing funding, finding and applying for it, including help to find longer term funding and finding funding for core costs.
- Advice and guidance on building resilience and sustainability.

We are not necessarily looking to help provide a Council for Voluntary Service. The mechanism it would be provided by is yet to be determined, by both working with the VCSE sector to get their input, and seeing what responses we get to an invitation to tender to provide the support. For example, it could take the form of being provided by the whole of a local grassroots organisation that already exists, by one person that sits within that organisation, by an organisation from outside of East Devon that's providing similar services elsewhere, by an individual or by someone employed directly by the council. Research has shown that getting the right person or people to deliver the VCSE support is much more important than the form that it takes.

2.17 A request for **£50K to deliver a detailed Tree Strategy** was made. **This has not been included in the draft budget as unaffordable** but members need to be aware.

The Strategy is to build on the outline/high level plan that is being worked on for the Council's work with trees. This is an area that members have asked to be prioritised. The scope would cover:

- Trees & development
- Pests & diseases – changing treescape in East Devon & how we can meet this huge challenge (right tree, right place)
- Tree planting as a carbon sink and offsetting approach to deliver EDDC Climate Change action plan targets
- Tree wardens & parish engagement – setting up a robust monitoring framework for our tree stock

## 2.18 Council Tax

The draft budget assumes the Council will increase the Council Tax for 2022/23 by £5 a year. This is in line with the MTFP and assumptions made by Government on funding available to the Council. This gives a precept for the Council of £9,533,010 raising the current annual council tax charge from £151.78 to £156.78 for a band D property, a 3.29% increase. This is the maximum increase allowed within the Referendum regulations.

This is based on the Council Tax Base of 60,805 band D properties; an increase of 721 compared with the current year.

## 2.19 General Fund Balance

The Council has an adopted range for the General Fund Balance of between £3m to £3.8m which is still considered appropriate. Latest budget monitoring reported to Cabinet estimates the Fund at the end of 2021/22 will be £3.483m, **these budget proposals for 2022/23 require a further £323k to be used from the Fund bringing the estimated Balance down to £3.160m; still in the adopted range but close to the minimum level and restricting the ability to deal with in year volatility or in year requests for funding.**

## 2.20 Car Park Charges

In light of this financial position it has been suggested by members in sessions leading to the draft budget preparation through the Budget Setting and Capital Allocation Panel and work of the Finance Portfolio Team that the Council may wish to reconsider the decision taken to increase the hourly charge on 19 car park sites classified as prime car parks from £1 to £1.20 to be implemented in April 2022. A number of reports were presented considering car park charges at the time and linked to this report is the December 2020 Scrutiny paper which summaries the position. Consideration was given at the time to a range of increases including whether a £1.50 hourly charge was appropriate bearing in mind the hourly charge had not been increased for over 10 years, the effect of inflation over that period and the Council now loses 20% of the income in VAT which was not the case 10 years ago due to VAT changes.

Members at the time after much debate decided to increase the charges to £1.20 and delay implementation for a year (until April 2022). There now seems to be a change in view in light of the Council financial position, particular financial pressure on core service delivery and the demand we have seen in these car parks during the holiday periods and with the ability for residents to purchase annual tickets at a significantly reduced parking rate. The report to Scrutiny and assumptions made are still considered valid by the Service Lead with an estimated additional income to be achieved of £339k if the hourly charge on these car parks were increased instead of £1.20 but to £1.50. This is of course only an estimate and customer demand may change if an increase is applied and the actual position would have to be monitored carefully.

## 2.21 Business Rates

The 2022/23 budget uses the Government's funding calculation at £2.886m as the income to be derived from Business Rates; to this an additional £2m has been added to reflect the Council's own rate estimate which is higher and includes business rate growth in the district over a number of years. The Council does hold a Rates Volatility Fund of £0.639m accumulated from previous Business Rate surplus to mitigate the risk if Rates do not achieve this full level and it helps smooth out year on year fluctuations.

## 2.22 New Homes Bonus (NHB)

The Government intention is to end the NHB scheme, the grant for 2022/23 is £2.137m, the draft budget uses £1.5m of this to support the General Fund with the balance being directed to part finance the Capital Programme.

We still await details from Government on this scheme going forward beyond 2022/23.

### **Budget Strategy for future years**

- 2.23 The adopted Financial Plan 2021 – 2031 has informed the preparation of the 2022/23 budget. Work now needs to begin on future year budgets and factoring in the significant ongoing costs highlighted above in the report; the rise in recycling and refuse costs (initial request given at £1.2m per annum in revenue, only part factored into 2023/24 budget) and understanding the final outcome of the pay review. Added to this are the staff resourcing

pressures which have not been included in the draft budget as they are unaffordable at this stage.

2.24 In broad terms the underlying service costs were already likely to be in the order of £400k to £500k above available income for 2023/24 to this can be added taking worst case scenario;

- £323k unbalanced expenditure from 2022/23 now taken into 2023/24, unless additional car park income approved.
- £600k additional costs for recycling and refuse contract – to factor in full year effect.
- £737k staffing resource requests currently excluded from the draft budget position.

There are clearly debates and decisions to be had around these items, but the implications need to be highlighted and need to be addressed early on for the 2023/24 budget year.

2.25 There are still the implications of proposed Government funding reforms, initially assessed at a possible reduction in total income of over £3m. We are no further forward in understanding the timing and implications of these at this stage and members will be alerted to these details as they are known.

### **3 Housing Revenue Account Budget**

#### **The Overall Financial Picture**

3.1 The Housing Revenue Account (HRA) is underpinned and influenced by a business plan, this plan needs a refresh which continues to be delayed with other work commitments. The revised Plan needs to:

- Undertake a full conditions survey to inform future programme costs.
- Consider the implication of the new maintenance contract.
- Reflect additional work on asset management planning and compliance requirements,
- Consider the end of rent reductions.
- The implication of Universal Credit,
- Reconsider the debt level and use of Right to Buy Receipts linked to future development ambitions, and
- The implications of the climate change action plan.

This work is progressing and the picture for the draft 2022/23 budget is very much a stand still budget in that it continues to invest in our existing properties at a similar level although it does set aside £880k for climate reduction investment; it still provides an acceptable surplus which will need to be prioritised between competition demands:

- The purchase programme to counteract the impact of continuing Right to Buy (RTB) sales and the development ambitions to significantly add to our stock/social housing. This is a key priority in the new Council Plan.

- To ensure new compliance requirements are met.
- Additional carbon reduction actions.

3.2 In accordance with central government policy, the increase in any individual tenants rent is limited to inflation + 1% for the forthcoming financial year. Inflation is taken as the Consumer Price Index (CPI) rate at the prevailing rate for September 2021, which was official registered at 3.1%. The draft budget assumes an increase in Council House rents of 4.1% with a factor included for a reduction in stock numbers and voids giving £18.6m, an increase of £0.778m. No increase is proposed on garage rents.

### **Draft Revenue Budget 2022/23**

3.3 The budget book details the draft estimates for 2022/23.

3.4 The budget has been prepared to maintain council homes to a high standard with a comprehensive planned programme of expenditure, adaptations and routine repairs. The 2022/23 draft budget maintains significant sums for:

- Major repairs totalling £4m covering new doors, boilers, kitchens and bathrooms, including change of tenancy expenditure, replacement of wooden fascias with uPVC and roof replacements.
- Day to day repairs, programme maintenance and one off works totalling £4.4m.

3.5 A new budget line with an amount of £880k has been created as a standalone project within our budgets for carbon reduction. This is challenging, as many of the costs will be absorbed into our standard housing maintenance, planned works and capital programmes. However we have added a budget line for any works funded by external grants and this will also show any match funding we have apportioned to the specific delivery programme.

When rationalising the costs linked to the decarbonisation of our housing stock we have used an industry best practice 'Fabric First, Least Regret' methodology as explained below

- Fabric First – is about addressing issues with and upgrading the actual building such as; insulation, windows, doors, roofing structures etc. in readiness for sustainable heating and hot water solutions. Due to the age and condition of our stock this is by far the most expensive part of the carbon reduction process. This approach has the added benefit of making the current heating systems much more effective and efficient for our tenants. The Stock Condition Survey will give us the data needed to schedule these works appropriately. These costs will sit predominantly within our maintenance/repairs, planned and cap works budget lines.
- Least Regret – relates to the replacement of systems and components, within each building, at point of 'failure' (expected replacement date). So following on from the above works and again using the Stock Condition Survey data, we will plan the incremental upgrade of all our heating systems in line with each systems/boilers expected replacement date. So for example, when a gas boiler is due for

replacement we will remove it and fit a sustainable system in its place, reducing the cost implications of carbon reduction as we will effectively be just bridging the gap in cost between replacing a standard gas boiler and with the cost of fitting an Air Source Heat Pump for example – these costs will sit largely within the planned works budget lines as it is work we would have delivered anyway ....albeit in a different way.

			2021	2022	Variance	
HRA BUDGET SUMMARY by SERVICE LINE & ACCOUNTING TYPE			£	£	£	
Sum of Budget			Data			
Rep Cat 1	Rep Cat 2	Rep Cat 3	2021 YTD	2022	2022	Note
1 INCOME	1 Gross Property Rent inc Garages	1 Gross Property Rents	-17,831,260	-18,609,260	-778,000	1
		2 Garage Rents	-336,180	-215,990	120,190	2
	2 Other Income	1 Other Income	-603,680	-619,600	-15,920	
<b>1 INCOME Total</b>			<b>-18,771,120</b>	<b>-19,444,850</b>	<b>-673,730</b>	
2 EXPENDITURE	1 Repairs And Maintenance - General	1 Responsive Maintenance	1,953,350	2,050,770	97,420	3
		2 Annual Programmed Maintenance	1,033,300	1,019,810	-13,490	
	2 Repairs And Maintenance - Special	1 Compliance	790,050	791,750	1,700	
		2 Other	560,730	532,000	-28,730	
	3 Supervision And Management	1 Supervision And Mgt General	4,418,290	5,266,350	848,060	4
		2 Supervision And Mgt Special	1,994,300	1,852,110	-142,190	
	4 Other Expenditure	1 Other Exp non Sewerage	231,700	234,250	2,550	
		2 Sewerage	54,390	44,250	-10,140	
	5 Capital Charges & Bad Debt	3 Major Repairs Expenditure	4,226,000	4,056,780	-169,220	5
		2 Reval Deprn and Impair	950,420	950,420	0	
<b>2 EXPENDITURE Total</b>			<b>16,212,530</b>	<b>16,798,490</b>	<b>585,960</b>	
3 FINANCING	1 Interest on Balances	(blank)	-23,700	-24,170	-470	
	2 Loan Principal & Interest repayments	(blank)	2,547,440	2,532,740	-14,700	
	3 Other	1 Gain on Disposal	-3,161,910	-3,161,910	0	
		2 Loss on Disposal	2,001,980	2,001,980	0	
		4 Other	-10	-10	0	
	4 MIRS	1 Rev Gain on Disposal	3,161,910	3,161,910	0	
		2 Rev Loss on Disposal	-2,001,980	-2,001,980	0	
		3 Rev Rev, Dep & Impair	-950,420	-950,420	0	
		5 Cont to Capital	0	880,000	880,000	6
<b>3 FINANCING Total</b>			<b>1,573,310</b>	<b>2,438,140</b>	<b>864,830</b>	
<b>Grand Total</b>			<b>-985,280</b>	<b>-208,220</b>	<b>777,060</b>	

- 1 Rents on council dwellings have been inflated at the Government capped percentage increase of September CPI (3.1%) plus the additional 1% to total 4.1%. Management and other charges have been inflated at September CPI (3.1%) with a review of lost rent due to voids also undertaken and correctly apportioned to garage rents where appropriate.
- 2 Due to the high void levels in garages no rent increases have been proposed and Void levels have been reviewed to be more in line with current lost income levels.
- 3 The Asset Management contract with Ian Williams is not subject to an inflationary uplift in 22/23 by mutual agreement. The annual increase reflects revisions with regards to costs driven by exclusions to the PPP contract and expenditure on buildings/areas that fall outside of Price Per Property.
- 4 The increase in managment charges relate to both Staff related costs, premises costs and increases in overhead recharges back to the general fund for premises and services. Staff and agency/consultant costs have been based upon a revised predicted establishment provided by the Housing Management Team and the expected salary, pension and national insurance uplifts resulting in a year on year increase of approx. £160k. Premises costs have also increased most notably with revised insurance estimates requiring an additional £140k of budget in 2022/23. Overhead recharges explain the remainder of the increase with the impact of significant inflationary uplifts and pressures on central and support services to the HRA that reside within the general fund driving increases.
- 5 The planned maintenance and major repairs expenditure has been kept relatively consistent year on year due to the unknown factor of the stock condition survey and the subsequent release of the large planned maintenance reserves for catch up costs made in 19/20 and predicted for 20/21 are better understood in 22/23. The notable exception to this holding pattern of a budget is the Void expenditure which has been decreased in line with savings made through efficiencies within the Ian Williams contract.
- 6 A large contribution to capital has been budgeted for in 22/23 for continued climate change work on the council stock. This relates to the application submitted to the first wave of the Social Housing Decarbonisation fund to build on the work already undertaken through the Green Homes Grants and ringfences the amount the HRA is committed to match fund to receive the central government contribution.

3.6 The HRA draft budget currently shows a surplus of **£0.208m**; The HRA Balance is currently predicted to be significantly above the £3.1m level at the end of 2021/22 with decisions to be made by members at year end on where to allocate the additional balance. As explained, there are competing priorities that members will have to consider. Assuming these decisions are made then the Balance will be back at year end to £3.1m and the £208k surplus identified for 2023/24 can be allocated to priority areas at the end of 2023/24. There is an additional £1.6m being held in the HRA debt Volatility Fund which remains unchanged.

- 3.7 The draft HRA budget will be reviewed by the Housing Review Board (HRB) on 13<sup>th</sup> January 2022.

## **4 Capital Programme**

### **The Overall Financial Picture**

- 4.1 The draft Capital Programme for 2022/23, after in year available resources are used, gives an overall funding need of £2.276m. The funding position across years will be managed in the most efficient manner considering the Council's overall Treasury Management position.
- 4.2 Any underfunded capital is factored into the Council's Minimum Revenue Provision (MRP) calculation (the amount required to be charged to the revenue account for unfunded capital) in line with the Council MRP Policy. In addition there will either be interest on any external loans required to be factored in, or the loss of investment interest on any internal borrowing used. This has been factored into the 2022/23 draft budget. The higher the unfunded element of the capital programme the greater cost to the General Fund.
- 4.3 The preparation of the draft Capital Budget has been directed by the Budget Setting & Allocation Panel who met on 2<sup>nd</sup> December 2021 to consider scheme proposals. The Panel considered funding resources available, the capital appraisal process and then each scheme proposal in turn. Minutes of this meeting are presented to Cabinet.
- 4.4 The capital appraisal process has been used to build a capital programme aimed at delivering the Council's stated priorities and ensuring schemes meet set outcomes. Each scheme is given a score against a set criteria such as how the project meets the Council Plan, the risk involved, any part funding, invest to save, service provision and carbon implications; scoring schemes higher which contributed to a reduction in carbon. This scoring is used to measure priority against the funding available.
- For each scheme proposed an Initial Project Proposal Form was completed as governed in the adopted "Guide to Project Management".

### **Draft Capital Budget 2022/23**

- 4.5 The attached booklet details the draft capital programme for 2021/22 to 2025/26; scoring information is included against the new capital bid items.
- 4.6 A summary of the capital funding position is given below:

Capital Programme Financing	2021/22	2022/23	2023/24	2024/25	2025/26
	Budget	Budget	Budget	Budget	Budget
	£	£	£	£	£
Net Expenditure to be Financed (GF & HRA)	19,202,573	7,918,664	5,925,540	4,763,345	5,136,165
Adjust for unused income from grants/contributions:					
	19,202,573	7,918,664	5,925,540	4,763,345	5,136,165
<b>Financing:</b>					
<b>General Fund Capital Receipts</b>	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)
HRA Released RTB and Misc Capital Receipts	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)
HRA contribution - From Major Repairs Reserve	(2,947,280)	(3,127,280)	(3,127,280)	(3,127,280)	(3,127,280)
HRA Cont "Deprn"	(1,278,720)	(1,278,720)	(1,278,720)	(1,278,720)	(1,278,720)
<b>HRA funding</b>	<b>(4,726,000)</b>	<b>(4,906,000)</b>	<b>(4,906,000)</b>	<b>(4,906,000)</b>	<b>(4,906,000)</b>
<b>New Homes Bonus Funding</b>	<b>(1,000,000)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>(Use of) /contribution to capital reserve</b>					
Beer Community Land Trust Loan	(900,000)	0	0	0	0
EZ - Park & Change	(294,492)	0	0	0	0
EZ - Long Lane	(2,388,895)	0	0	0	0
EZ - Open Innovation Building	(160,000)	0	0	0	0
		0	0	0	0
		0	0	0	0
Net (internal borrowing) / Transfer to Capital Reserves balance	(9,633,186)	(2,912,664)	(919,540)	242,655	(130,165)
<b>GF Loans/Internal Borrowing</b>	<b>(13,376,573)</b>	<b>(2,912,664)</b>	<b>(919,540)</b>	<b>242,655</b>	<b>(130,165)</b>
<b>Total Funding</b>	<b>(19,202,573)</b>	<b>(7,918,664)</b>	<b>(5,925,540)</b>	<b>(4,763,345)</b>	<b>(5,136,165)</b>
<b>Shortfall / (Surplus)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Please Note:</b>					
New Homes Bonus figures based on worst case scenario of no new funding for 2022/23 and beyond.					

4.7 The draft capital budget for 2022/23 totals £7.918m (net of direct grants), schemes are detailed in the budget book. The required funding need of £2.913m taken from the budget book excludes £637k New Homes Bonus (NHB) available to fund the capital programme. Total NHB for 2022/23 was announced in the Local Government Settlement came too late to reflect in the above Statement. This additional income reduces the funding need to £2.276m.

4.8 NHB monies is helping to fund the capital programme in 2021/22 by £1m and £637k in 2022/23, no funding is assumed in 2023/24 onwards. This will put significant pressure on the funding of future programmes, if a similar level of investment is still to be maintained this will affect the revenue budget in MRP charges. As discussed elsewhere in this report we still await details of NHB or a replacement scheme going forward.

## 5 Other Balances & Reserves available to the Council

5.1 The Council holds a number of earmarked reserves set aside for specific purposes, the use of such reserves in the 2022/23 draft budget are detailed in the budget book for members' information. In addition, members have ring-fenced the use of the Transformation Fund to support the decisions made over public toilet provision - implementation costs, continued running costs whilst transfers/disposals are completed and to assist with legal fees incurred by town and parish councils. The sum proposed is £175k.

## **6. Robustness of estimates and adequacy of reserves**

- 6.1 This part of the report deals with the requirement of Section 25 (2) of the Local Government Act 2003 in that the Council's Chief Finance Officer (CFO) must report on the robustness of the estimates included in the budget and the adequacy of reserves for which the budget provides.
- 6.2 In terms of the robustness of the estimates, all known factors have been considered and the financial implications have been assessed at the point of preparation. Various budget assumptions have been made including the treatment of inflation and interest rates, estimates on the level and timing of capital receipts, the treatment of demand led pressures, the treatment of planned efficiency savings/productivity gains and levels of income, financial risks inherent in any new arrangements and capital developments and the availability of funds to deal with major contingencies and the need for any provisions. In each of these areas the Council's financial standing, management and track record have been considered in order to prepare robust budget proposals.
- 6.3 The proposed draft budgets for 2022/23 maintain both the General Fund balance and the Housing Revenue Account balance at adopted levels provided actual net expenditure is at, or below, the level forecast. Continuous monitoring and reports to Cabinet will highlight and make recommendations on any corrective action necessary to achieve this during 2022/23. Particular risks have been highlighted in the report with the General Fund position being at the bottom end of the adopted range with budgets included on key spend where details are currently uncertain (Recycling and Refuse Contract and Pay Review) there are also a number of staffing resource pressures which have been excluded from the budget that need early debate.

## **7. Prudential Code**

- 7.1 The Local Government Act 2003 also requires under regulation for local authorities to have regard to the Prudential Code for Capital Finance in Local Authorities, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) when setting and reviewing their affordable borrowing limit.
- 7.2 The key objective of the Code is to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable. A further key objective is to ensure that treasury management decisions are taken in accordance with good professional practice and in a manner that supports prudence, affordability and sustainability.
- 7.3 To demonstrate that local authorities have fulfilled these objectives, the Prudential Code sets out the indicators that must be used and the factors that must be taken into account. These indicators will be presented to the next Cabinet meeting when a recommendation will be made on the budget for 2022/23, Council Tax levy and Council House Rents.
- 7.4 A Capital Strategy is required to be approved by Council annually to consider any investment property the Council holds or likely to hold, what this means in terms of financial exposure and risk. This will be presented along with the documents above at the next Cabinet for onward approval by Council in February 2022.



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**Financial implications:**

Details are contained in the report

**Legal implications:**

No legal observations are required