

Report to: Cabinet



Date of Meeting 4 January 2023

Document classification: Part A Public Document

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Review date for release N/A

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## Draft Revenue and Capital Budgets 2023/24

### Report summary:

This report presents the draft revenue and capital budgets for 2023/24 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 1<sup>st</sup> February 2023 when members will finalise budget proposals to recommend to Council.

This report has been compiled before the Local Government Finance Settlement which is expected on the 21<sup>st</sup> December, Cabinet will be updated on any implications to the draft budget for its meeting on 4<sup>th</sup> January.

### 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 2023/24

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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. There are no changes proposed from the current service provisions as a result of the draft budget that will effect individuals.

## **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:** Medium 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**

[Budget Book 2023/23](#)

[Paper on resources required for preparation of a new town in East Devon](#)

[Financial Plan](#)

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

Priorities (check which apply)

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

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## **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 1<sup>st</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 2023/24.
- 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 Council Plan.

## **2. General Fund Budget**

### **The Overall Financial Picture**

- 2.1 Members will be aware this Council does not receives Revenue Support Grant to help finance the cost of services it provides to the public. Instead costs are met through

- Business Rate income, a decreasing sum from New Homes Bonus Grant (NHB), Council Tax and through fees and charges on services it provides.
- 2.2 The Local Government Finance Settlement is a crucial part in the Council's budget preparation. This details the rules and allocations 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, except with planning fees which are determined by Government.
- 2.3 Unfortunately the settlement is not expected until 21<sup>st</sup> December, too late to be reflected in this report, but an update will be circulated once details are received. Assumptions have been made using the Autumn Statement 2022 (17<sup>th</sup> November 2022) which indicated that departmental budgets in 2023/24 and 2024/25 will be maintained at least in line with the budgets set at the Spending Review 2021, with efficiency savings then expected from 2025/26 onwards. Specific announcements have been made, although to be confirmed in the Settlement, on Council Tax Referendum Limitations (for District Councils this being £5 or 3% whichever is the greatest).
- 2.4 A statement made by the Secretary of State on 21<sup>st</sup> November at the House of Commons Levelling Up, Housing and Communities Committee was a clear commitment that there will not be a business rates reset or reform of the system until after the next general election. Members from previous budget reports and from the Council's Financial Plan will know the significance of this announcement in that rebasing at worse could lose this Council in the order of £3m in annual income.
- 2.5 The above all accords to a Local Government finance policy statement 2023/24 to 2024/25 issued on 12<sup>th</sup> December 2022 as a precursor to the Finance Settlement which it confirmed would be announced before Christmas.
- 2.6 The adopted Financial Plan which contains the Medium Term Financial Plan (MTFP) estimated for 2023/24 a budget gap of £588k from services costs increasing greater than income generated. The assumption had already been made in the Plan that business rate rebasing would not occur until 2025/26.
- 2.7 The process of completing the detailed draft budget for 2023/24, 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 high level and before key Government announcements. The MTFP has proven to be a good estimate and guide in preparing the Council's annual budget.
- 2.8 **The draft budget proposed requires £434k to be taken from balances, this is mainly through timing in bring forward proposed savings outlined in the Financial Sustainability Plan, along with higher costs than expected in some areas.**

**The draft budget recommends that this deficit is met through the Medium Term Financial Plan (MTFP) Risk Reserve**, this being set aside by Council to help smooth the timing of savings required to balance the books of the Council. The balance on this reserve is £2.9m.

Whilst not ideal, the sum is manageable in the context of the Council's overall budget and is acceptable. By not addressing this deficit in the 2023/24 budget the amount will be added to the budget deficit that will be required to be found in 2024/25, currently estimated at £892k, it is therefore essential that proposed actions contained in the Financial Sustainability Plan are progressed with the intention to bring forward saving in the budget year 2023/24 to reduce the necessity of utilising the MTFP Risk Reserve and to address the 2024/25 budget gap.

Members should also note that in the letter accompanying the Local Government Finance Policy Statement issued by DLUHC (12<sup>th</sup> December) was a message to Leaders of Councils asking for them to consider whether they can use their reserves to maintain services in the face of immediate inflationary pressures.

### **Draft Revenue Budget 2023/24**

- 2.9 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 2023/24 alongside variation between years.
- 2.10 The draft budget includes key areas that align to the Council Plan and details can be drawn from the service plans.

## General Fund Revenue Budgets 2023/24

Portfolio Budget - Net Expenditure	Original 2022/23	Original 2023/24	Variation	%age Change	Notes
Corporate Business	175,210	194,520	19,310	11%	
Corporate Services	2,107,434	2,207,870	100,436	5%	1
Economy And Regenrtn Portfolio	278,520	588,060	309,540	111%	2
Environment Portfolio	1,269,350	2,178,760	909,410	72%	3
Finance	1,564,048	2,268,935	704,887	45%	4
Strategic Development & P'Ship	2,670,542	3,188,800	518,258	19%	5
Street Scene Portfolio	11,341,217	13,151,070	1,809,853	16%	6
Sustainable Homes & Communitie	921,520	1,714,654	793,134	86%	7
<b>Portfolio Totals</b>	<b>20,327,841</b>	<b>25,492,669</b>	<b>5,164,828</b>	<b>25%</b>	
Reversal of Capital Charges (Depreciation)	-3,133,070	-3,270,390	-137,320	4%	
<b>Portfolio Totals Net of Capital Charges</b>	<b>17,194,771</b>	<b>22,222,279</b>	<b>5,027,508</b>	<b>29%</b>	
Interest Receipts (Net of investment management fees)	-392,130	-1,148,535	-756,405		
Interest Payable	300	300	0		
PWLB Interest & Principal Repayments	438,040	523,190	85,150		
<b>Net Expenditure</b>	<b>17,240,981</b>	<b>21,597,234</b>	<b>4,356,253</b>	<b>25%</b>	
<b>Government Grants</b>					
New Homes Bonus Grant	-1,500,000	-1,125,000	375,000		
Rural Services Delivery Grant	-236,590	-236,590	0		
Lower Tier Service Grant	-404,000	-1,079,498	-675,498		
New Service Grant	-184,000	-139,139	44,861		
Savings Target	-70,000	-70,000	0		
<b>Use of Reserves</b>					
Use of Collection fund surplus	-197,680	-358,810	-161,130		
Earmarked Reserves	-284,041	-1,295,160	-1,011,119		
Use of General Fund Balance for elections	0	-169,290	-169,290		
Use of MTFP Risk Reserve	0	-433,847	0		
Use of General Fund Balance	0	0	0		
<b>Budget Requirement</b>	<b>14,364,670</b>	<b>16,689,900</b>	<b>2,759,077</b>	<b>19%</b>	
Revenue Support Grant	0	0	0		
Business Rate Baseline Funding	-2,831,660	-3,098,000	-266,340		
Business Rate Retention Inflation Uplift	-2,000,000	-3,300,000	-1,300,000		
Business Rate Pooling Gain	0	-318,000	-318,000		
-	0	0	0		
<b>Council Tax Requirement</b>	<b>9,533,010</b>	<b>9,973,900</b>	<b>874,737</b>	<b>9%</b>	

### 2.11 Significant variations between year's to note:

- Overall there has been significant increase in the pay bill of £2.6m (including on-costs). The implications of the 2022/23 national pay award being £1,925 per employee, this being £0.8m above the 2022/23 budget with the increase now reflected in the 2023/24 budget, along with a further increase of 3.4% assumed for 2023/24. The £0.5m budget allocated for the pay review in 2022/23 has now been

budgeted at service level applying the new grading structure, along with additional approved front line staff resources agreed in the 2022/23 budget.

The 3.4% increase has also been assumed for members allowance in 2023/24 but will be subject to recommendations of the Independent Remuneration Panel.

- Energy costs across assets have been increased were the Council meets the cost direct by £0.2m.

### **Service specific variations referenced to the above table**

#### 1. Corporate Services

£169k included for District Election in May 2023

#### 2. Economy & Regeneration

£161k resource now allocated for Place Making in Exmouth being met from earmark reserves as approved by Council.

General Increases across the Portfolio to reflect pay and inflation.

#### 3. Environment

£341k LED service payment increase over original approved budget 2022/23.

General increases across the Portfolio to reflect pay and inflation.

#### 4. Finance

£115k additional net cost in Housing Benefit Awarded through subsidy reduction and a further £75k reduction in administration subsidy.

£136k for Financial Resilience Team now in core budget, currently being funded from earmarked reserve.

Additional External Audit Costs £78k, this may be offset in part by additional grant but this has not been confirmed.

This service has a number of staff particularly in the revenues and benefits teams which have been subject to the pay increases as detailed above.

#### 5. Strategic Development & Partnerships

£100k has been included for project resources for the early stage planning of a new town in the District – paper linked to report. For 2023/24 this is being funded from earmarked reserve but this will not be available going forward for future years.

£50k project resource in the Growth, Development & Prosperity Team as highlighted in the Financial Plan.

Increase in net costs of Development Management £282k with no increase assumed in fee charges. This is an area where Government may increase the fee levels

authorities can charge but no details have been confirmed, just a statement that's it under consideration.

## 6. StreetScene

Total expenditure on recycling and waste has increased by £1.1m this is from the approved bridging solution implications and as a consequence of inflation linked to the contract payment. This is nearly £450k higher than expected in the MTFP and the implications of inflation in key contracts needs to be carefully assessed in future projections.

This Portfolio because of the number of employees has seen significant cost increases across a number of services and additional fuel costs.

## 7. Sustainable Homes and Communities

Homeless Persons budget has increased by £232k; £68k relates to net costs after government grant and £164k from internal service charges.

Home Safeguard additional net cost £143k, partly staff costs but also a reduction in external income of £35k.

Additional costs for the Housing Task Force Team £182k, this is being met from an earmarked reserve.

2.12 The draft budget has been prepared on the basis of continuing to provide existing services with additional resources being allocated to recycling and waste collection and key objectives of the Council. The Council did agree in the current budget to add additional resources into key front line services and these posts are now reflected at service level as specific posts with the various uplifts applied.

2.13 The variations highlighted includes an additional sum for the LED contract payment. The LED payment included in the draft budget is £1.372m, this being the initial sum indicated by LED, which as highlighted was a £341k above the base sum allowed for in 2022/23 budget (base contract £896k, Outreach £50k and a sum of additional energy costs £85k). Although members will be aware a further sum was approved for payment in 2022/23 of £326k to keep the Trust financial solvent to continue to operate our services.

Since compiling the detailed Council draft budget LED have completed their own budget preparation and forwarded a request to the Council asking for a sum of £1.498m in 2023/24. Whilst it is appreciated the financial pressures LED are facing with fuel costs and other inflationary pressures this is a significant ask considering the Council's own position with £434k being required from its own balances.

It is proposed the draft budget remains as is at this stage and consideration of the LED request is given by LED Forum who meet in January with their recommendations coming back to Cabinet in February in time for final budget proposals to Council.

2.14 No special items have been brought forward for consideration as there is no scope within the budget. The proposed list mainly related to StreetScene, management are considering

these in terms of priority, health and safety and how they may be accommodated within existing budgets/funds/savings. These will be brought forward for member consideration if we are unable to meet essential requirements and can be considered at the 2022/23 Outturn stage if they remain an issue.

The following item needs to be highlighted for consideration but is currently **not** included in the current or draft budget for next year;

*From the Chair and Vice Chair of Scrutiny – “we need to continue the independent impartial and non-partisan approach with Scrutiny and to do this I would like to have consulting help from CfGS to help Jamie run a short-term Taff over the winter. In addition there seems to be a need for a budget to further a particular line of enquiry regarding food, renewable energy and the environmental and economic issues involved. Although I have contacted Andy Wood Rob Murray and Naomi Hammett for advice it is already clear that sufficient expertise and capacity does not exist inside EDDC so a budget is needed for an outside study beyond that which Cornwall County conducted on P V. Therefore I would like a budget of £20,000 for the residue of 22/23 and a budget of £30,000 for 23/24 to be made available.”*

#### 2.14 Council Tax

The draft budget assumes the Council will increase the Council Tax for 2023/24 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 £9,974,222 raising the current annual council tax charge from £156.78 to £161.78 for a band D property, a 3.19% increase. This is the maximum increase allowed within the Referendum regulations (£5 or 3% which is ever is the greater).

This is based on the Council Tax Base of 61,653 band D properties; an increase of 848 compared with the current year.

#### 2.15 General Fund Balance

The Council has an adopted range for the General Fund Balance of between £3.5m to £4.3m this was increased for 2022/23 due to risk factors (inflation and energy), this is still considered appropriate at this stage but will be revisited at the 2022/23 Outturn position.

At the beginning of the current financial year the General Fund Balance stood at £4.3m, the Council have agreed in year supplementary estimates totalling £601k, it is not predicted in year variations at this stage will require use of the Balance but a budget monitoring report will be presented to Cabinet in February to confirm, or not this position.

**Budget proposals for 2023/24 recommend the costs of the District Election in May 2023 (£169k) is met from the Fund in line with previous elections as they are not annual costs. This along with the 2022/23 in year supplementary budget approvals will bring the estimated Balance down to £3.530m; still in the adopted range but only just.**

Again consideration of this position will be reflected upon at the 2022/23 outturn.



## 2.16 Business Rates

The 2023/24 budget uses the Government's assumed funding calculation at £3.098m (to be confirmed), to this an additional £3.3m has been added to reflect the estimated income above base received in business rates (projection in line with LGFutures estimates for EDDC).

Also for the first time the Devon Pool gain has been included estimated at £0.3m. In previous years this has been taken as a windfall, but is required to help fund the overall budget.

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. A further increase in this reserve at year end if resources are available would be prudent to help mitigate any fluctuations in rates considering the amount now included in the Council's base budget (£6.7m).

## 2.17 New Homes Bonus (NHB)

The Government intention is to end the NHB scheme, the grant for 2023/24 is assumed at £1.125m but is to be confirmed, this is a reduction of £1.012m on 2022/23.

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

2.18 The Council adopted in October 2022 the Financial Plan 2023 – 2033 which comprised two parts:

#### ➤ **Part A - The Medium Term Financial Plan Model (MTFP)**

The MTFP provides a financial model and forecast of the cost of providing services over a rolling ten year period, together with an estimate of the financial resources that are likely to be available to the Council. The process is designed to provide an early warning of any potential deficit in the required level of resources.

An extract from that Model is shown in the table below and highlights again the impact of worse case on business rates rebasing in 2025/26 with a shortfall of £3.8m.

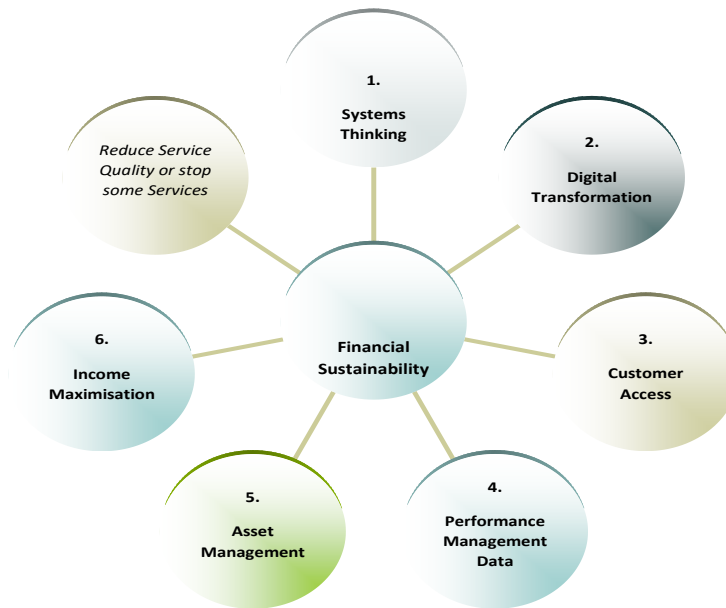
General Fund	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Budget Shortfall/(Surplus)</b>	589	892	3,805	(1,128)	(122)	(17)	600	(13)	(97)	20

The draft budget now prepared in detailed for 2023/24 gives a balance outstanding of £434k, which will be added to underlining shortfall showing at £892k in 2024/25.

## ➤ Part B – Financial Sustainability Model (FSM)

This part of the Financial Plan considers how the Council will balance its finances over the coming years to continue to provide service for its residents and customers. This work now needs to begin in earnest, to ensure we are achieving Value for Money throughout the Council within each service, to evidence this and seek improvement and savings where possible. Key enablers are identified to aid us in this process with Enabler Leads identified and corporate resources being available to work with services.

Extract from the FSM as a reminder to the process adopted;



Depending on the outcome of this work and savings achieved, consideration will then need to be given to service reductions to balance the books in order to achieve financial sustainability.

## 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 to be updated with revised financial modelling once the house condition survey work is complete.

The draft 2023/24 budget is similar to the current year with variations as noted below, continuing to invest in our existing properties at a similar level. All planned expenditure is met from available income.

- 3.2 The increase in any individual tenants rent is normally 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 2022, which was official registered at 10.1%.

However members will be aware that Government have restricted the increase to 7% for 2023/24. The draft budget assumes an increase in Council House rents to this level with a factor included for a reduction in stock numbers and voids giving £19.9m, an increase of £1.3m. The same increase has been assumed on garage rents giving an additional £15k in income but members may consider this not to be appropriate.

### **Draft Revenue Budget 2023/24**

- 3.3 The budget book details the draft estimates for 2023/24.
- 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 2023/24 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 £4.6m.
- 3.5 A sum has been included of £880k in line with the current year 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.

HRA BUDGET SUMMARY by SERVICE LINE & ACCOUNTING TYPE				2022	2023	Variance	
				£	£	£	
Sum of Budget				Data			
Rep Cat 1	Rep Cat 2	Rep Cat 3		2022 YTD	2023	2023	Note
1 INCOME	1 Gross Property Rent inc Garages	1 Gross Property Rents		-18,609,260	-19,911,900	-1,302,640	1
		2 Garage Rents		-215,990	-231,110	-15,120	2
	2 Other Income	1 Other Income		-619,600	-658,510	-38,910	
<b>1 INCOME Total</b>				<b>-19,444,850</b>	<b>-20,801,520</b>	<b>-1,356,670</b>	
2 EXPENDITURE	1 Repairs And Maintenance - General	1 Responsive Maintenance		2,050,770	2,201,058	150,288	3
		2 Annual Programmed Maintenanc		1,019,810	1,039,760	19,950	
	2 Repairs And Maintenance - Special	1 Compliance		791,750	808,600	16,850	
		2 Other		532,000	538,900	6,900	
	3 Supervision And Management	1 Supervision And Mgt General		5,270,670	5,973,526	702,856	4
		2 Supervision And Mgt Special		1,849,000	2,192,480	343,480	4
	4 Other Expenditure	1 Other Exp non Sewerage		233,110	236,680	3,570	
		2 Sewerage		44,250	45,740	1,490	
	5 Capital Charges & Bad Debt	3 Major Repairs Expenditure		4,056,710	4,056,890	180	5
		2 Reval Deprn and Impair		950,420	950,420	0	
<b>2 EXPENDITURE Total</b>				<b>16,798,490</b>	<b>18,044,054</b>	<b>1,245,564</b>	
3 FINANCING	1 Interest on Balances	(blank)		-24,170	-49,000	-24,830	
	2 Loan Principal & Interest repayments	(blank)		2,532,740	2,608,580	75,840	
	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		880,000	880,000	0	6	
<b>3 FINANCING Total</b>				<b>2,438,140</b>	<b>2,489,150</b>	<b>51,010</b>	

## Variations referenced to the above table

- 1&2. Rents on council dwellings have been inflated at the Government capped percentage increase of 7%. This covers Rental income as well as budgeted lost rent due to voids.
3. The Asset Management contract with Ian Williams has been subject to an inflationary uplift in 23/24 by 10.1%.
4. The increase in management 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 and the expected salary, pension and national insurance.  
Premises costs have also increased most notably utilities costs that are estimated to require an additional £148k of budget in 2023/24.  
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.
6. A large contribution to capital has again been budgeted for in 23/24 for continued climate change work on the council stock.

- 3.6 The HRA draft budget currently shows a surplus of **£0.268m**; The HRA Balance is currently predicted to be significantly above the £3.1m level at the end of 2022/23 with decisions to be made by members at year end on where to allocate the additional balance. 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 18<sup>th</sup> January 2023.

## **4 Capital Programme**

### **The Overall Financial Picture**

- 4.1 The draft Capital Programme for 2023/24, after in year available resources are used, gives an overall funding need of £4.888m. 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's 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 2023/24 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 5<sup>th</sup> December 2022 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.

The Panel worked diligently considering the finances available and priorities of the Council and to note agreed £0.753m additional expenditure for 2 electric kerb-side sort recycling vehicles and to retrofit an existing refuse collection vehicle from a diesel to electric power in support of the Council's drive to being carbon neutral.

- 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 2023/24

4.5 The attached booklet details the draft capital programme for 2022/23 to 2026/27; 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	2022/23	2023/24	2024/25	2025/26	2026/27
	Budget	Budget	Budget	Budget	Budget
	£	£	£	£	£
Net Expenditure to be Financed (GF & HRA)	18,792,922	10,070,253	7,187,450	4,736,915	5,139,201
<b>Adjust for unused income from grants/contributions:</b>					
	18,792,922	10,070,253	7,187,450	4,736,915	5,139,201
<b>Financing:</b>					
In year capital receipts General Fund	(100,000)	(200,000)	(100,000)	(100,000)	(100,000)
3rd Party Loan repayments	(674,302)	(76,231)	(1,336,497)	(102,888)	(906,117)
GF Capital Receipts Reserve	0	0	0	0	0
<b>General Fund Capital Receipts</b>	<b>(774,302)</b>	<b>(276,231)</b>	<b>(1,436,497)</b>	<b>(202,888)</b>	<b>(1,006,117)</b>
PWLB loan - EZ - Park and Change	(209,274)				
PWLB loan - EZ - Long Lane	(1,252,712)				
PWLB loan - EZ - Open Innovation Building	(160,000)				
<b>GF Loans</b>	<b>(1,621,986)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Section 106 Funding</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>GF Grants</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Use of GF Capital Project reserves</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>GF Revenue Contributions to Capital Funding</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
HRA Released RTB and Misc Capital Receipts	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)
HRA contribution - From Major Repairs Reserve	(2,779,780)	(3,127,280)	(3,127,280)	(3,127,280)	(3,127,280)
HRA Cont "Depn"	(1,278,720)	(1,278,720)	(1,278,720)	(1,278,720)	(1,278,720)
<b>HRA funding</b>	<b>(4,558,500)</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>
Net (internal borrowing) / Transfer to Capital Reserves balance	(10,838,134)	(4,888,022)	(844,953)	371,973	772,916
<b>GF Loans/Internal Borrowing</b>	<b>(10,838,134)</b>	<b>(4,888,022)</b>	<b>(844,953)</b>	<b>371,973</b>	<b>772,916</b>
<b>Total Funding</b>	<b>(18,792,922)</b>	<b>(10,070,253)</b>	<b>(7,187,450)</b>	<b>(4,736,915)</b>	<b>(5,139,201)</b>

4.7 The draft capital budget for 2023/24 totals £10.070m (net of direct grants), with the unfunded amount being £4.888m. There is no longer any New Homes Bonus (NHB) available to fund the capital programme.

## 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 2023/24 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 extension and use of the Fund is likely to be required in 2023/24 and it is proposed an additional provision sum is allocated of £200k if required.

## **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 2023/24 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 2023/24. The position on these Balances will be considered again at the 2022/23 Outturn stage when the final year end position is known.

Particular risks have been highlighted in the report with the General Fund position being at the bottom end of the adopted range and the full business rate income being taken into the budget.

This report has also been prepared without the Local Finance Settlement having been announced and members will be updated on the implications of the actual Settlement.

## **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 2023/24, 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 2023.

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**Financial implications:**

Financial details are contained in the report

**Legal implications:**

No legal observations are required