

REPORT NO 1

REPORT TO THE PERFORMANCE SCRUTINY PANEL
MEETING OF 27th JANUARY 2022

Status: Discussion

Title: Draft Budget 2022/23 & Medium-Term Financial Strategy (2023/24 to 2026/27)

Originator: Clive Mason: Director; Finance, ICT & Assets

Where from: Cabinet

Where to next: Cabinet

Objective: to discuss the Draft Budget 2022/23 & Medium-Term Financial Strategy (2023/24 to 2026/27) (**Annex 1**) and to provide comments for Cabinet to consider at its meeting on 7th February 2022.

1. Outcome sought from Panel

1.1 Comments for Cabinet to consider on the 7th February 2022 when recommending a budget to Council on the 21st February 2021.

2 Background

2.1 Cabinet approved on the 10th January 2022 the Draft Budget 2022/23 & Medium-Term Financial Strategy (2023/24 to 2026/27) (**Annex 1**) for consultation including proposals for budget growth, savings, and projects for inclusion in the capital programme.

2.2 The report has included the outcomes from the provisional Local Government Finance Settlement for 2022/23 from the Ministry of Levelling-Up, Housing & Communities.

2.3 There is now the requirement for a period of scrutiny prior to the Cabinet meeting on 7th February 2022 and the setting of the Budget Requirement and Council Tax on 21st February 2022.

3. Changes between the report presented to Cabinet on the 19th January and to Scrutiny on the 28th January

Cabinet Requested Change

3.1 The attached report (**Annex 1**) is the Draft Budget 2022/23 and MTFS that was presented to Cabinet on 10th January 2021. At that meeting, Cabinet asked for one change to the recommendation at paragraph 3.20, in that, recommendations in future reports in respect of Council Tax for future years (i.e.

2023/24 onwards) to be amended to include “notionally”, if this had been included in the report the recommendation would have been as shown below.

It is recommended that the Council should increase its Council Tax by the maximum amount permissible (i.e. £5) for 2022/23 and notionally for each year of the MTFS.

Correction of Omission

- 3.2 In September 2021 Cabinet approved the redevelopment option for the existing leisure facilities but this was omitted from the report presented to Cabinet on the 10th January 2021 for the Draft 2022/23 Budget and MTFS. The additional capital allocation is £3.9m; £3.55m for Market Harborough and £350k for Lutterworth – giving an updated maximum “gross” capital allocation of £8.75m and £1m respectively. This will be included in the Final 2022/23 Budget and MTFS that will be presented to Cabinet and Council in February where approval for the additional allocation will be requested, but on the proviso that all associated “revenue” debt financing costs will be met by the new contractor or from service savings/additional income (which is in line with the September 2021 Cabinet report and the decision by Council in July 2020).

Items Awaiting Approval or Final Calculation

- 3.3 There may be changes between this Scrutiny (Performance) Panel meeting and Cabinet in February for items that as yet are awaiting approval (from 3rd parties) or final calculation (due to statutory deadlines) and therefore, at the time of writing this report could not be included; these items are noted below; in respect of the:
- **FCC Contract**; the final inflation increases are not known until very late January or early February.
 - **Partner contributions** to the Leicestershire Revenues & Benefits Partnership (LRBP). The LRBP 2022/23 budget was only reported to the Joint Committee on the 20th January, after publication of this report. The net expected annual increase is £54k.
 - **Collection Fund (Surplus)/Deficit**; the final surplus/deficit is currently being evaluated and will be distributed to Leicestershire County Council by the agreed deadline of the 31st January.
 - **NDR 1**; this is the final estimate for 2022/23 business rates and has to be reported to government; this return is not due until the 31st January.
- 3.4 If, as a consequence of these changes, there is a net change in the Budget Requirement, Cabinet will consider this when they are presented with the Final 2022/23 Budget and MTFS in February.

4 Highlights of the Draft Budget 2022/23 & Medium-Term Financial Strategy (2023/24 to 2026/27)

4.1 The attached report (**Annex 1**) that was reported to Cabinet on the 10th January includes the Draft 2022/23 Budget & Medium-Term Financial Strategy (2023/24 to 2026/27). In respect of

i. **2022/23**

Revenue

- The changes in the “direct service” budget between 2021/22 and 2022/23 are £1.3m.
 - The 2021/22 approved “direct service” budget was £12.2m
 - The 2022/23 approved “direct service” budget is £10.9m

The change is made up as follows:

- **Previous Budget Approvals**
 - Savings (£0.2m)
 - **New Budget Changes**
 - BC25 Savings (£1.1m)
 - Service Income & Savings (£0.8m)
 - Technical Adjustments (£0.2m)
 - Pay+Contract Growth £0.6m

 - Previous Council Approved Growth £0.2m
 - Budget Reprofiling £0.2m
- (£1.3m)
- A saving of £406k in capital financing for 2022/23 compared to that which was included in the currently approved MTFS.

 - The council continues to receive two and one new grant in 2022/23;
 - Continuation of:
 - New Homes Bonus; a total of £2.3m that includes an additional 1-year allocation of £1.8m and a legacy payment of £557k. Most is being allocated to reserves.
 - Lower Tier Services Grant; an allocation of £79k.
 - One new grant; Services Grant and receiving an allocation of £122k. These are being allocated to reserves.
 - A net contribution to reserves of £479k.
 - An increase in Council Tax of £5.
 - If this Draft Budget were approved, the Council would be setting a “balanced” budget for 2022/23.

Capital Programme

- A new capital programme of £6.7m, of which £2.5m are new capital investments. The new investments are a mix of physical enhancements and software developments. Including a significant

investment service transformation and Hybrid Democratic Virtualisation.

Reserves

- General Fund (Unallocated) Reserve, maintained at 20% of net expenditure.
- Active management of earmarked reserves, which aims to manage risk, contractual commitments, community, and commercial investment.

ii. **Medium-Term Financial Strategy (MTFS)**

Revenue

- An annual budget gap of £552k by 2025/26 increasing to £1.6m by 2026/27.
- In 2021/22, the Council received a total of £3.8m in external grant, by 2026/27 this will be £134k (a reduction of 98%).
- Anticipating the introduction of Fair Funding and NDR Revaluation from 2023/24.
- A notional increase in Council Tax of £5 per annum.
- If this Draft MTFS was approved, the Council would be setting a “balanced” budget for the entire MTFS.

Capital Programme

- A reduction in the capital programme to £3.2m by 2024/25 (although 2024/25 includes a £1m allocation for Cemetery development), then an increase to £6.2 in 2025/26 as it includes a £5m allocation for Depot development.

Reserves

- The General Fund (Unallocated) Reserve is maintained at 20% of net expenditure through to 2026/27.
- When the 2021/22 budget was approved, the MTFS forecast a total reserve balance of £2.8m by 2024/25; however, the 2022/23 budget and MTFS is now forecasting a balance of £13.6m by 2024/25 and £11.7m by 2026/27.

4.2 Scrutiny are requested to review and consider:

- (a) The Draft 2022/23 Budget & Medium-Term Financial Strategy (2023/24 to 2026/27). This includes revenue, capital, and reserves.
- (b) Proposals for Council Tax.

5 Equality Impact Assessment Implications/Outcomes (attach completed EIA)

5.1 None arising directly from this report.

6. Impact on Communities

6.1 None arising directly from this report. The Council's final budget and Corporate Delivery Plan will determine the services and the way they will be delivered to

the communities. As such there will be an impact on the communities which will be assessed as part of the individual or collective service(s) consideration.

7 Legal Issues

7.1 The Council has to set a balanced budget in order to set the Council Tax for the district.

8 Resource Issues

8.1 The Council is required to set a balanced budget.

9 Community Safety Implications

9.1 None arising directly out of this report.

10 Carbon Management Implications

10.1 None arising directly out of this report.

11 Risk Management Implications

11.1 The management and monitoring of the risks attached to the 2022/23 Budget & MTFS will be critical to ensuring the future financial standing of the Council.

12 Consultation

12.1 Consultation on the 2022/23 Budget & MTFS proposals is being undertaken.

13 Background Papers

13.1 Budget Working papers

Previous report(s): None

Annex:

1 Cabinet Report 10th January 2022: Draft 2022/23 Budget & Medium-Term Financial Strategy (2023/24 to 2026/27)