

Part I  
Item No:  
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All Wards

WELWYN HATFIELD BOROUGH COUNCIL  
COUNCIL – 2 FEBRUARY 2022  
REPORT OF THE HEAD OF RESOURCES

**Budget Proposals and Medium-Term Forecasts 2022/23**

**1. Executive Summary**

- 1.1. Following the consideration of the 2022/23 budget proposals at Cabinet on the 4 and 18 January 2022, the purpose of this report is to present to Council the budget proposals for approval, specifically:
- Revenue Budgets 2022/23
  - Capital Programme 2022/23 – 2026/27
  - Use of Reserves 2022/23
  - Fees and Charges for 2022/23
  - Medium Term Strategy and Governance Framework 2022/23 – 2025/26
- 1.2. The budget was considered by Overview and Scrutiny Committee (OSC) on 6 January 2022 following the review by a Task and Finish Panel. No recommendations for amendments were by OSC, which was presented to Special Cabinet on 18 January 2022.
- 1.3. This budget is set in a time of significant uncertainty with the ongoing covid-19 pandemic. Government funding remains even more uncertain in the medium-term, with a number of one year grant awards.
- 1.4. The 2022/23 budget proposals and the updated medium-term financial forecasts have been produced to ensure that the Council maintains a sustainable financial position over the planning period to 2025/26. The following Council strategies and policies have informed the budget-setting process:
- The Council's Vision and Priorities, as stated in the Business Plan
  - The Medium-Term Financial Strategy (MTFS)
  - The Housing Revenue Account 30-year Business Plan
  - Service Strategies and Plans
- 1.5. The Corporate Management Team, Cabinet and the Task and Finish Group have met to review and monitor emerging budget proposals throughout the budget preparation period. Budget briefing sessions have been held with Members highlighting some of the key issues and pressures that the council is facing in the medium-term.
- 1.6. This covering report provides members with the details of key assumptions and updates, and is supported by the following appendices:
- 1.7. It should be noted that the Council has not yet received Final Settlement, and that any changes made by the Government between the Provisional Settlement received and

Final Settlement, will be accounted for before the final budget is approved, or if not confirmed by the publication date, as part of the Councils budget monitoring process for 2022/23.

- 1.8. This covering report provides members with the details of key assumptions and updates, and is supported by the following appendices:

### **General Fund**

- Appendix A1 – General Fund Summary 2022/23
- Appendix A2 – General Fund Earmarked Reserves Summary 2022/23 – 2025/26
- Appendix B – General Fund Head of Service Summaries 2022/23
- Appendix C – General Fund Savings Summary 2022/23 – 2024/25
- Appendix D – General Fund Growth Summary 2022/23 – 2024/25
- Appendix E – General Fund Fees and Charges 2022/23

### **Housing Revenue Account**

- Appendix F – Housing Revenue Account Summary 2022/23
- Appendix G – Housing Revenue Account Summary of Changes 2022/23
- Appendix H – Housing Revenue Account Fees and Charges 2022/23

### **Capital Programme**

- Appendix I – Capital Programme 2022/23 – 2026/27
- Appendix J – Capital Financing Summary 2022/23 – 2026/27
- Appendix K – Capital Reserves Summary 2022/23 – 2026/27

### **Medium Term Financial Strategy and Governance Framework**

- Appendix L – Medium Term Financial Strategy and Governance Framework 2022/23 – 2025/26

### **Other Items**

- Appendix M – Special Expenses 2022/23
- Appendix N – Statement of the Chief Financial Officer

- 1.9. The local government financial position continues to remain unclear beyond the 2022/23 budget. In particular, the council's funding position will be impacted by the future Spending Review, fair funding review and further reform of the business rates retention system, the outcomes of which are unknown at this stage.

## **2. Recommendations**

- 2.1. That Council note the recommendations from Cabinet, and the Statement of the Chief Financial Officer on the robustness of budgets and adequacy of reserves (appendix N)
- 2.2. That Council also note that the following amounts for the year 2022/23 have been set in accordance with regulations made under Sections 31A and 31B of the Local Government Finance Act 1992:

	100% TAXBASE	99.40% TAXBASE
Welwyn Garden City	17,853.5	17,746.4
Hatfield	12,378.2	12,303.9
Welwyn	4,747.1	4,718.6
Ayot St Lawrence	70.0	69.6
Ayot St Peter	113.4	112.7
North Mymms	4,438.3	4,411.7
Essendon	431.8	429.2
Northaw & Cuffley	3,113.5	3,094.8
Woolmer Green	614.4	610.7
Total	43,760.2	43,497.6

2.3. That Council approve the following budget proposals:

2.4. General Fund

2.4.1. The proposed General Fund Budget as summarised in Appendix A, and detailed in appendix B.

2.4.2. The inclusion of the savings and growth proposals into the budget as detailed in appendices C and D.

2.4.3. The fees and charges which have been incorporated into the budget proposals, as set out in appendix E.

2.4.4. The increase in the Council's Band D Tax of £4.95 (2.26%), taking the average Band D Tax to £224.10 for 2022/23.

2.4.5. That £250k be added to the Covid-19 earmarked reserve from the 2022/23 budget, the expenditure of which will be delegated to the Section 151 Officer in consultation with the Executive Member for Resources. This will be partly funded from the one-off funding received from the Government in 2022/23.

2.4.6. That the Special Expenses Scheme as set out in section 3.5 continue into 2022/23, and the Special Expenses detailed in Appendix M be approved for inclusion in the Council Tax for 2022/23.

2.5. Housing Revenue Account (HRA)

2.5.1. That dwelling rents are increased by CPI+1% in accordance with Government legislation, resulting in an average rent of £113.92 per week.

2.5.2. To continue the policy of charging formula rent when vacant properties are re-let.

2.5.3. The Housing Revenue Account budget as shown in appendix F.

2.5.4. The fees and charges which have been incorporated into the budget proposals, as set out in appendix H.

2.5.5. The Medium-Term Financial Strategy (MTFS) to maintain HRA working balances to a minimum of 5% of rental income.

## 2.6. Capital Programme

2.6.1. The Capital Programme for 2022/23 to 2026/27 as set out in Appendix I.

2.6.2. The Capital Financing for the Capital Programme, for 2022/23 to 2026/27 as set out in Appendix J, and note the forecast capital balances in Appendix K.

## 2.7. Medium Term Financial Strategy

2.7.1. The Medium-Term Financial Strategy and Financial Governance Framework, including all annexes and prudential indicators for 2022/23 – 2024/25 as set out in appendix L.

# 3. Explanation

## 3.1. General Fund Revenue Account

3.1.1. This budget is being set in extremely uncertain times. For a number of previous years the Government had announced a longer-term settlement, but for 2021/22 and now for 2022/23, they have announced a single year settlement. Some of the funding streams announced have only been guaranteed for one year and a number of key policy items, such as the review of the business rates retention system, have again been postponed to future years.

3.1.2. These short-term decisions continue to add to the uncertainties for the council in future years and adds further weight to the need for longer term decision making.

3.1.3. The Council continues to face a decline in the grant income from central government, and funding for services is increasingly being derived from local funding (i.e. Council Tax, Business Rates and charges for services); at the same time local demand on Council services has increased. The council also faces limits on the amount council tax can be raised, which is lower than the inflation faced by the council on the cost of services provided.

3.1.4. The requirement to set a balanced budget demands a stringent process to deliver efficiencies, preserve as far as possible the quality of front-line services, and retain the ability to generate income and to recognise the increasing demand on key services.

3.1.5. The proposed net cost of services budget for 2022/23 totals £13.350m which is £0.261m (2.0%) higher than the 2021/22 original budget of £13.089m. The movement between years is summarised in the following table.

	<b>£'000</b>
<b>2021/22 Original Budget</b>	<b>13,089</b>
Less: 2021/22 fixed-term growth	(25)
Add: 2022/23 fixed term growth	244
Add: 2022/23 ongoing growth	807
Less: 2022/23 efficiencies	(1,494)
Add: Inflation and other changes	1,149
Less: Recharge to HRA / Accounting adjustments	(418)
<b>2022/23 Original Budget</b>	<b>13,350</b>

3.1.6. breakdown of savings and growth are included in appendices C and D, and are also detailed in the reconciliation of controllable expenditure in the Head of Service summaries in appendix B.

3.1.7. Whilst budget proposals are firm for the net cost of services, the Council awaits confirmation on a number of areas that may impact on the overall position:

- At the time of writing, the council awaits confirmation the final settlement confirmation for 2022/23, which is expected to be announced in February.
- Parish Precept proposals, although these changes will have a net nil impact on the summary shown in appendix A.
- The team are consulting with town and parish councils on the draft special expenses.

#### Funding Settlement

3.1.8. Due to the current pandemic and economic uncertainties, the Government announced that it would be providing a one-year settlement for Councils, rather than the multi-year settlement previously suggested. It also confirmed further delays to the various funding reviews which were due, until at least 2023/24, such as the fair funding review and business rates retention review.

3.1.9. The provisional settlement was eventually announced on 16 December 2021. The key points to note are:

- A further year of the removal of negative Revenue Support Grant for 2022/23 – The Government have continued to fund this from the central share of retained business rates;
- The new Lower Tier Services Grant which was announced last year as a one year grant has been extended for one year. This aimed at authorities providing lower tier services (such as homelessness and planning). The draft settlement for the council is £131k, but as with other funding, there is no certainty this grant will be paid in future years;
- A New Services Grant has been announced. This aimed at supporting authorities with increasing pressures. However, this grant is also aimed at covering the impact on councils of national insurance increases. The council anticipates the impact of National Insurance to be in the region of £267k (once contractual increases are also taken into account), and the grant provided is £201k. This means not only is the council not fully reimbursed for national insurance changes, but also that no balance of funding is available for other pressures. As the grant has been announced as a single year grant, it remains unclear whether there will be an adjustment to the future settlements to reimburse councils for national insurance impacts;
- New Homes Bonus Grant - the scheme will continue for another year. The national growth baseline for payments will remain at 0.4% for 2022/23, however as indicated in the previous consultation, there was be no legacy payment associated with the 2021/22 grant award, and this will apply again for the 2022/23 funding. The government consulted on the future of New Homes Bonus in early 2021 but no outcome has yet been announced on its future; and,
- Council Tax referendum limit for Shire Districts is up to 2% or £5, whichever is greater.

3.1.10. Although the Government has set a baseline level of income for Business Rates, the amount of funding received will depend on the actual amount billed for Business Rates which will be influenced by other factors including the collection rate, business growth across the District and the provision for successful appeals.

#### New Homes Bonus

3.1.11. The Council will receive £0.712m New Homes Bonus grant in 2022/23 and all of the income will be used to support the base budget.

#### Collection Fund

3.1.12. The Council's Council Tax requirement for 2022/23 is calculated as £9.748m (exclusive of parish precepts). The proposed taxbase for 2021/22 is 43,497.6.

3.1.13. The income due from Council Tax goes into the Collection Fund. Throughout the year the actual number of properties (as well as allowances for exemptions, discounts or appeals) inevitably varies from the figure estimated at the start of the year. This leads to a change in the amount of Council Tax due, and therefore a surplus or deficit on the Collection Fund.

3.1.14. For 2021/22 there is a forecast deficit position on the council tax element of the Collection Fund. This deficit on the collection fund is shared between the Major Preceptors, i.e. the County, the Police Authority and the Borough, in proportion to their precepts for the year.

3.1.15. The council has set aside adequate funds in the Business Rates Retention Reserve to absorb these costs, as they were anticipated at the time of setting last years budget.

3.1.16. The proportion of the deficit that each of the Major Preceptors will contribute to the Collection Fund when calculating the Council Tax is as follows:

Welwyn Hatfield Borough Council	£389,192
Hertfordshire County Council	£2,197,045
Hertfordshire Police & Crime Commissioner	£317,667
<b>Total Deficit</b>	<b>£2,903,904</b>

3.1.17. The Government changed the regulations so that estimated collection fund deficits from 2020/21 were spread over the next three financial years, and the above figures include this spreading adjustment.

3.1.18. The business rates deficit is calculated at the end of January based on the Governments NNDR1 return. For the purposes of the budget proposals, a provisional surplus figure of £1.153m has been assumed for the Business Rates deficit, and also includes an adjustment for the spreading adjustment from 2020/21. This surplus will be contributed to the business rates earmarked reserve to fund the final year of the spreading adjustment.

3.1.19. When finalised, the deficit is likely to be significantly higher than this as it will also include adjustments for the high level of discretionary reliefs that have very recently been provided by the Government in 2021/22, but these other deficit increases will be fully funded by grant receipts.

- 3.1.20. The Localism Act 2011 abolished Council Tax capping in England and instead allows local residents to reverse 'excessive' Council Tax increases by means of referendum.
- 3.1.21. The Government has set the 2022/23 referendum threshold for district Council's at the higher of £5 or 2%. It should be noted that this limit is lower than inflation, so whilst the council is facing increasing inflationary pressure on contractual costs, it has limited ability to raise council tax by equivalent percentages, adding pressure to the budget.
- 3.1.22. The proposed increase of 2.26% for Welwyn Hatfield in 2022/23 is therefore within the threshold.

### Budget Assumptions

- 3.1.23. The 2021/22 budget proposals include the following key assumptions:

Employee Costs	2.5% general pay inflation. Actual increases will depend on national pay negotiations* 18.3% of employer pay as contribution to the pension fund 3% Vacancy factor
Contractual Inflation	Inflation has been included in line with agreed contractual indices, mostly RPI, RPIX or CPI
Utilities	Inflation has been included in line with agreed contractual indices
Fees and Charges	Maximised where possible in line with the Fees and Charges Strategy. Proposed fees and charges are set out in appendix E
Council Tax	2.26% increase for 2022/23

### Reserves

- 3.1.24. It is important that the Council maintains a reasonable level of reserves to cushion against unanticipated budget pressures. The Council holds two types of reserve:
- Working balances, which are required as a contingency against unforeseen events, and to ensure that the Council has sufficient funds available to meet its cash flow requirements. The Local Government Act 2003 requires the Section 151 Officer to report on the adequacy of financial reserves when setting the General Fund budget requirement for the year.
  - Earmarked reserves, which are funds approved by Members to finance specific items of future expenditure. The Council's Financial Regulations dictate that Earmarked Reserves can be created only with Member approval, and that all subsequent transfers to and from those reserves also require Member approval.
- 3.1.25. The Council's MTFS recommends a minimum working balance of £3.4m. This budget proposal leaves a balance of £5.738m in working balances, above the requirements of the MTFS.
- 3.1.26. The Council's Section 151 Officer has reviewed the reserve position and advises that the current anticipated balances, together with the Council's plans for addressing the on-going and increasing budget gap, are adequate to ensure continued financial sustainability and a protection against unforeseen events (appendix N).

3.1.27. Appendix A2 shows a summary of the earmarked reserves held along with the forecast use and balances for each reserve. The explanation for holding these reserves is shown in the following table:

<b>Earmarked Reserve</b>	<b>Purpose of Reserve</b>
Strategic Initiatives	For use of one-off specific projects and fixed term growth directly delivering corporate objectives.
Modernisation	For use on modernisation and transformation projects.
Business Rates Retention	To manage volatility in Business Rates income and changes to the Business Rates funding.
Pensions	This reserve is necessary to help mitigate the impact of additional costs arising in the triennial review cycle
Commitments	These reserves are set aside for committed work from previous years which have not yet been finalised
Grants and Contributions	These reserves set aside grants received for specific purposes which will fund future expenditure
Covid-19 Response	To support the council with meeting the financial impacts of the covid-19 pandemic
Youth Services	To fund youth diversionary services in order to reduce anti-social behaviour
Climate Change	To support the council's climate change strategy and action plan.
Housing Conditions Survey	To smooth the impact of the cost associated with undertaking a Private Sector Housing Conditions Survey every five years
Local Plan	To support with the costs associated with the adoption of a Local Plan
Buildings Reserve	To support the response to any urgent or health and safety work required to the council's buildings

### **3.2. Housing Revenue Account Budgets**

3.2.1. The budget and 30-year forecasts have been prepared on the basis of the following high level principles, as detailed in the Council's 30 Year HRA business plan:

- The Council will continue to maintain existing stock to at least decent homes standard.
- The Council will aim to maintain stock levels at around 9,000 dwellings.
- The Council will continue with the Affordable Housing Programme, to fully make use of the retained right to buy receipts available to it.
- The Council will continue to take a balanced approach to reducing its level of Housing debt, whilst ensuring some flexibility is maintained for any future legislative or policy changes.



- 3.2.2. The budget proposal for 2022/23 is a small surplus on the HRA of £0.153m, with working balances forecast at £2.783m at the end of 2022/23. The closing position on the working balances equates to 5% of rental turnover and is within the range of 5%-15% considered to be best practice.
- 3.2.3. Key changes to the budget are set out in Appendix G.
- 3.2.4. The Council's current plans for the HRA, and forecast borrowing, are affordable in the medium to longer which will be shown in the 30-year Business Plan.

#### Rent Setting

- 3.2.5. On the 4th October 2017, the Government confirmed its intention to end the rent reduction policy after the fourth year, by stating that "increases to social housing rents will be limited to the Consumer Price Index (CPI) plus 1% for 5 years from 2020".
- 3.2.6. The proposed 2022/23 includes increases of CPI +1%. In line with rent standards, CPI was used from September 2020, which stood at 3.1%, taking the increase in rents to 4.1%.
- 3.2.7. The introduction of the rent reduction policy, saw not only a reduction in the income for the HRA, but also meant an end to rent convergence. This means that neighbouring tenants, with identical properties, could be paying different rent levels. The legislation did not allow the Council to make changes to current tenancies in order to continue with convergence.
- 3.2.8. The Council may however, change rent levels when a property becomes vacant, and re-let these at the target rent level. In order for the Council to maximise the income from its assets, and to continue to work towards a fair approach for tenants, it is recommended that the Council continue with the policy to move to formula rent when vacant properties are re-let.

#### Universal Credit

- 3.2.9. On 6 December 2017, Universal Credit was rolled out in the Borough for new single claimants, working age claimants with less than three children, and current claimants in these categories will be migrated where there is a change of circumstances.
- 3.2.10. Based on feedback from other Local Authorities, there is evidence that the Council may see an increase in current rent arrears levels. It was expected that this initial increase will be followed by a plateau in arrears levels, creating a new baseline for the rent arrears performance, although in reality as a council we saw no material impact and rent collection has remained strong.
- 3.2.11. An exercise was undertaken before the start of 2019/20 to review the provision for bad debts budget in the HRA in light of these changes. Monitoring during 2019/20, 2020/21 and 2021/22 has not highlighted any need to further change these budgets.

#### 30 Year HRA Business Plan

- 3.2.12. Key assumptions used in the 2021/22 budget, and being incorporated into the business plan are presented in the following table:

Budget	Assumptions
Pay award	2.5% for 2022/23
Pensions and NI	Current rates included, no assumptions for increases or reductions
Rents	CPI plus 1%
CPI	3.1% year 1 2.0% for year 2 onwards
RPI	4.1% year 1 3.5% for year 2 onwards
Working Balance	Minimum 5% of turnover
Major Repairs Reserve	Fully utilised each year to reduce borrowing requirement and avoid additional borrowing costs
Right to Buy	40 each year at the start of the plan, reducing over the life of the business plan
Affordable Housing Programme	Continuation of the Council's existing programme and one for one replacement of units disposed through right to buy. 40% application of receipts to fund capital expenditure.

### **3.3. Capital Programme**

- 3.3.1. The Capital Programme has been structured to enable delivery of the Council's Business Plan and the HRA Business Plan over the medium to long term. The Programme includes all of the capital schemes within both the General Fund and the Housing Revenue for 2022/23 to 2026/27, and is detailed in appendix I. The financing of the programme is shown in appendix J. A forecast of the Council's Capital Reserves and Grant Balances is included in appendix K.
- 3.3.2. The Capital Programme continues to deliver the council's ambition to regeneration our town centres, improvement in our housing stocks as well as the affordable housing programme. The council set up a housing company which commenced trading in December 2020, and forecast capital loans to the company have been included in the capital programme.
- 3.3.3. The general fund capital receipt balances are forecast to be just under £2.4m by the end of 2026/27, which may constrain the options available for future investment. Consideration will always be given to accessing grant funds and alternative delivery methods, such as through the use of development agreements, but where these are not possible further borrowing may be required for new schemes in the future.
- 3.3.4. The Council complies with the Prudential Code for controlling Local Government Capital Finance, and the Budget for 2022/23 has been prepared in the context of these plans and controls. The key objectives of the Code are to ensure that:
- Capital Investment Plans are affordable, prudent, and sustainable;
  - All external borrowings and other long-term liabilities are within prudent and sustainable levels;
  - Treasury Management decisions are taken in accordance with good practice and in a manner that supports prudence, affordability and sustainability; and,

- The Council is accountable for its decisions.

### **3.4. Medium Term Financial Strategy**

- 3.4.1. The Medium-Term Financial Strategy (MTFS) and Financial Governance Framework, detailed in appendix L, sets out the Council's strategy for maintaining financial sustainability and a commitment to provide the best possible value for money for the community. It also provides a framework for the Council to plan and manage its resources over the current Comprehensive Spending Review period in order to meet the Council's overall corporate objectives.
- 3.4.2. The Council is currently in a good overall financial position with general fund revenue reserves (non earmarked) estimated at £5.811 at the start of 2022/23 and a housing revenue account (HRA) balance of £2.629m. The council has been able to meet the initial unsupported impacts of the pandemic from reserves and additional grant receipts, and this is a direct result of previously robust financial management and a prolonged period of achieving efficiencies to balance the budget as government funding has reduced.
- 3.4.3. However, in line with other local authorities, the Council is facing further severe financial constraints as central government grants continue to reduce. At the same time the demand on some of the Council's services continue to grow and further responsibilities will be transferred from central government.
- 3.4.4. In line with Government expectations, the Council aims to be more self-sufficient, with less reliance on Government Grants and more reliance on local income streams and taxation.
- 3.4.5. Forecasts suggest the Council is required to find a further £1.5m of savings on the general fund by 2023/24, and a further £380k per annum for the following two years, in order to live within its means and maintain a reasonable cushion in reserves. This is a significant challenge and whilst the focus remains on safeguarding services it may not be possible to find efficiencies of this magnitude and guarantee no impact upon frontline services.
- 3.4.6. The MTFS has been written at a time of unprecedented uncertainty in local government funding, particularly with the wider economic uncertainties arising from the pandemic. In particular, the councils forecasts are dependent upon the outcome of the Spending Review, Fair Funding Review and 75% Business Rates Retention system, and a full reset of all the mechanisms within the business rates system. Forecasting the Council's likely level of income over the next three years has required a large degree of judgement and estimation.
- 3.4.7. The Government has also announced further proposed changes to the New Homes Bonus scheme and there is work continuing on the fundamental review of the Local Government funding regime.
- 3.4.8. The one off grants provided in 2022/23 provide further uncertainty. The Government has indicated that there is likely to be transitional support provided for changes to funding from 2023/24 and an estimate has been included in the MTFS for this, however, they have explicitly stated these one off grants would be excluded from the starting position for such transitional protections.

- 3.4.9. There remain a number of uncertainties and risks to the Council's finances in the medium term, the details of which are contained within this strategy. The Council will continue to experience pressure on services arising from demographic and government policy changes and continued high expectations of service delivery.
- 3.4.10. The capital forecasts and strategies contained within the MTFS, give a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability
- 3.4.11. In accordance with the CIPFA Treasury Management in the Public Services: Code of Practice 2017 and MHCLG guidance on local authority investments, the Council is required to have a Treasury Management Strategy, a copy of the 2022/23 strategy is contained within the MTFS and Financial Governance Framework.
- 3.4.12. Limits on longer term investments are proposed to be reduced, in line with the Council's forecast of reducing cash balances due to an ambitious capital programme use of both internal and external borrowing.
- 3.4.13. The Strategy takes into account all of the Council's capital and revenue forecasts, and reserve balances as set out in this report. It seeks to protect the balances held by the Council whilst generating a return, minimise borrowing costs where possible, and determines the borrowing and lending strategies.
- 3.4.14. The Treasury Strategy includes a new prudential indicator, the Liability Benchmark, as required by upcoming changes to the Code.

### **3.5. Special Expenses**

- 3.5.1 In 1994/95, the Council, in agreement with Town and Parish Councils, introduced a scheme of Special Expenses, whereby some of the expenses of the Council, are charged specially to certain parts of the Borough. These areas of expenditure include open spaces, playing fields, community centres, allotments and public conveniences.
- 3.5.2 The calculation takes the cost of providing these items of expenditure and apportions the costs to the specific areas where the expenditure is incurred.
- 3.5.3 The recommendation is to continue with this scheme, and the methodology previously agreed for the calculation of the Special Expenses.
- 3.5.4 The proposed amount included in the budget for special expenses is £655,842. Details of this expenditure, and the draft apportionment to the specific areas, which is currently out for consultation with town and parish councils, is included in appendix M.

## **4. Financial Implications**

- 4.1. Financial implications are contained in the recommendations and explanations to this report.

## **5. Link to Corporate Priorities**

- 5.1. The Council's budget proposals directly support all of the Council's Corporate Priorities.

## **6. Legal Implication(s)**

- 6.1. The Council is required by the Local Government Finance Act 1992 to make estimates of gross revenue expenditure and anticipated income, leading to a calculation of a budget requirement and the setting of an overall budget and Council Tax. The amount of the budget requirement must be sufficient to meet the Council's legal and financial obligations, ensure the proper discharge of its statutory duties, and lead to a balanced budget. The Council should be satisfied that the proposals put forward are a reasonably prudent use of resources in both the short and long term, and that the interests of both Council Tax payers and ratepayers on the one hand and the users of Council services on the other are both taken into account.
- 6.2. Sub-section (1) provides that authorities may "...make such reasonable charges.... as they may determine". This section should be considered with regard to section 76 of the Local Government and Housing Act 1989. This act put a duty on local housing authorities to prevent a debit balance arising in their HRA and also imposed ring-fence restrictions on the use of the account. It is not possible for a local housing authority to subsidise rents from its general fund, or use HRA resources for non-specified activities.
- 6.3. The MTFS sets out the framework for setting future budgets and levels of Council Tax. Members are reminded that Council must take into account the advice of the Head of Resources (Chief Finance Officer) on the robustness of future budget proposals and the adequacy of the proposals for reserves. The Council has a legal duty to set a lawfully balanced budget.
- 6.4. The MTFS sets out how the Council will fulfil its Best Value Duty to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In doing so the MTFS also acknowledges the Duty to Consult representatives of a wide range of local persons.
- 6.5. The Treasury Management Strategy and prudential indicators have been produced in line with the Local Government Act 2003, and with regards to Section 151 of the Local Government Act 1972 which states that "every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs."
- 6.6. Section 25 of the Local Government Act 2003 requires the Chief Financial Officer to make a formal report to the Council on the robustness of the budget and the adequacy of reserves (Appendix N).

## **7. Security & Terrorism Implication(s)**

- 7.1. There are no implications for security and terrorism arising from this report.

## **8. Procurement Implication(s)**

- 8.1. There are no direct procurement implications arising from this report. Any procurement implications associated with specific budget proposals will be considered as part of the implementation of those proposals.

## **9. Climate Change Implication(s)**

- 9.1. The budget includes retention of the balance of the Climate Change earmarked reserve which will help the Council to continue to deliver strategic climate change actions.

## **10. Human Resources Implication(s)**

- 10.1. There are no direct Human Resources arising from this report. Any human resources implications associated with specific budget proposals will be considered as part of the implementation of those proposals.

## **11. Communication and Engagement Implication(s)**

- 11.1. A press release and TeamTalk Budget special is being prepared and will be published alongside the budget report.
- 11.2. There have been two budget seminars during 2021 for members, and a Task and Finish group have met monthly and considered the budget proposals, which was fed back to Overview and Scrutiny on 6 January 2021.
- 11.3. Businesses are currently being consulted as required by legislation, this is being completed digitally.

## **12. Risk Management Implications**

- 12.1. The budget is an important part of the Council's risk management process. There are always considerable risks to the council's short and medium-term budget strategies including inflation, changes in the national economy, expenditure exceeding budgets, operational pressures on existing budgets, reductions in grant and legislative changes that require new spend. The budget setting process includes the recognition of these risks in determining the 2022/23 budget and relevant risk provisions are set out in the body of the report.
- 12.2. A working balance is maintained for both revenue accounts to cushion against known and unknown financial risks. Risk management in the financial context is set out in the Medium-Term Financial Strategy set out in appendix L.

## **13. Equality and Diversity**

- 13.1. Any equality and diversity implications associated with specific budget proposals will be considered as part of the implementation of those proposals, and equalities assessments undertaken as appropriate.

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