



REPORT TO:	Council
DATE:	3rd March 2022
SUBJECT:	Annual Budget Report 2022/23, Medium Term Financial Strategy, Capital Programme and Capital Strategy, Treasury Management Strategy, Annual Delivery Plan and approval of Council Tax (for recommendation to Full Council).
PURPOSE:	To approve: The General Fund and Housing Revenue Account Budget for 2022/23 including the use of reserves, Medium Term Financial Strategy, Capital Programme and Strategy, Treasury Management Strategy, MRP Policy and Annual Investment Strategy, Fees and Charges for 2022/23, the Annual Delivery Plan and approval of Council Tax for recommendation to Full Council.
KEY DECISION:	Yes
PORTFOLIO HOLDER:	Councillor Peter Coupland
REPORT OF:	Christine Marshall, Deputy Chief Executive Corporate Development
REPORT AUTHOR:	Samantha Knowles, Assistant Director Finance
WARD(S) AFFECTED:	All
EXEMPT REPORT?	No

SUMMARY

This report sets out the detail of the 2022/23 General Fund and Housing Revenue Account Annual Budget, the 5 year Medium Term Financial Strategy (MTFS) from 2022/23 to 2026/27, Capital Programme, Capital Strategy, Treasury Management Strategy, Minimum Revenue Provision Policy and Annual Investment Strategy and Annual Delivery Plan. The report also includes the recommended level of Council Tax for 2022/23 and the setting of the Spalding Special expense area.

RECOMMENDATIONS

That the Cabinet recommends to Full Council that:

1. The Revenue Estimates for the General Fund, Housing Revenue Account and Spalding Special Expenses for 2022/23 (Appendices A and C) be approved.
2. The use of Reserves detailed at Appendix D be approved.
3. The Council Tax for a Band A property in 2022/23 be set at £126.42 (£3.30 per annum increase on 2021/22 levels) and Band D £189.63 for 2022/23 (a £4.95 per annum increase on 2021/22 levels).
4. The Spalding special expenses for a Band A property be set at £16.38 for 2022/23, (previously £16.12 in 2021/22) and Band D £24.57 for 2022/23, (previously £24.18 in 2021/22).
5. The Medium Term Financial Strategy (at Appendix B) be approved.
6. The Capital Strategy and Capital Programme (Appendices E and F) be approved.
7. The Fees and Charges for 2022/23 (at Appendix G) be approved.
8. The Treasury Management Statement and Strategy, including the Minimum Revenue Provision policy and Investment Strategy be approved. (Appendices H and I)
9. The South and East Lincolnshire Council's Annual Delivery Plan 2022/23 (Appendix J) be approved
10. Delegated authority be given to the Deputy Chief Executive Corporate Development (S151), in consultation with the Portfolio Holder for Finance, Strategy and Partnerships, to make any necessary amendments to the budget prior to Council due to late notifications

REASONS FOR RECOMMENDATIONS

To comply with the budgetary and policy framework.

OTHER OPTIONS CONSIDERED

No other options have been put forward.

1. BACKGROUND

- 1.1. The attached Budget Report sets out the Council's Revenue and Capital Budgets for 2022/23 and onwards, the MTFs to 2026/27 and associated financial documentation for approval, including the Treasury Management Strategy and setting of Fees and Charges.
- 1.2. The preparation of the budget for 2022/23 has been a detailed process involving the Senior Leadership Team (SLT), Assistant Directors and Budget holders and the attached documentation reflects the latest known position.
- 1.3. The draft Local Government Settlement announced on 16 December 2021 provided additional detail of continuing and additional one off support to councils including confirmation of allocations of Revenue Support Grant (RSG), Rural Services Delivery Grant (RSDG) and New Homes Bonus.

2. REPORT

2.1 This report sets out the 2022/23 Budget, Capital Programme and associated Medium Term Financial Strategy (MTFS) for the South Holland District Council General Fund and Housing Revenue Account (HRA). The budget has been through a budget consultation process with the public and members, draft budget proposals were subject to review by Scrutiny at its meeting on 27th January 2022.

2.2 This meeting noted the budget and requested that the following recommendations of the Joint Performance Monitoring Panel and Policy Development Panel be considered by the Cabinet:

- To lobby for IDB expenditure to be charged as a precept.
- To ensure sufficient resources are in place to deliver the Affordable Housing Programme.

2.3 Full Council will meet on 3rd March 2022 to consider the recommendations from Cabinet and to approve the Budget and Council Tax level for 2022/23.

2.4 The Treasury Management Strategy was presented to Governance and Audit Committee on the 13th January 2022 and has been updated to reflect the final budget accompanying this report.

2.5 New Homes Bonus (NHB)

We will receive an additional one-year allocation of NHB for 2022/23 due to delays in implementing any replacement scheme, however this will be one year only with no further legacy payments in future years. Due to the uncertainty of the future of NHB our budgets currently include the contribution of the New Homes Bonus funds into an Investment & Growth Reserve over the whole medium term, to fund projects which maximise income and growth.

2.6 Funding Reform (potential effective date April 2023)

A Fair Funding Review (FFR) had been expected to set new baseline funding allocations for all Local Authorities, simplify the existing system and provide an up to date assessment of Authorities relative needs and resources. Early consultations have been undertaken by DLUHC, but there is insufficient information to make informed estimates to date. It is likely that any changes would be transitioned to mitigate the immediate impact on Authorities (positive or negative). This budget assumes no financial changes from this review and when details become available members will be updated

2.7 Drainage Board Levy

As part of its response to the settlement the Council has made further representations to government regarding the Drainage Board Levy. In particular its impact on the Councils ability to make use of the Council Tax that it raises through housing number increases and annual Council Tax rises to support services, rather than offset the annual levy charge increase.

3. 2022/23 Final Budget & Medium Term Financial Strategy (MTFS)

3.1 The key elements of the final 2022/23 Budget and MTFS are summarised in the following paragraphs and set out in detail in the attached appendices which show:

- The 2022/23 revenue and capital estimates for the General Fund and Housing Revenue Account (Appendix A);

- The Medium Term Financial Strategy for both the General Fund and HRA (Appendices B and C);
- A schedule of movements in Council Reserves (Appendix D);
- General Fund and HRA Capital Programme (Appendix E);
- The Council's Capital Strategy (Appendix F);
- The proposed Fees and Charges for 2022/23 (Appendix G) and
- Treasury Management Strategy and Statement 2022/23 (Appendices H and I), and
- The South and East Lincolnshire Councils Partnership Annual Delivery Plan 2022/23 (Appendix J).

3.2 2022/23 Council Tax Base & 2021/22 Collection Fund Surplus

- 3.3 The Council Tax base for 2022/23 is 29,393 properties, an increase of 599 properties over the 2021/22 tax base giving additional income of approximately £256k. Ongoing increases of 2% per annum are assumed over the MTFS period.
- 3.4 Each year the Council is required to calculate the balance on its Collection Fund. 2021/22 has been an unprecedented year and therefore balances are not in line with other years, as a result of this Government has given Council's section 31 grant to compensate them for specific losses. This has been received in the year prior to the deficit being released therefore it is put to reserves in the year it is received and then released in the year in which it is required.
- 3.5 For Council Tax a surplus has been calculated for 2022/23 and South Holland's share of this will be £37k, with a zero balance assumed in future years.
- 3.6 For Business Rates there are two elements to the deficit this year. One element relates to lost income resulting from expanded reliefs provided in the Covid pandemic, which is fully funded from Government grants received, the second element is the true in year performance position.
- 3.7 Volatility in business rates is a feature of the system design of funding for local authorities. As was agreed in the 2018/19 budget when future surpluses are created these will be allocated to reserves to assist with the funding of future deficits, and in the smoothing of the Councils budget requirements.
- 3.8 Key assumptions made within the current 5 year MTFS include:
- An annual increase in Council Tax of £4.95
 - Maximising income generation through Investment and Growth, funded through New Homes Bonus,
 - Allowance for unavoidable growth on services (i.e. new statutory obligations and pay & contractual inflation) but no allowance for any increase for general inflation,
 - Ongoing Budget challenge to ensure that budgets are aligned with corporate priorities.
 - An annual delivery plan as part of the new South and East Lincolnshire Councils Partnership to look at areas for future sharing and efficiency.
- 3.9 The budget shows an efficiency target requirement for 2022/23 of £397,000. Future year's figures are highly volatile due to the level of uncertainty around future funding arrangements. As we have been developing the budget numerous savings and income generating opportunities have and are being explored in order to address this savings requirement. Many of which will be related to the South and East Lincolnshire Councils

Partnership (SELCP) through partnership working and maximising the opportunities this partnership brings.

4.0 Housing Revenue Account

4.1 The Housing Revenue Account (HRA) budget shows a forecast surplus of £1.897m. This reflects:

- A rent increase of 4.1% from 2021/22 to 2022/23 in line with Government guidelines;
- An assumed rent loss of 1% for void properties and 1.5% for bad debts;
- Estimated net rent arising from additional units included within the HRA capital programme from 2019/20 onwards; and
- A review of charges where appropriate.

5.0 Reserves

5.1 General Fund Specific Reserves are budgeted to reduce by £5.005m (net) in 2022/23, predominantly to fund the Capital Programme. This figure may change as a result of the outturn for 2021/22.

5.2 A detailed breakdown of Reserve movements for both the Housing Revenue Account and General Fund and are included in Appendix C and D to this report.

6.0 Capital Programme

6.1 The Council's Capital Strategy is shown in Appendix F and focuses on the core principles of capital investment.

6.2 The five year General Fund Capital Programme (Appendix E) includes provision for Investment and Growth linked to the Council's Strategic objectives. Final decisions on individual projects will be subject to approval and detailed business cases.

6.3 The main schemes included in the approved 2022/23 General Fund Programme relate to ICT investment, Grants for Growth, Disabled Facility Grants, Crease Drove, Food Enterprise Zone and investments via Commercial Acquisitions.

6.4 The HRA has accrued nearly £4.3m in its Major Repairs Reserve over the last 2-3 years due to re-profiling in the planned Affordable Housing Programme. A revised Affordable Housing Programme has now been established to replace units sold through increased right to buy (RTB) sales. This amount has been assigned to develop and acquire additional homes, the acquisition of land for development and purchase of Section 106 units.

6.5 Due to the nature of some capital projects it can be common for large scale project timing to change over the medium term. This budget provides the best estimates of deliverability available at the time of production and the programme will be flexed over time as reported in quarterly reports to Cabinet and Council.

7.0 OPTIONS

7.1 That the final capital and revenue budget estimates, the Medium Term Financial Strategy and the capital strategy be recommended to full council for approval.

7.2 There are no alternative options presented, however amendments may be made by Cabinet before release to Council.

EXPECTED BENEFITS TO THE PARTNERSHIP

This report enables South Holland District Council to set a budget and a level of Council Tax for 2022/23.

IMPLICATIONS:

SOUTH AND EAST LINCOLNSHIRE COUNCIL'S PARTNERSHIP

NONE

CORPORATE PRIORITIES

NONE

STAFFING

The Equality Act requires SHDC to consider any equality impacts in relation to staff from these plans. As projects within the programme are developed a draft impact assessment will be discussed with Trades Unions and staff, and especially as individual projects are delivered.

CONSTITUTIONAL AND LEGAL IMPLICATIONS

This report is required by virtue of the Local Government Finance Act 1992, as amended by the Localism Act 2011.

DATA PROTECTION

None

FINANCIAL

As contained with the appendices to the report.

RISK MANAGEMENT

Risks are highlighted within the appendix, The Council has adopted a corporate risk management strategy and financial risk management is integrated into the Council's overall management and decision making processes. This ensures a robust and well integrated risk management programme, which will help the Council to identify and manage key strategic risks facing it, in pursuit of its corporate objectives.

STAKEHOLDER / CONSULTATION / TIMESCALES

Views expressed during the consultation period will be taken into account within the financial budget setting report.

REPUTATION

None

CONTRACTS

None

CRIME AND DISORDER

NONE

EQUALITY AND DIVERSITY/ HUMAN RIGHTS/ SAFEGUARDING

New Equality Impact Assessments will be developed and published wherever these are required and will be made available during the management and decision-making of the Programme.

HEALTH AND WELL BEING

None

CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS

None

APPENDICES	
Appendices are listed below and attached to the back of the report: -	
Appendix A	Final Budget 2022/23 and Medium Term Financial Strategy 2022/23 to 2026/27
Appendix B	General Fund Summary
Appendix C	Housing Revenue Account Medium Term Financial Plan and Reserve Balances
Appendix D	General Fund Reserves 2022/23 to 2026/27
Appendix E	Capital Programme 2022/23 to 2026/27
Appendix F	SHDC Capital Strategy 2022/23
Appendix G	SHDC Fees and Charges Schedule 2021/22 and Proposed 2022/23
Appendix H	SHDC Treasury Management Policy Statement 2022/23
Appendix I	SHDC Treasury Management Strategy Statement – Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2022/23
Appendix J	South and East Lincolnshire Councils Partnership Annual Delivery Plan 2022/23

BACKGROUND PAPERS	
Background papers used in the production of this report are listed below: -	
Document title	Where the document can be viewed
Financial Performance Quarter 2 2021/22	Cabinet 14 th December 2021

CHRONOLOGICAL HISTORY OF THIS REPORT

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Name of body	Date
Draft Budget, Medium Term Plan and Strategy	Cabinet 7 th January 2022
Final Budget, Medium Term Plan and Strategy	Cabinet 15 th February 2022

REPORT APPROVAL

Report author:	Samantha Knowles, Assistant Director Finance sknowles@sholland.gov.uk
Signed off by:	Christine Marshall, Deputy Chief Executive Corporate Development Christine.Marshall@sholland.gov.uk
Approved for publication:	Councillor Peter Coupland, Portfolio Holder for Finance