



REPORT TO:	Joint Performance Monitoring Panel and Performance Development Panel
DATE:	26th January 2023
SUBJECT:	Budget Overview 2023/24 and Draft Budget
PURPOSE:	To scrutinise the draft budget for 2023/24
KEY DECISION:	No
PORTFOLIO HOLDER:	Councillor Peter Coupland
REPORT OF:	Christine Marshall, Deputy Chief Executive Corporate Development
REPORT AUTHOR:	Steven Houchin, Chief Finance Officer- Public Sector Partnership Services Ltd Samantha Knowles – Assistant Director – Finance
WARD(S) AFFECTED:	All
EXEMPT REPORT?	No

SUMMARY

This report sets out the areas of pressure that will be considered as part of this year's budget setting process, the details of the Councils Provisional Funding Settlement and the proposed level of Council Tax for 2023/24. Appendix A sets out in more detail the budget, draft capital programme and Medium Term Financial Strategy.

Joint Panel is asked to consider the attached report and Appendix A.

RECOMMENDATIONS

1. That the Joint Panel considers this report and the draft budget for 2023/24 as set out at Appendix A and provides feedback for Cabinets consideration at its February meeting.

REASONS FOR RECOMMENDATIONS

To comply with the budgetary and policy framework.

OTHER OPTIONS CONSIDERED

It is best practice to consult with scrutiny as part of the budget setting process. No other options were considered.

1. BACKGROUND

- 1.1. This year's budget is being set within a background of unprecedented inflationary pressures and significant changes in resident, customer and business needs. Despite these challenges the Council's financial position means that it is well placed and able to take a considered approach to mitigating these exceptional challenges. In addition the Council has been and continues to be successful in drawing in significant capital and revenue investment for the area.
- 1.2. Due to the complex financial environment the budget consultation document has only just been finalised and is attached as Appendix A to this report for scrutiny and consideration in advance of the Cabinet meeting in February. Further changes are still anticipated as certain budgets are finalised with the latest information available.

2. KEY BUDGET PRESSURES

- 2.1. Identified below are major changes and key pressures that are being included within the proposed budget:
 - A pay award for 2022/23 was agreed in November 2022 averaging 5% across the pay spine (circa £400k). For 2023/24 a 5% (circa £400k) award has been assumed, this allowance will be held corporately and adjusted to any savings target should it be settled at a lower level. This is one of the most significant impacts in the budget.
 - Pension contributions will be 23.8% in 2023/24 with an additional lump sum amount payable towards the deficit on the pension scheme (circa £130k). This rate is applied only to those staff in the local government pension scheme. The pension contribution rate is assumed to stay at 23.8% throughout the life of the MTFS. The lump sum towards the deficit is confirmed for 2023/24.
 - The return on cash investment reflects recent increases to Bank of England base rates which has increased significantly from the recent historic low levels. A further meeting of the MPC is on Thursday 2nd February.
 - Electricity and gas costs have been inflated for 2023/24 as a result of increased wholesale prices.
 - Vehicle fuel costs have also experienced inflationary pressures.
 - Increased contract and service costs are similarly a feature of the budget, albeit officers and members are working closely to seek to manage these implications and impacts, these include:
 - Refuse sacks
 - Increased demand for homelessness support
 - External audit fees.

3. COUNCIL TAX AND BUSINESS RATES

- 3.1. The previous Medium Term Financial Strategy (MTFS) committed to a Council Tax increase in line with the maximum allowed under the recent Local Government Settlement for SHDC in 2023/24 this is a £5.76 (3.0%) per annum increase (for band D properties). This will generate additional income of £257k and the increase is reflected through the life of the MTFS.
- 3.2. The tax base projections for 2023/24 indicate growth of 447 band D equivalent properties or 1.52%. Future growth has been projected at 1.50%.
- 3.3. Business rates information for 2023/24 has only just been made available and is now being reviewed. This was more complex this year due to a number of changes including the inflation measure used to increase the local government funding amount within the Settlement Funding Amount using the CPI September indicator 10.1% instead of the RPI September Indicator (12.6%).
- 3.4. The National Non-Domestic Rates Form (NDR1) production is now particularly important in terms of changes to the business rate yield which heavily influences not just our own budgets but also the Pool we are part of within Lincolnshire and significantly the County Council. This is an area of focus as we seek to understand the changes within the yield particularly as a result of Covid and changes as result of the Business rate revaluation 2023.
- 3.5. In order to manage and review this important income stream and the changes within it regular review meetings are taking place internally.

4. LOCAL GOVERNMENT SETTLEMENT

- 4.1. The provisional local government settlement delivered on 19th December 2022 provided the following support:

Local Government Provisional Settlement Information	South Holland District Council		
	2022/23 Budget	2023/24 Provisional Settlement	Difference 22/23 - 23/24
	£'000	£'000	£'000
Revenue Support Grant	286	424	138
Rural Services Delivery grant	167	167	0
Lower Tier Services Grant	153	0	-153
Service Grant	231	130	-101
Sub Total	837	721	-116
Funding Guarantee (3%)	0	285	285
Sub Total	837	1006	169
New Home Bonus	1,118	918	-200
Total Funding	1,955	1,924	-31

4.2. The 2023-24 local government finance settlement is for one year only and is based on the Spending Review 2021 (SR21) funding levels, updated for the 2022 Autumn Statement announcements. The main points are set out below:

- The Funding Guarantee replaces the Lower Tier Services Grant. This grant is intended to provide a funding floor for all local authorities, so that no local authority would see an increase in Core Spending Power that is lower than 3%, before any decisions about organisational efficiencies, use of reserves or council tax levels are taken.
- Revenue Support Grant has been increased in line with what would have been the increase to the multiplier; there have also been existing grants rolled into the RSG amounts.
- Local Government Funding Reform – As per the published Policy Statement, the Review of Relative Needs and Resources ('Fair Funding Review') and a reset of Business Rates growth will not be implemented in the next two years.

5. INTERNAL DRAINAGE BOARDS

5.1. Internal Drainage Board (IDB) levy figures are in the process of being finalised and are expected to be very substantial increases on previous years due to the extensive use of power and fuel for the activities that these organisations undertake, along with other pressures. The 2022/23 cost is £2.88m and a series of increases have been indicated, ranging from 9% to 20% for next year.

5.2. The Council is liaising with the local Internal Drainage Boards who have been trying to limit future increases where possible but proving impossible with the pressures from power costs being experienced, particularly standing charges, in addition to pay, pension and contract inflation. Representations have been and continue to be made to government due to the substantial loss of income to the Council, as this was previously funded through Revenue Support Grant (RSG). This embedded levy can no longer be afforded having a significant impact every year that passes, on the ability of the Council to finance the services it is providing and putting it at a disadvantage to the majority of the Councils in England, with only a handful of councils impacted upon in this way.

5.3. The table below illustrates this point clearly. The IDB levy will use all of the Councils proposed increase for 23/24 which should be used to finance and support services.

Council	Total Council Tax Received per year 22/23	Total IDB levy per year 22/23	Proposed increase 23/24 (estimate)	Council Tax 22/23 Increase 3%/£5 raises
South Holland District Council	£5.6m	£2.8m	£304k	£257k

5.4. The Council has been in detailed discussion with government officers regarding this position over the past year. We are also aware that the IDB's have made extensive representations to DEFRA and via ADA of this significant issue. A meeting with the Minister has now taken place and we await a response on this key issue. The total additional cost of last years and this years projected levy increase as a pressure on the Council's revenue account is estimated at £513,000.

6. BALANCING THE BUDGET

6.1 In terms of balancing the budget the following areas have been considered as part of the budget setting process:

Short Term

- The potential use of reserves to support one off pressures and for invest to save initiatives.
- Use of the New Homes Bonus to support the revenue account to offset exceptional peaks in costs.
- Continued work to engage on the Internal Drainage Board financing challenge.
- Review of all new pressures and service budgets to consider efficiency opportunities and alternative options.

Medium Term

- Work with PSPS in terms of its transformation plans for the future and to help finance contract cost pressures.
- Using transformational change as a driver for innovation and efficiency.
- Reviewing all assets to maximise income and efficiency of use.
- Delivering and supporting economic growth.
- Reviews of fees and charges in light of inflationary increases in costs, where appropriate.

6.2 Detailed efficiency and transformation plans are being put together for members consideration.

7. CONCLUSION

7.1. Extensive work is still underway on the budget, working with our key Partner in the provision of this service PSPS Ltd, as figures are still being finalised.

EXPECTED BENEFITS TO THE PARTNERSHIP

This report enables South Holland District Council to set a budget and a level of Council Tax for 2023/24.

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

None

RISK MANAGEMENT

Done

STAKEHOLDER / CONSULTATION / TIMESCALES

The Council has a legal duty to consult residents on its draft budget proposals. Views expressed during the consultation period will be included within the financial budget setting report. Delegated authority is sought to approve the consultation document.

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

None

BACKGROUND PAPERS

None

CHRONOLOGICAL HISTORY OF THIS REPORT

Cabinet 10th January 2023

REPORT APPROVAL

Report author:

Samantha Knowles, Assistant Director Finance

sknowles@sholland.gov.uk

Steven Houchin, Chief Finance Officer, Public Sector Partnership Services Ltd

Steven.Houchin@PSPSL.co.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, Commercialisation & Partnerships