



REPORT TO:	Cabinet
DATE:	14 th February 2023
SUBJECT:	Annual Budget Report 2023/24, Medium Term Financial Strategy, Capital Programme and Capital Strategy, Treasury Management Policy/Strategy and Annual Delivery Plan
PURPOSE:	To approve: The General Fund and HRA budgets for 2023/24 including the use of reserves, Medium Term Financial Strategy, Capital Programme and Strategy, Treasury Management Policy/Strategy, MRP Policy and Annual Investment Strategy and the Annual Delivery Plan.
KEY DECISION:	Yes
PORTFOLIO HOLDER:	Councillor Peter Coupland
REPORT OF:	Christine Marshall, Deputy Chief Executive Corporate Development (s151)
REPORT AUTHOR:	Samantha Knowles – Assistant Director – Finance Steven Houchin, Chief Finance Officer- Public Sector Partnership Services Ltd
WARD(S) AFFECTED:	All
EXEMPT REPORT?	No

SUMMARY

This report sets out the detail of the 2023/24 General Fund and HRA Annual Budget, the 5 year Medium Term Financial Strategy (MTFS) from 2023/24 to 2027/28, Capital Programme, Capital Strategy, Treasury Management Strategy, Minimum Revenue Provision Policy and Annual Investment Strategy and Annual Delivery plan.

RECOMMENDATIONS

That Cabinet approves the following recommendations for onward referral to Full Council on 2nd March 2023:

1. That the Revenue Estimates for the General Fund, HRA and Spalding Special for 2023/24 (Appendices 1, 1a, 1b and 1c) be approved.
2. That the Council Tax for a Band A property in 2023/24 be set at £130.26 (£3.84 per annum increase on 2022/23 levels) and Band D £195.39 for 2023/24 (a £5.76 per annum increase on 2022/23 levels).
3. That the Spalding special expenses for a Band A property be set at £16.98 for 2023/24, (previously £16.38 in 2022/23) and Band D £25.47 for 2023/24, (previously £24.57 in 2022/23).
4. The additions to and use of reserves (as detailed at Appendix 1) be approved.
5. The Medium Term Financial Strategy (at Appendix 1) be approved.
6. The Draft Capital Programme and Capital Strategy (Appendices 1 and 2) be approved.
7. The Treasury Management Policy 2023/24 (Appendix 3a) and Treasury Management Strategy, including the Minimum Revenue Provision Policy and Annual Investment Strategy 2023/24 (Appendix 3b) be approved.
8. The Annual Delivery Plan for 2023/24 (Appendix 4) be approved.
9. That Cabinet notes the results of the Budget Consultation process at Appendix 5 (to follow).
10. That Full Council delegates approval to the Deputy Chief Executive Corporate Development (S151), to account as required for any s31 grant and reserve transactions required in respect of the Collection Fund.
11. That 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, for any required final adjustments or due to late notifications.

REASONS FOR RECOMMENDATIONS

To comply with the budgetary and policy framework.

OTHER OPTIONS CONSIDERED

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 Councils 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.

2. REPORT

2.1 This report sets out 2023/24 Budget, Capital Programme and associated Medium Term Financial Strategy (MTFS). The budget has been through a budget consultation process with the public and members, draft budget proposals were subject to review by the joint PDP/PMP Committee on 26th January 2023. The Treasury Management Strategy was also presented to Governance and Audit Committee on the 19th of January 2023 and has been updated to reflect the final budget accompanying this report.

3. Key Budget Pressures

3.1. Identified below are the 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 further 5% (circa £400k) award has been assumed, this allowance will be held corporately and adjusted to the savings target. 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 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 on Thursday 2nd February increased rates by an additional 0.5%.
- 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 Internal Drainage Board levy.
- 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:
 - Additional contractor costs
 - Refuse sacks
 - Increased demand for homelessness support
 - External audit fees.

4. Council Tax & Business Rates

- 4.1. 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%) 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.
- 4.2. The tax base projections for 2023/24 indicate growth of 448 Band D equivalent properties or 1.52%. Future growth has been projected at 1.50%.
- 4.3. Business rates budgeting for 2023/24 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%).
- 4.4. The National Non-Domestic Rates Form (NNDR1) 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.
- 4.5. In order to manage and review this important income stream and the changes within it regular review meetings are taking place internally.

5. Local Government Settlement

- 5.1. The local government settlement delivered on 6th February 2023 has provided the following support:

Local Government Provisional Settlement Information	South Holland District Council		
	2022/23 Budget	2023/24 FINAL Settlement	Difference 22/23 - 23/24
	£'000	£'000	£'000
Revenue Support Grant	286	424	138
Rural Services Delivery grant	167	187	20
Lower Tier Services Grant	153	0	-153
Service Grant	231	135	-96
Sub Total	837	721	-91
Funding Guarantee (3%)	0	260	260
Sub Total	837	1,006	169
New Home Bonus	1,118	918	-200
Total Funding	1,955	1,924	-31

5.2. 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.

6. Internal Drainage Boards

6.1. Internal Drainage Board (IDB) levy increases 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. The 2023/24 cost is £3.164m and a series of increases have been agreed, ranging from 9% to 26% for next year.

6.2. The Council is liaising with the local Internal Drainage Boards who have been trying to limit future increases where possible, but this is proving impossible with the increases in power costs being experienced, (particularly standing charges) in addition to pay, pension and contract inflation. Significant 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.

6.3. The table below illustrates this point clearly. The IDB levy will use all of the Councils proposed increase for 2023/24 which should be used to finance and support services.

	Total Council Tax 2023/24	Total IDB Levy 23/24	Increase 23/24	Council Tax Yield
South Holland District Council	£5.8m	£3.164m	£332k	£257k

6.4. 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 is a pressure on the Councils revenue account is £541,000.

7. Capital Programme

- 7.1. The capital programme for general fund and HRA, included in Appendix 1, are draft and subject to further review and additions, such as Levelling Up Fund. A final version of the programme will be presented to Council on 2nd March 2023 for approval.
- 7.2 The Councils Capital Strategy is attached at Appendix 2 and focuses on the core principles of capital investment. The Council has been in detailed discussion with government officers regarding this position over the past year.
- 7.3 The five year General Fund Capital Programme includes provision for Investment and Growth linked to the Councils Strategic objectives. Final decisions on individual projects will be subject to approval and detailed business case. The main areas of continued investment are:
- Disabled Facilities Grant;
 - IT Systems;
 - Asset Improvements;
 - Investment in Housing.

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.

8 HOUSING REVENUE ACCOUNT

- 8.1 The final Housing Revenue Account (HRA) budget shows a forecast surplus of £2.2m. This reflects:
- A rent increase of 7% from 2022/23 to 2023/24 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, and
 - A review of charges where appropriate.
- 8.2 A revised Affordable Housing Programme has been established to replace units sold through increased right to buy (RTB) sales.

9. Reserves

- 9.1 General Fund Specific Reserves are used predominantly to fund the Capital Programme. This figure will change as a result of the outturn for 2022/23. A detailed breakdown of Reserve movements for both the Housing Revenue Account and General Fund and are included in Appendix A to this report.

10. BALANCING THE BUDGET

- 10.1 In terms of balancing the budget the following areas have been identified for consideration with regards to the inclusion of the efficiency target of £881,000 within the 2023/24 budget and future years:

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 whilst medium term activity is actioned;
- 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;
- 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.

10.2 Detailed efficiency and transformation plans are being put together for members consideration as part of this budget setting process.

11 ADDITIONAL CONSIDERATIONS

11.1 Annual Delivery Plan

The Annual Delivery Plan at Appendix 5 identifies the planned programme of work for the Partnership and sovereign Councils for 23/24, drawing on the previously approved Partnership Work Programme, as well as wider opportunities that have since been identified.

11.2 Scrutiny

The Joint Scrutiny Meeting on 26th January 2023 raised the following matters:

- Concerns regarding the on-going impact of the IDB levy on the Councils resources and services;
- Pressures in homelessness and the need to look at new service solutions;
- Investment in assets particularly play areas;
- HRA Rent increases and ensuring affordability;
- Investment in electric vehicle spaces;
- The need to stimulate economic growth – jobs, businesses.

11.3 Consultation

A summary of the consultation results, which end on 10th February, will be circulated as soon as it is available which will be after main report has been dispatched.

11 CONCLUSION

Cabinet is recommended to approve this report for onward approval by Full Council as part of the formal annual budget setting process.

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

This budget supports the SELCP partnership arrangements.

CORPORATE PRIORITIES

The budget has been built in line with corporate priorities.

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

This is a fully financial report.

RISK MANAGEMENT

Risk management is fully considered as part of the budget setting process.

STAKEHOLDER / CONSULTATION / TIMESCALES

The Council has a legal duty to consult residents on its draft budget proposals.

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

The Revenue Estimates for the General Fund, HRA and Spalding Special for 2023/24 (Appendix 1)

The Medium Term Financial Strategy (Appendix 1)

The Capital Strategy (Appendix 2).

The Treasury Management Policy 2023/24 (Appendix 3a) and Treasury Management Strategy, including the Minimum Revenue Provision Policy and Annual Investment Strategy 2023/24 (Appendix 3b).

The Annual Delivery Plan for 2023/24 (Appendix 4).

The results of the Budget Consultation process at Appendix 5 (to follow).

BACKGROUND PAPERS

None

CHRONOLOGICAL HISTORY OF THIS REPORT

Cabinet

Joint PMP/PDP

REPORT APPROVAL

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