

Report To:	Cabinet
Date:	22 FEBRUARY 2022
Heading:	ANNUAL BUDGET AND COUNCIL TAX 2022/23 AND MEDIUM-TERM FINANCIAL STRATEGY UPDATE
Portfolio Holder:	CLLR DAVID MARTIN – PORTFOLIO HOLDER FOR FINANCE, REVENUES AND BENEFITS
Ward/s:	ALL
Key Decision:	YES
Subject to Call-In:	YES

Purpose of Report

This report sets out the proposed:

- 2022/23 Annual Revenue (General Fund) and Housing Revenue Account (HRA) Budgets and the Capital Programme for 2021/22 to 2025/26;
- 2021/22 In-Year Revised Budgets (HRA and Capital); and
- 2022/23 Proposed District Council Tax

The report also sets out the estimated financial challenge in the Medium-Term Financial Strategy (MTFS) for 2023/24 and 2024/25 and the Chief Finance Officer’s advice regarding the robustness of the estimates included in the proposed 2022/23 Budget, and the adequacy of reserves for which the proposed budget provides.

Recommendation(s)

That Cabinet recommends to Council:

- 1. Approval of a £5 annual increase in the level of the District's own Council Tax for 2022/23, setting the Band D equivalent at £195.46.**
- 2. Approval of the proposed 2022/23 Revenue (General Fund) and HRA Budgets as set out in this report. (Sections 3 and 4).**
- 3. Approval of the proposed Capital Programme and associated borrowing 2021/22 to 2025/26 as set out in this report. (Section 5).**
- 4. Approval of the 2021/22 Revised HRA and Capital Budgets as set out in this report. (Sections 4 and 5).**
- 5. Approval that the precept figures from Nottinghamshire County Council, Nottinghamshire Fire and Rescue Authority, Police and Crime Commissioner and the two Parish Council's within the District be incorporated, when known, into the Council Tax recommendation to Council on 3rd March 2022.**
- 6. That it notes the estimated financial challenge in the Medium-Term Financial Strategy (MTFS) for 2023/2024 and 2024/25 and the planned approach to address the challenge. (Section 6 and Appendix 2).**
- 7. Approval of the proposed use of reserves as set out in this report. (Table 5 (General Fund) and Table 9 (HRA)), and the creation of an IT Reserve (Section 3.6).**
- 8. That it notes and accepts the comments and advice of the Corporate Finance Manager (Section 151 Officer), provided in compliance with Section 25 of the Local Government Act 2003, as to the robustness of the estimates included in the 2022/23 Budget and the adequacy of the reserves for which this budget provides. (Section 7).**
- 9. Notes that the proposed 2022/23 budgets reflect the agreed changes to Fees and Charges approved by Cabinet on 25th January 2022.**
- 10. Notes that a potential call of up to £250k from the Corporate Transformation Reserve may be required to further progress the Digital Service Transformation (DST) programme at a quicker pace than had previously been planned. (Section 3.7).**
- 11. Notes the Local Government Association's Finance Health Check report. (Appendix 3).**

Reasons for Recommendation(s)

In accordance with the Local Government Finance Act 1992 the Council must set its annual budget by 10th March in the preceding financial year.

Alternative Options Considered

(with reasons why not adopted)

The District Council is able to set a Council Tax increase of up to the greater of 2.00% or £5 per annum without triggering a referendum. The proposal is to apply the £5 annual increase to the level of District Council Tax for 2022/23. The Council, like all businesses, has seen a significant inflation increase to its energy and supplies and services budgets in recent months and this is set to continue. The Council also has a significant estimated funding gap for 2023/24 and this proposed modest increase (which equates to an average increase of 7 pence per week for over 80% of the District's households (Bands A-C), will, with its compounding effect, help to mitigate future funding pressures. The proposed increase also implements the recommendation in relation to Council Tax from the recent Local Government Association Finance Health check. The full Finance Health Check report is attached as Appendix 3.

Careful consideration has been given to each of the proposed investments and savings included in this report. The investments proposed will support the Council in delivering its Corporate Plan priorities. The proposed savings will increase the efficiency of the Council with minimal adverse impact on residents and customers.

Detailed Information

1. Background and Economic Context

- 1.1 Since 2010 Local Government has seen an unprecedented reduction in the level of funding from Central Government.
- 1.2 Despite this significant reduction in funding this Council has a proven track record of setting its annual budget and delivering an Outturn within the budget set. However, despite this good financial performance the Council does face further financial challenges which it will need to address into the medium and longer term. These pressures are now compounded by the potential ongoing financial implications of the Coronavirus pandemic.
- 1.3 Although this report contains proposals to balance the 2022/23 revenue budget it is essential that the Council's management continue to work with Cabinet to identify and agree options to address the estimated financial challenge in the Medium-Term Financial Strategy for 2023/24 and beyond; ensuring the Council has a sustainable future.
- 1.4 The proposed 2022/23 Budget reflects the impact of both the Provisional and Final Local Government Finance Settlements, including the Government's decision to extend payment of Revenue Support Grant (RSG), extend the Lower Tier Services Grant funding by one further year for 2022/23 due to delays in implementing the Fair Funding Review, and future Government deliberations around the future of the Business Rates

system as the original intention to move to 75% retention and a re-set appear unlikely to go ahead due to the impact of the Government's levelling up agenda.

- 1.5 The proposed revenue and capital budgets included in this report will facilitate the delivery of the Council's Priorities as set out in the refreshed Corporate Plan 2019-2023.
- 1.6 The direct implications of the pandemic will continue into the 2022/23 financial year and the impact on the Council's financial position will continue to be closely monitored and reported through the usual financial monitoring processes.

2. District Council Tax 2022/23

- 2.1 Ashfield District Council is proposing a £5 annual increase to its own Council Tax. This would set the District's Council Tax level (Band D equivalent property) at £195.46 for 2022/23; this represents a 2.6% increase.
- 2.2 This proposed District Council Tax increase is reflected in the proposed Annual Revenue Budget for 2022/23 shown in Section 3, Tables 3 and 4.
- 2.3 Based on the number of Band D equivalent properties in the 2022/23 Council Tax Base (34,052.7) and a District Council Tax of £195.46, this will generate Council Tax income of £6.656m for 2022/23.
- 2.4 The proposed increase is consistent with the recommendation in relation to Council Tax from the recent Local Government Association Finance Health check. (Appendix 3)

3. Annual Revenue Budget 2022/23

- 3.1 The proposed 2022/23 Annual Revenue Budget includes a number of Investments and Savings/Efficiencies. These are set out in tables 1 and 2 below.
- 3.2 The proposed Revenue Budget assumes a 1.75% pay increase for staff for 2021/22 (still yet to be agreed) and a further 2% pay award for 2022/23, a 1.25% increase in Employers National Insurance, energy and fuel cost increases as advised by the Asset team, and contract inflation. The proposed 2022/23 Budget also includes any revenue implications from the proposed Capital Programme yet to be approved by Council on 3rd March 2022.
- 3.3 The proposed 2022/23 Budget does not reflect potential future cost and income pressures or savings which may arise as a consequence of the pandemic. These are entirely uncertain as is the potential for any further Government support. In the event that the Council has any unspent Covid funding by the end of 2021/22 it will be transferred to a reserve to be called on during 2022/23 when required. The ongoing financial impact of the pandemic will be closely monitored and reflected in in-year financial monitoring reports to the Corporate Leadership Team (CLT) and Cabinet.

Table 1 – Investments 2022/23

		2022/23
Investment	Detail	£'000
Community Safety	Public Space Protection Order – annual maintenance costs (Cabinet report 29/06/21)	1
Legal	Revised staffing structure following dissolution of Shared Legal Service	67
TOTAL		68

Table 2 – Savings/Efficiencies 2022/23

Saving / Efficiency	Detail	2022/23
		£'000
Base Budget Review	Detailed line by line review of all General Fund budgets to identify areas of recurrent underspends and over-achievement of income budgets	640
Neighbourhood Services	Deletion of vacant Performance Officer post	30
Place & Wellbeing	Staffing review – net saving	5
ICT	Renegotiation of Printing contract	5
Assets	Brook Street and Watnall Road offices rental income	108
Transformation Team	Staffing efficiencies	12
Grants	Community and Infrastructure Grants (net)	5
		805

3.4 Factoring in the above proposed Investments and Savings/Efficiencies, the proposed Annual Revenue Budget for 2022/23 is shown in Table 3 below:

Table 3 – Annual Revenue Budget by Directorate 2022/23

Directorate	£'000
Place & Communities	8,307
Resources & Business Transformation	-555
Legal & Governance	1,832
Housing & Assets	2,211
Chief Executive	642
Sub Total - Directorates	12,437
Net Recharges In/Out	-2,927
Borrowing & Capital Financing Costs	2,844
Net Interest Payable	20
Transfers to Earmarked Reserves	3,082
TOTAL	15,456

3.4 Table 4 below shows how the proposed 2022/23 Annual Revenue Budget is funded:

Table 4 – Funding the 2022/23 Annual Revenue Budget

Funding Source	£'000
New Homes Bonus	-486
Revenue Support Grant	-204
Lower Tier Services Grant	-177
Services Grant (One off)	-268
Net Business Rates / Section 31b Grants	-7,443
District Council Tax	-6,656
Council Tax Collection Fund Surplus	-39
Use of Earmarked Reserves (Confirmed)	-183
TOTAL	-15,456

3.5 General Fund Earmarked Reserves

Table 5 below shows the planned movement in General Fund Earmarked Reserves:

Table 5 – Known and Planned Movement in General Fund Earmarked Reserves

Movement on Earmarked Reserves	Balance as at 1st April 2021	Transfer to Reserve 2021/22	Transfer from reserve 2021/22	Expected Balance as at 31st March 2022	Transfer to Reserve 2022/23	Transfer from Reserve 2022/23	Expected Balance as at 31st March 2023
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
District Planning Inquiry / Local Plan	312	0	80	232	39	183	88
Elections	64	54	0	118	74	0	192
Harold Farr Bequest	2	0	0	2	0	2	0
Asset Repair & Renewal Reserve	742	0	0	742	0	0	742
LAMS Reserve	76	0	0	76	0	0	76
Joint Crematorium Reserve	576	0	0	576	0	0	576
Insurance Related Funds	389	75	45	419	75	0	494
Revenue Grant Reserve	3,727	0	854	2,873	0	0	2,873
NNDR Equalisation Reserve	2,125	0	0	2,125	1,649	0	3,774

Supported Housing Reserve	18	0	0	18	0	0	18
Corporate Transformation Reserve (Indicative)	1,346	0	250	1,096	0	250	846
Commercial Property Investment Reserve	3,150	100	0	3,250	700	0	3,950
Economic Development & Place Reserve	384	0	30	354	0	0	354
Legal (ADC) Reserve	5	5	0	10	15	0	25
Winter Maintenance	5	5	0	10	5	0	15
Commercial Property Dilapidations Reserve	10	10	0	20	10	0	30
Brexit Reserve	51	0	51	0	0	0	0
Covid Reserve	886	0	0	886	0	0	886
Licensing Reserve	155	0	0	155	0	0	155
Selective Licensing Reserve (Indicative)	26	0	0	26	0	12	14
IT Reserve	0	0	0	0	15	0	15
Leisure Maintenance Reserve	201	0	0	201	500	0	701
Total	14,250	249	1,310	13,189	3,082	447	15,824

The two indicative values shown in the above table are to reflect possible movements in reserves in 2022/23. As they are indicative, they are not reflected in Table 3 (expenditure) and Table 4 (corresponding income).

3.6 Proposed transfers to Reserves

The proposed transfers to Earmarked Reserves for 2022/23 are:

- £74k to Elections reserve which includes an annual contribution to the 4 yearly District elections and a contribution towards costs of potential future By-elections.
- £75k annual contribution to the General Fund Insurance Reserve to meet costs of self-insurance.
- £39k contribution to the District Planning Inquiry Reserve to meet costs which will materialise in 2023/24.

- £700k to the Commercial Property Investment Reserve to help mitigate potential future risks in respect of business failure resulting in void occupancy periods. Following review of the properties in the portfolio and the timing of break clauses, it is considered appropriate in the short term to build this reserve up to £3.95m.
- £30k transfer to the reserves; Legal (£15k), Winter Maintenance (£5k) and Commercial Property Dilapidations (£10k).
- £15k transfer to the IT reserve to help meet ad-hoc revenue purchases as they are required. During the Base Budget Review it was identified that this was the most efficient way of funding these purchases rather than having an annual revenue budget. Cabinet is asked to approve the creation of this reserve.
- £500k transfer to the Leisure reserve to recognise income that would be received in year one which needs to be matched with borrowing expenditure in later years. (MRP starts to be incurred the year after the asset is created).
- £1.649m transfer to the Business Rates Equalisation Reserve. This largely represents the Business Rates income from Amazon for the last 18 months and will assist in smoothing funding pressures from 2023/24 when it is expected that the level of business rates funding for the Council will be significantly reduced as the Government realigns resources to 'assessed need'.

3.7 Proposed transfers from Reserves

The proposed transfers from Earmarked Reserves for 2022/23 are:

- £183k from the District Planning Inquiry / Local Plan Reserve to fund the evidence base required for the development of the Local Plan.
- £2k from Harold Farr Reserve to meet costs to be incurred in 2022/23.
- There will be a requirement to utilise the Corporate Transformation Reserve during 2022/23 to progress the pace of delivering our Digital Service Transformation programme. The required level of funding cannot be confirmed at this stage so an estimate of £250k has been included to ensure a probable movement on this reserve is reflected.
- £12k indicative transfer from the Selective Licensing Reserve to meet additional short-term costs in 2022/23.

3.8 General Reserve

As at 31st March 2021 the balance on the General Reserve was £7.901m. **In setting the proposed budget for 2022/23 there is no proposed withdrawal of funding from the balance of the General Reserve.**

4. Housing Revenue Account (HRA)

- 4.1 Local housing authorities are required by Section 74 of the Local Government and Housing Act 1989 (the 1989 Act) to keep a Housing Revenue Account (HRA). The HRA reflects a statutory obligation to account separately for local authority housing provision. It identifies the major elements of housing revenue expenditure such as maintenance, administration, and contributions to capital costs and how these are funded, mainly being from housing rent.
- 4.2 The proposed 2022/23 Annual HRA Budget includes a number of Investments and Savings/Efficiencies. These are set out in tables 6 and 7 below.
- 4.3 The proposed budget assumes a 1.75% pay increase for staff for 2021/22 (still yet to be agreed) and a further 2% pay award for 2022/23, funding for increments and contractual inflation. The 2022/23 Budget also includes any revenue implications from the proposed Capital Programme yet to be approved by Council.

Table 6 – HRA Investments 2022/2023

Investment	Detail	£'000
Consumer Standards Lead Officer	New post to oversee regulatory compliance within the Housing Department in line with the Social Housing White Paper.	50
Maintenance Operative	New post to fulfil the requirements of the Social Housing White Paper in terms of safety to provide a dedicated resource to focus on a rolling installation / replacement programme of Carbon Monoxide detectors and smoke alarms.	26
TOTAL		76

Table 7 – HRA Savings/Efficiencies 2022/23

Saving/Efficiency	Detail	£'000
Relocation of Housing Staff	Brook Street Office rented out to DWP – staff relocated to Urban Road	215
Staff Establishment	Lettings Service Review - reduced by 1 Admin post	24
Staff Establishment	Housing Administration – reduced by 1 Senior Admin post	32
TOTAL		271

4.4 2021/22 Revised HRA Budget and Proposed 2022/23 HRA Budget

Table 8 - Revised HRA Budget 2021/22 and the proposed HRA Budget for 2022/23

Description	2021/22 Revised Budget £'000	2022/23 Original Budget £'000
Income		
Rents, Charges and Contributions	(24,772)	(25,838)
Interest and investment income	(16)	(10)
Total Income	(24,788)	(25,848)
Expenditure		
Repairs and Maintenance	7,858	8,062
Supervision and Management	4,462	4,386
Interest payable and similar charges	3,548	3,548
Rents, Rates, Taxes, and other charges	196	149
Depreciation and impairments of fixed assets	3,884	3,947
Debt Management Costs	44	44
Contribution to the Bad Debt Provision	200	200
Transfer to Major Repairs Reserve	0	5,997
Capital expenditure funded by the HRA	4,690	9,201
Total Expenditure	24,882	35,534
Net Cost of HRA Services	94	9,686

The main changes to the above budget for 2022/23 are:

Increased rental income from tenants from the approved new charges for rents, amenity and service charges.

Transfer to Major Repairs Reserve due to the difficulties in acquiring raw materials and labour shortages for the 2021/22 programme. This has pushed some of the planned programme back into 2022/23. Capital expenditure funded by the HRA in 2022/23 with further development of new affordable housing schemes which are due to commence, with some funding coming from Homes England Grant and the remainder funded by HRA reserves.

4.5 The 2021/22 Revised Budget above includes the proposed HRA Capital Scheme budget changes for 2021/22 proposed in Section 5 of this report.

The HRA uses a sophisticated 30-year business planning model. This enables the impact of various changes in income and expenditure to be monitored across a 30-year timespan.

Whilst there is not an immediate risk to the HRA within the short term the Council must be mindful savings are required within the service itself and from those services and funds that receive contributions from the HRA as well as a potential need to scale back capital investment within existing properties. Housing services have continued to make year on year savings within its operating and capital budgets.

Even though the HRA borrowing cap ended in October 2018, the current financial position of the HRA cannot sustain further additional debt repayments.

4.6 Possible Future impacts on the HRA

Social Housing White Paper – Charter for Social Housing residents

The paper was published by the Ministry of Housing, Communities and Local Government (MHCLG) (now known as Department for Levelling Up, Housing and Communities) on 17th November 2020. It is the follow up to the Social Housing Green Paper that was published in August 2018, both of which are part of the Government's response to the Grenfell Tower tragedy and the Hackitt Review of building safety and fire safety.

An action plan has been created and was reported to Cabinet in December 2021. To date the action plan has required two new posts to be established and built into the 30-year business plan. This action plan will continue to be monitored and be developed through the Housing and Assets' Departmental Management Team (DMT) overseen by the Corporate Leadership Team (CLT) and Portfolio Member for Housing and Assets. The action plan highlights the areas within the White Paper and specific Consumer Standards that are being met and identifies gaps where service areas will need to ensure work continues to remain compliant.

Carbon Zero by 2050

Under legislation passed in 2019, the UK is legally obliged to reach net-zero carbon emissions by 2050. There are a huge variety of factors that could influence how much it will eventually cost to retrofit the entire housing stock to zero-carbon standards. The age and composition of stock, existing maintenance plans and the cost of technology are all factors going forward. Based on £20,000 costs per property for carbon zero by 2050 and without Government funding, the carbon zero target cannot be met within the current self-financing model of the HRA.

4.7 HRA Earmarked Reserves

Table 9 below shows the already approved movements in the HRA earmarked reserves in 2021/22 and those proposed for 2022/23:

Table 9 – HRA Earmarked Reserves

Movement in Earmarked Reserves	Bal. as at 1st April 2021/22	Transfer to Reserve 2021/22	Transfer from reserve 2021/22	Forecast Bal. as at 31st March 2022	Transfer to Reserve 2022/23	Transfer from Reserve 2022/23	Forecast Bal. as at 31st March 2023
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revenue Grants Reserve	25	0	0	25	0	0	25
Eco Funding Reserve	263	0		263	0	0	263
Insurance Reserve	192	0	-5	187	0	-20	167
Corporate Change Reserve	192	0	0	192	0	0	192
Technology Investment Reserve	28	0	-4	24	0	-24	0
Welfare Reform Reserve	200	0	-40	160	0	-100	60
Total	900	0	-49	852	0	-144	708

4.8 Planned Movement in HRA Earmarked Reserves 2022/23

The HRA insurance reserve was established in 2016/17 to fund any damage to the Council's housing stock. All housing stock damage claims will go against the HRA insurance reserve, which was agreed to have a contribution of £50k per annum for the financial years 2016/17 through to 2020/21. This has been reviewed this year and based on average use of the fund over the last 5 years no contribution is required in 2022/23 or the following two years. This will be reviewed again at the end of 2022/23 in readiness for the next budget cycle.

The Technology Investment reserve was set up to support the upgrading of out of date technology, to support the introduction of new technology, to support the move to digital delivery of services and improve customer experience and to support the move to more agile working. £252k of the reserve has been utilised for a Dynamic Resource Scheduler, Repairs Module and Mobile licencing in housing repairs and management as approved by Cabinet at its meeting on 21/01/2019. This investment has produced efficiency savings from 2020 onwards that will return the initial investment over three years. The systems and software implementation have been completed on this scheme leaving £24k towards the interface between the project planner and total mobile and a pre/post inspection module.

The Welfare Reform Reserve was created to support and react to the high volume of issues raised with the roll out of Universal Credit (UC) that commenced in November 2018. There is a planned full migration across to UC which will impact on the HRA, with the view to complete the whole process nationally by September 2024. This would

require additional resources to manage the large-scale increase in claimants and to provide the necessary support. Additional resource has been used this financial year for the work that has been suspended under the Covid restrictions.

5. Capital Programme 2021/22 to 2025/26

5.1 The proposed Capital Programme and funding is summarised in Table 12 below. Appendix 1 shows a detailed breakdown of all the schemes below.

The three areas of the Capital Programme (Area Schemes, General Fund and HRA) are discussed in more detail below.

Table 12 – Capital Programme (2021/22 to 2025/26)

	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000
Capital Expenditure						
Area Schemes	1,056	54	0	0	0	1,110
General Fund	28,275	20,313	2,095	3,229	1,368	55,280
Housing Revenue Account	10,742	24,394	18,868	14,337	13,713	82,055
Grand Total	40,073	44,761	20,963	17,566	15,081	138,445
Capital Financing						
Developers Contributions - Area Schemes	531	20	0	0	0	551
Borrowing	187	0	0	0	0	187
Capital Receipts	69	0	0	0	0	69
Other Capital Grants and Contributions - Area Schemes	269	34	0	0	0	303
Sub Total - Area Schemes	1,056	54	0	0	0	1,110
Prudential Borrowing - General Fund	16,974	13,032	767	2,107	246	33,126
Direct Revenue Financing - General Fund	120	500	0	0	0	620
Developers Contributions - General Fund	22	118	0	0	0	140
Capital Receipts	977	500	0	0	0	1,477
Other Capital Grants and Contributions - General Fund	10,182	6,163	1,328	1,122	1,122	19,917
Sub Total - General Fund	28,275	20,313	2,095	3,229	1,368	55,280
Funded from HRA Reserves	8,883	19,145	15,748	13,057	12,433	69,267
Homes England	900	1,910	1,840	0	0	4,650
Green Homes Grants	407	23	0	0	0	430
Developers Contributions - Housing Revenue Account	0	200	0	0	0	200
Future 1-4-1 Capital Receipts Funding Recently Built and New Schemes	548	480	400	400	400	2,228
Non 1-4-1 Capital Receipts	4	2,636	880	880	880	5,280
Sub Total - HRA	10,742	24,394	18,868	14,337	13,713	82,055
Grand Total	40,073	44,761	20,963	17,566	15,081	138,445

Area Capital Programme

5.2 These consist of mainly self-financed schemes that enhance the local environment. Developers' contributions (known as Section 106 funding) make up the largest funding source. Additional external grant funding is sought wherever possible to maximise the benefit to local communities. Area schemes are included in Table 13 below.

Table 13 – Area Schemes (2021/22 to 2025/26)

	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000
Area						
Hucknall Area	327	0	0	0	0	327
Kirkby Area	281	15	0	0	0	296
Sutton Area	324	39	0	0	0	363
Rural Area	124	0	0	0	0	124
Total	1,056	54	0	0	0	1,110
Funded by						
Borrowing	187	0	0	0	0	187
Capital Receipts	69	0	0	0	0	69
Friends of Cromford Canal	2	0	0	0	0	2
Nottinghamshire County Council (NCC)	249	0	0	0	0	249
Rural Payments Agency	5	0	0	0	0	5
Section 106	523	20	0	0	0	543
Skanska	8	0	0	0	0	8
Taylor Wimpey	5	34	0	0	0	39
Sustainable Transport S106	8	0	0	0	0	8
Total	1,056	54	0	0	0	1,110

Table 14 below shows where changes to capital schemes by Area are proposed due to project delays (slippage) or changes in project spend.

Table 14 – Area Schemes (changes in proposed expenditure)

	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000
Approved Area Scheme	977	5	0	0	0	982
Changes to Sutton Area Schemes	-34	34	0	0	0	0
Changes to Kirkby Area Schemes	-7	15	0	0	0	8
Proposed Area Schemes to be Approved	936	54	0	0	0	990

Table 15 – Area Schemes (changes to budget – by scheme)

	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000
Sutton Area						
Sudbury Drive Play Area	-34	34	0	0	0	0
Sub Total	-34	34	0	0	0	0
Kirkby Area						
Footpath Improvements Across the Larwood and Greenwood & Summit Wards	-15	15	0	0	0	0
Nuncargate Recreation Ground	8	0	0	0	0	8
Sub Total	-7	15	0	0	0	8
Grand Total	-41	49	0	0	0	8

5.3 Changes to Existing Area Projects

Table 15 above shows the proposed changes to budget on a scheme by scheme basis. Several of the schemes planned for 2021/22 are not now expected to be completed until 2022/23. The actual allocation for each project is shown at Appendix 1.

There is a minor change to the Nuncargate Recreation Ground project. An additional £8k has been added to the funding of this project from the unallocated Green Space Improvements General Fund budget.

Table 16 – Area Schemes (New Schemes)

	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000
Rural Areas						
Rurals and Open Space	120	0	0	0	0	120
Grand Total	120	0	0	0	0	120

Table 17 - Area Schemes Summary Reconciliation of Current Capital Programme to Proposed February 2022 Capital Programme

	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000
September 2021 Capital Programme	977	5	0	0	0	982
Changes to Current Projects	-41	49	0	0	0	8
New Projects	120	0	0	0	0	120
Proposed February 2022	1,056	54	0	0	0	1,110

Table 18 – General Fund Projects (changes in budget – by scheme)

	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000
Changes to Current Projects						
Green Space Improvements	-8	0	0	0	0	-8
Green Homes Grant (GF)	-208	208	0	0	0	0
Green Homes Grant (GF) (2)	-26	17	0	0	0	-9
Hucknall Leisure Centre - New Pool	-94	94	0	0	0	0
Kings Mill Reservoir Car Park Expansion	-192	192	0	0	0	0
Kirkby Leisure Centre	-3,100	3,100	0	0	0	0
New Servers	0	0	0	20	20	40
Officers' IT for Agile Working (General Fund)	0	0	40	40	40	120
Purchase of Vehicles	-918	948	0	0	0	30
Towns Fund Projects	239	0	0	0	0	239
Tree Planting and Habitat Improvements, Ashfield-Wide	-25	25	0	0	0	0
Grand Total	-4,332	4,584	40	60	60	412

5.4 Table 18 above shows the proposed changes to budget on a scheme by scheme basis. Several of the schemes planned for 2021/22 are not now expected to be completed until 2022/23.

Key changes to Existing General Fund Projects are:

- **Green Space Improvements** – Scheme reduced in value to offset increase in cost of Nuncargate Recreation Ground Scheme (please see above).
- **Green Home Grants** – It is not expected that these will be completed by the end of the current financial. The grant conditions require that works must be completed by 31st March 2022. Due to events outside the control of local authorities it is hoped that the deadline will be extended. If this does not happen then the works proposed for 2022/23 will be removed from the Capital Programme.
- **Hucknall Leisure Centre – New Pool** - part of the scheme cost re-profiled to the next financial year.
- **Kings Mill Reservoir Car Park Extension** – Scheme delayed by one year.
- **Kirkby Leisure Centre** – part of the scheme cost re-profiled to the next financial year.
- **New Servers** – £20k annual requirement for new servers has been extended for a further two years.
- **Officers' IT for Agile Working (General Fund)** – £40k annual requirement for new servers has been extended for a further three years.
- **Purchase of vehicles** – Vehicles expected to be delivered in 2021/22 are now to be received in 2022/23. An additional vehicle is to be purchased from the capital receipt received from a recently disposed vehicle.
- **Towns Fund Project** – The detailed business cases have been approved for Visitor Digital Offer and Portland Square Refurbishment Project and funding will be received in 21/22.
- **Tree Planting and Habitat Improvements, Ashfield-Wide** – This project is not now expected to be completed until the next financial year.

The actual allocation for each project is shown at Appendix 1.

- 5.5 The Council has successfully secured a Town Deal for both Kirkby-in-Ashfield and Sutton-in-Ashfield from the Towns Fund, securing £62.7m for 17 schemes. The Council is developing full business cases for each scheme, in accordance with the timeframes set by Central Government. The Council has already received accelerated funding of £1.5m (£750k each for Sutton and Kirkby) in 2020/21 and £3.150m, a 5% upfront payment in 2021/22, to enable the schemes to progress, and now Visitor Digital Offer and Portland Square Refurbishment schemes have been fully approved and are being progressed.

Table 19 – New General Fund Schemes

	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000
New Projects						
Titchfield Park CCTV	19	0	0	0	0	19
Grand Total	19	0	0	0	0	19

- 5.7 The new General fund scheme is for two CCTV columns within the grounds of Titchfield Park.

Table 20 - General Fund Schemes Summary Reconciliation of Current Capital Programme to Proposed February 2022 Capital Programme

	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000
Current Capital Programme	32,588	15,729	2,055	3,169	1,308	54,849
Changes to Current Projects	-4,332	4,584	40	60	60	412
New Schemes	19	0	0	0	0	19
Proposed February 2022 Capital Programme	28,275	20,313	2,095	3,229	1,368	55,280

Table 21 – General Fund – Financing of the Capital Programme

The table below show the changes in financing required to move from the existing Capital Programme to the proposed 2021/22 – 2025/26 Capital Programme.

	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000
Current Capital Programme	32,588	12,729	2,055	3,169	1,308	51,849
Capital Grants	-11	241	0	0	0	230
Capital Receipts	27	500	0	0	0	527
Direct Revenue Financing -						
General Fund	19	500	0	0	0	519
Prudential Borrowing	-4,315	6,318	40	60	60	2,163
Developers Contributions -						
General Fund	-33	25	0	0	0	-8
Proposed February 2022 Capital Programme	28,275	20,313	2,095	3,229	1,368	55,280

5.8 Housing Revenue Account (HRA) Capital Programme

There have also been changes to the profiling of the HRA capital schemes.

Key changes to existing schemes are as follows:

- **Decent Homes Schemes** – The profiling of expenditure has been changed due to difficulties in acquiring raw materials and due to labour shortages. There are currently no changes to the overall cost of these schemes during the five year capital programme.
- **Affordable Housing Development – Wesley Street, Annesley** – This scheme has now been withdrawn from the capital programme.
- **Affordable Housing Developments – Sutton in Ashfield** – This project is not expected to be completed until 2022/23.
- **Davies Avenue Housing Project Frog Hopper Lane**– This project is not expected to be completed until 2022/23.
- **Green Homes Grants** – Similarly to the General Fund. The HRA scheme is not expected to be completed before the end of March 2022. If the deadline for expenditure of the grant is not extended beyond March 2022 then 2022/23 scheme costs will be removed from the capital programme.
- **Housing Vehicles** – Expenditure on some of the housing vehicles has been bought forward by one year.
- **Hucknall Infill Sites** – More works are expected to be completed in 2021/22 therefore monies transferred from 2022/23 budget to 2021/22.
- **Investment in New or Existing Council Dwellings** – £200k expenditure on dwellings planned for 2021/22 has now been delayed until 2022/23.
- **Major Repairs Temporary Accommodation** – Expenditure less than anticipated in 2021/22. Unspent 2021/22 amounts to be spread over the period 2022/23 to 2025/26.
- **Maun View Sutton-in-Ashfield** – Works planned for 2021/22 now delayed until 2022/23.
- **Northern View Sutton-in-Ashfield** – Works not now expected to commence until 2022/23.
- **Officers' IT for Agile Working (HRA)** – Expenditure originally planned for 2021/22 has been re-profiled to be spent in future years.

Full details of the HRA Capital Programme are shown in Appendix 1.

Table 22 – Housing Revenue Account (changes to budget)

	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	Total £'000
Expenditure Approved	17,894	21,034	18,704	14,164	12,234	84,030
Changes to Current Projects						
Decent Home Schemes						
Management Fee	0	0	0	0	0	0
Catch up and Major Repairs	-1,553	-472	256	258	1,512	0
Service Improvements	-90	90	0	0	0	0
Contingent Major Repairs	-10	10	0	0	0	0
Exceptional Extensive Works	-1,226	1,226	0	0	0	0
Disabled Adaptations	-216	424	-78	-90	-40	0
Sub Total	-3,095	1,277	178	168	1,472	0
Other Housing Revenue Account Schemes						
Affordable Housing Development – Wesley Street, Annesley	-198	-1,726	-60	0	0	-1,984
Affordable Housing developments - Sutton-in-Ashfield	-122	122	0	0	0	0
Davies Avenue Housing Project - Frog Hopper Lane	-2,288	2,288	0	0	0	0
Green Homes Grant (HRA) (1)	-65	65	0	0	0	0
Green Homes Grant (HRA) (2)	9	0	0	0	0	9
Housing Vehicles	52	-52	0	0	0	0
Hucknall Infill Sites	100	-100	0	0	0	0
Investment in New or Existing Dwellings	-200	200	0	0	0	0
Major Repairs Temporary Accommodation	-26	6	7	6	7	0
Maun View Sutton-in-Ashfield	-976	976	0	0	0	0
Northern View, Sutton-in-Ashfield	-303	303	0	0	0	0
Officers' IT for Agile Working (HRA)	-40	0	40	0	0	0
Sub Total	-4,057	2,082	-13	6	7	-1,975
Grand Total	10,742	24,394	18,868	14,337	13,713	82,055
Capital Funding						
Funded from HRA Reserves	8,883	19,145	15,748	13,057	12,433	69,267
Homes England	900	1,910	1,840	0	0	4,650
Developers Contribution	0	200	0	0	0	200
Green Homes Grants	407	23	0	0	0	430
Future 1-4-1 Capital Receipts Funding Recently Built and New Schemes	548	480	400	400	400	2,228
Non 1-4-1 Capital Receipts	4	2,636	880	880	880	5,280
Total Capital Funding	10,742	24,394	18,868	14,337	13,713	82,055

6. Medium Term Financial Strategy (MTFS) Update

- 6.1 There remains significant uncertainty around the level of resources which will be available to the Council beyond 2022/23. This uncertainty is in relation to the outcome of the Fair Funding Review and the impact it will have on 'assessed need' and subsequent resource reallocation levels through the Business Rates system which is currently under review by Government, and potential changes to the distribution methodology for New Homes Bonus.
- 6.2 Because of the above significant uncertainty, indications of the future financial challenge for the Council (like all other Councils) will potentially be subject to considerable variation. However, based on use of the LG Futures financial model and our current estimate of expenditure required for the next five years the current estimated funding gaps are shown in Table 23 below:

Table 23 – MTFS Estimated Funding Gap 2022/23 to 2024/25

	2022/23	2023/24	2024/25
	£'000	£'000	£'000
Estimated Expenditure	15,456	13,267	13,311
Estimated Income	-15,456	-10,991	-11,024
Estimated Cumulative Funding Gap	0	2,276	2,287
Estimated Annual Funding Gap	0	2,276	11

- 6.3 The above estimated funding gaps from 2023/24 currently include the following annual assumptions (which may change on further review):
- Pay inflation (2%)
 - Superannuation back-funding (3.6%)
 - Contract Inflation (2.4%)
 - Utilities Inflation (5%)
 - Insurance (2%)
 - No allowance for any inflationary increase in District Council Tax increase from 2022/23
 - No allowance for any growth in the Council Tax Base (Number of properties)

The above estimated funding gaps also assumes that there will be no future New Homes Bonus receipts (the outcome of the consultation is not yet known in terms of whether if and how this funding may be distributed into the future). It also assumes that the Lower Tier Services Grant and the one-off Services Grant announced for 2022/23 will also both cease with no replacement funding.

The MTFS document (Appendix 2) models potential variations to the above assumptions.

The MTFS (Appendix 2) provides details of the financial implications of varying the Council Tax inflation rate assumption by up to £5 per year and by increasing the Council Tax base by up to 1.25% per year.

- 6.4 The Corporate Leadership Team (CLT) and Cabinet continue to meet regularly to identify and agree options to address this estimated financial challenge in the MTFS for 2023/24 and beyond; ensuring the Council has a sustainable future.
- 6.5 Consideration will be given to options for additional income generation, the identification of efficiencies (service reviews, procurement savings, asset rationalisation, alternate service delivery models, etc.) and potential savings through Invest to Save – in particular via the Council's Digital Transformation Programme.
- 6.6 Consideration will also be given to the use of one-off reserves to smooth the delivery of savings to address the financial challenge over the next few years. The MTFS attached at Appendix 2 provides examples of some options to achieve this.

7. Section 151 Officer Comments

- 7.1 Section 25 of The Local Government Act 2003 requires that the 'Chief Financial Officer' (The Corporate Finance Manager at Ashfield District Council) reports to Council on the following matters in making decisions on the budget and financial strategy:

The robustness of the estimates made for the purposes of the calculations; and
The adequacy of the proposed financial reserves.

It is also recognised good financial management for the Council to identify target levels for reserves and balances that are based on a thorough understanding of its risks and needs.

- 7.2 The content of this report is the mechanism by which positive assurances are made by the Corporate Finance Manager about the adequacy of the proposed financial reserves.
- 7.3 The Corporate Finance Manager gives his assurance that the budget estimates for 2022/23 are robust. There is a forecast deficit in future years as public sector funding is expected to get tighter and there is recognition that this will have to be addressed for the Council to remain sustainable in the longer term but that there are options available for development, consideration and subsequent implementation to do this. Early progress of any of the supported options during 2022/23 may also deliver in year savings.
- 7.4 The key fundamental principles which underpin the Corporate Finance Managers' assurances are:
 - Directorates manage their finances within the clearly defined cash limited budgets within this report.
 - The Council recognises the need to explore income and savings options to ensure the future financial sustainability of the organisation.
 - The General Reserves (General Fund) Minimum Balance is maintained at its current level and is not called upon for other purposes save in exceptional circumstances with the agreement of the Leader of the Council, Chief Executive and the Corporate Finance Manager and approved by the appropriate body of the Council in accordance with the Constitution.
 - In considering the robustness of the Budget for 2022/23 account has been taken of the potential need to call on funding from the Corporate Transformation Earmarked Reserve.

Implications

Corporate Plan:

The proposed 2022/23 General Fund budget, HRA Budget and the 2021/22 to 2025/26 Capital Programme reflect the priorities in the Corporate Plan.

The financial position of the HRA has a direct impact on the Corporate Plan. Sustainability of the HRA will assist in maintaining existing homes and increase the supply of affordable homes within the District in the future.

Legal:

When setting the Revenue Budget and Council Tax the Council has various legal and fiduciary duties. The Council is required by the Local Government Act 1992 to make specific estimates of gross revenue expenditure and anticipated income leading to the calculation of the Council Tax Requirement and the setting of the overall Budget and Council Tax for the year. The amount of the council tax requirement must be sufficient to meet the Council's legal and financial commitments, ensure proper discharge of its statutory duties and lead to a balanced budget.

In exercising its fiduciary duty, the Council should be satisfied that the proposals put forward are a prudent use of the Authority's resources in both the short and long term; that the proposals strike the right balance between the interests of Council Tax payers and ratepayers on the one hand and the community's interests in adequate and efficient resources on the other; and that they are acting in good faith for the benefit of the community whilst complying with all statutory duties. It is believed that the proposals in this Budget Report do strike that right balance.

All capital projects require input from Legal Services in relation to contracts. The Council must ensure that robust contractual arrangements are in place, specifications are clearly defined, and it is clear which project risks are the responsibility of the Contractor and which remain with the Council. This is to avoid potential contractual disputes and to limit the potential financial impact on the Council should they arise.

The Council is required by the LGHA 1989 to have a separate Housing Revenue Account.

If supported by Cabinet, this report will require approval by Council as this forms part of the Council's Budgetary Framework (Financial Regulation B.1 and Article 4 of the Constitution). [RLD 11/02/2022].

Finance:

Budget Area	Implication
General Fund – Revenue Budget	As set out in the body and appendices of this report.
General Fund – Capital Programme	As set out in the body and appendices of this report.
Housing Revenue Account – Revenue Budget	As set out in the body and appendices of this report.
Housing Revenue Account – Capital Programme	As set out in the body and appendices of this report.

Risk:

Risk	Mitigation
That the budget set may be insufficient to provide the required services and subsequently services overspend.	Monthly budget monitoring arrangements are in place with reports produced monthly from June onwards for CLT and periodically for Cabinet. Any pressures and potential mitigation of pressures is included in these reports.
The funding assumptions for the level of central Government funding from 2023/24 in the MTFS may vary once known.	There is significant uncertainty around the level of central Government funding beyond 2022/23 however the assumptions included in this report are prudent. As clarity is provided on future funding this will be reported through to CLT and Cabinet.

Human Resources:

There are no direct HR implications contained in this report.

Environmental/Sustainability

There are no environment/sustainability implications resulting from the recommendations detailed in this report.

Equalities:

Projects within the Capital Programme will ensure that as far as possible Council buildings and facilities are accessible, to enable all users to access Council services. In addition, the various projects within the Council's Digital Transformation Strategy will ensure that individual customer needs are optimised.

Other Implications:

None

Reason(s) for Urgency

Not Applicable

Reason(s) for Exemption

Not Applicable

Background Papers

2022/23 Council Tax Base report

Housing Rents report 2022/23 – Cabinet 25 January 2022

Final Local Government Settlement – 8th February 2022

Budget and Council Tax 2021/22 Report – Council 4th March 2021

CIPFA – The Prudential Code for Capital Finance in Local Authorities 2017

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