

<b>Report To:</b>	<b>Cabinet</b>
<b>Date:</b>	<b>21 FEBRUARY 2023</b>
<b>Heading:</b>	<b>ANNUAL BUDGET AND COUNCIL TAX 2023/24 AND MEDIUM-TERM FINANCIAL STRATEGY UPDATE</b>
<b>Portfolio Holder:</b>	<b>CLLR DAVID MARTIN – EXECUTIVE LEAD MEMBER FOR FINANCE, REVENUES AND BENEFITS</b>
<b>Ward/s:</b>	<b>ALL</b>
<b>Key Decision:</b>	<b>YES</b>
<b>Subject to Call-In:</b>	<b>YES</b>

## **Purpose of Report**

This report sets out the proposed:

- 2023/24 Annual Revenue (General Fund) and Housing Revenue Account (HRA) Budgets and the Capital Programme for 2022/23 to 2026/27;
- 2022/23 In-Year Revised Budgets (HRA and Capital); and
- 2023/24 Proposed District Council Tax

The report also sets out the estimated financial challenge in the Medium-Term Financial Strategy (MTFS) for 2024/25 to 2026/27 and the Chief Finance Officer's advice regarding the robustness of the estimates included in the proposed 2023/24 Budget, and the adequacy of reserves for which the proposed budget provides.

## **Recommendation(s)**

**That Cabinet recommends to Council:**

- 1. Approval of a £5.75 annual increase in the level of the District's own Council Tax for 2023/24, setting the Band D equivalent at £201.21. This represents a 2.94% increase compared with 2022/23.**
- 2. Approval of the proposed 2023/24 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 2022/23 to 2026/27 as set out in this report. (Section 5).**
- 4. Approval of the 2022/23 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, Nottinghamshire Police and Crime Commissioner and the two Parish Councils within the District be incorporated, when known, into the Council Tax recommendation to Council on 2nd March 2023.**
- 6. That it notes the estimated financial challenge in the Medium-Term Financial Strategy (MTFS) for 2024/2025 to 2026/27 and the planned approach to address the challenge. (Section 6).**
- 7. Approval of the proposed use of reserves as set out in this report. (Table 5 (General Fund) and Table 9 (HRA)).**
- 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 2023/24 Budget and the adequacy of the reserves for which this budget provides. (Section 7).**
- 9. Notes that the proposed 2023/24 budgets reflect the agreed changes to Fees and Charges approved by Cabinet on 24th January 2023.**

## **Reasons for Recommendation(s)**

In accordance with the Local Government Finance Act 1992 the Council must set its annual budget by 10<sup>th</sup> 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 3.00% or £5 per annum without triggering a referendum. The proposal is to apply the £5.75 (2.94%) annual increase to the level of District Council Tax for 2023/24. The Council, like all businesses, has seen significant inflationary increases to its pay, energy, fuel and contracts budgets in recent months and this is set to continue. The Council also has a significant estimated funding gap for 2024/25 and beyond and this proposed modest Council Tax increase will, with its compounding effect, help to mitigate future funding pressures. The proposed increase also recognises the recommendation in relation to Council Tax from the recent Local Government Association Finance Health check held in December 2021.

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, compounded by the current and forecast levels of inflation in the economy which have created a cost of living crisis, and which it will need to address into the medium and longer term.
- 1.3 Although this report contains proposals to balance the 2023/24 revenue budget it is essential that the Council's senior management continues to work with the appointed Cabinet after the May 2023 District elections to identify and agree options to address the estimated financial challenge in the Medium-Term Financial Strategy for 2024/25 and beyond; ensuring the Council has a sustainable future.
- 1.4 The proposed 2023/24 Budget reflects the impact of both the Provisional and Final Local Government Finance Settlements, including the Government's decision to extend payment of the Revenue Support Grant (RSG) and Services Grant, and the introduction of a one-off Funding Guarantee for 2023/24. As the Government has again provided only a one-year Funding Settlement, the ability for Councils to effectively financially plan into the medium term is significantly compromised. The Government has now said that Local Government Funding Reform will take place in 2025/26 at the earliest.
- 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.

## **2. District Council Tax 2023/24**

- 2.1 Ashfield District Council is proposing a £5.75 annual increase to its own Council Tax. This would set the District's Council Tax level (Band D equivalent property) at £201.21 for 2023/24; this represents a 2.94% increase. As most properties in the District are in Bands A and B they will see a much smaller annual increase than £5.75.
- 2.2 This proposed District Council Tax increase is reflected in the proposed Annual Revenue Budget for 2023/24 shown in Section 3, Tables 4 and 5.
- 2.3 Based on the number of Band D equivalent properties in the 2023/24 Council Tax Base (34,428.3) and a District Council Tax of £201.21, this will generate District Council Tax income of £6.927m for 2023/24.
- 2.4 The proposal to increase the District Council Tax is consistent with the recommendation from the recent Local Government Association's Finance Health check undertaken in December 2021.
- 2.5 The Council like all businesses has seen significant inflationary increases over the last year causing a cost of living crisis for the nation. This modest increase will assist the Council in mitigating some of the financial pressures this has created. However, the Council also recognises that we need to protect our most financially vulnerable residents at this difficult time and so to mitigate this, the Council is proposing to again extend its Council Tax Support Scheme up to the maximum level for those residents eligible for this support.
- 2.6 Table 1 below shows the impact of the proposed annual £5.75 increase on properties in each Council Tax band in the Ashfield District. The table also shows the percentage of properties in each Band in Ashfield, and within each Band the percentage of households receiving full or partial support through our Council Tax Support Scheme.

73% of our residents live in a Band A or Band B property so will see an average increase in their District Council Tax of 8 pence per week, and 37% of those in Band A and Band B properties will receive full or partial support through the Council's up to 100% maximum Council Tax Support Scheme.

Additionally, our 2,400 financially vulnerable households who currently receive partial support from the Ashfield Council Tax Support Scheme will receive one-off additional support in 2023/24. This support will also be made available during the year to any households who qualify for Council Tax support during the course of the year.

**Table 1 – Proposed Council Tax Increase and Council Tax Support by Band**

Council Tax Property Band	Annual increase in District Council Tax	Weekly increase in District Council Tax		% of Properties in the Band	% of Properties in the Band receiving full or partial Council Tax Support
A	£3.83	7 pence		53%	27%
B	£4.47	9 pence		20%	10%
C	£5.11	10 pence		16%	6%
D	£5.75	11 pence		8%	3%
E	£7.03	14 pence		3%	2%
F	£8.31	16 pence		1%	1%
G	£9.58	18 pence		0%	3%
H	£11.50	22 pence		0%	0%

### 3. Annual Revenue Budget 2023/24

- 3.1 The proposed 2023/24 Annual Revenue Budget includes a number of Investments, Savings/Efficiencies and additional income generation. These are set out in tables 2 and 3 below.
- 3.2 The proposed Revenue Budget is based on the Council's approved staffing structure from April 2023 and assumes a budgeted 5% pay increase for staff for 2023/24 (still yet to be determined). If the pay award is settled at less than 5% budgets will be reduced accordingly. If the pay award is settled at above 5% budgets will be adjusted accordingly with the funding being transferred from the General Reserve. (For the General Fund a +/-1% variation equates to £176k). Energy costs (Gas and Electricity) for 2023/24 have been budgeted for in accordance with advice from the Council's Energy team. The proposed 2023/24 Budget also includes any revenue implications from the proposed Capital Programme yet to be approved by Council on 2nd March 2023.

**Table 2 – Investments 2023/24**

			<b>2023/24</b>
<b>Investment</b>	<b>Detail</b>	<b>Link to Corporate Priorities / Themes</b>	<b>£'000</b>
Community Safety	Public Space Protection Order – annual maintenance costs (Cabinet report 24/01/23)	Safer and Stronger / Cleaner and Greener	1
Procurement	Additional estimated cost of re-procuring Procurement Service. (Notts City Council terminated the service on 6 February 2023 effective from 31 March 2023).	Innovate and Improve	50
Planning	Loss of income from Land Charges as service transfers to His Majesty's Land Registry from April 2023	Economic Growth and Place	10
Asset Management	Local Authority Energy Plan across the Devolved area (Nottinghamshire and Derbyshire). Exploration of potential pathways and considering a range of technologies and scenarios which, when combined with stakeholder engagement, leads to the identification of the most cost-effective preferred pathway and sequenced plan of proposed actions to achieving an area's net zero goal. (One off funding from reserves).	Cleaner and Greener / Decarbonisation / Carbon Net Zero 2050	82
Digital Transformation	Additional resource to progress Digital Transformation at a pace to deliver efficiencies more speedily	Innovate and Improve / Invest to Save	88
HR/Payroll	Renewed Shared Service arrangement with Mansfield DC including implementation of a new HR system. (Costs in 2023/24 (Part Year Effect) £6k, followed by annual savings of £7k thereafter	Innovate and Improve / Invest to Save	6
Finance	Implementation of a new Finance system with increased functionality	Innovate and Improve / Invest to Save	43
<b>TOTAL</b>	<b>NB: (£88k being non-recurrent)</b>		<b>280</b>

**Table 3 – Savings/Efficiencies 2023/24**

<b>Saving / Efficiency</b>	<b>Detail</b>	<b>Link to Corporate Priorities / Themes</b>	<b>2023/24</b>
			<b>£'000</b>
Planning Fee Income	Additional income based on up to date demand levels for planning applications	Economic Growth and Place	100
Customer Services	Savings generated from the review of the Service during 2022/23	Innovate and Improve / Invest to Save	51
Leisure	Additional income from Photovoltaics Panels on Leisure Centres not included in the Leisure Operating Contract	Cleaner and Greener / Decarbonisation / Carbon Net Zero 2050	60
<b>TOTAL</b>			<b>211</b>

3.3 Factoring in the above proposed Investments and Savings/Efficiencies, the proposed Annual Revenue Budget for 2023/24 is shown in Table 4 below:

**Table 4 – Annual Revenue Budget by Directorate 2023/24**

<b>Directorate</b>	<b>£'000</b>
Place & Communities	9,697
Resources & Business Transformation	726
Legal & Governance	2,152
Housing & Assets	2,596
Chief Executive	728
<b>Sub Total - Directorates</b>	<b>15,899</b>
Net Recharges In/Out	-3,327
Borrowing & Capital Financing Costs	3,731
Net Interest Payable	31
Transfers to Earmarked Reserves	834
<b>TOTAL</b>	<b>17,168</b>

3.4 Table 5 below shows how the proposed 2023/24 Annual Revenue Budget is funded:

**Table 5 – Funding the 2023/24 Annual Revenue Budget**

<b>Funding Source</b>	<b>£'000</b>
New Homes Bonus	-170
Revenue Support Grant	-397
Funding Guarantee	-466
Services Grant	-157
Net Business Rates / Section 31b Grants	-7,981
District Council Tax	-6,927
Council Tax Collection Fund Surplus	-36
Use of Earmarked Reserves (Confirmed)	-648
Use of General Reserve	-386
<b>TOTAL</b>	<b>-17,168</b>

### 3.5 General Fund Earmarked Reserves

Table 6 below shows the planned movement in General Fund Earmarked Reserves:

**Table 6 – Known and Planned Movement in General Fund Earmarked Reserves**

<b>Movement on Earmarked Reserves</b>	<b>Balance as at 1st April 2022</b>	<b>Transfer to Reserve 2022/23</b>	<b>Transfer from reserve 2022/23</b>	<b>Expected Balance as at 31st March 2023</b>	<b>Budgeted Transfer to Reserve 2023/24</b>	<b>Budgeted Transfer from Reserve 2023/24</b>	<b>Further estimated Use of Reserve 2023/24</b>	<b>Expected Balance as at 31st March 2024</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
District Planning Inquiry / Local Plan	232	39	(94)	177	0	0	(163)	14
Elections	118	74	(5)	187	84	(197)	(40)	34
Harold Farr Bequest	2	0	(2)	0	0	0	0	0
Asset Repair & Renewal Reserve	646	0	(6)	640	0	0	0	640
LAMS Reserve	16	0	(16)	0	0	0	0	0
Joint Crematorium Reserve	541	0	0	541	0	0	0	541
Insurance Related Funds	363	75	(162)	276	75	0	0	351
Revenue Grant Reserve	2,950	0	(622)	2,328	0	(332)	0	1,996
NNDR Equalisation Reserve	3,211	1,649	0	4,860	0	(82)	0	4,778



Supported Housing Reserve	53	0	0	53	0	0	0	53
Corporate Transformation Reserve	1,328	0	(512)	816	150	0	(587)	379
Commercial Property Investment Reserve	3,500	700	0	4,200	200	0	0	4,400
Economic Development & Place Reserve	384	0	(46)	338	0	0	0	338
Legal (ADC) Reserve	10	15	0	25	10	0	0	35
Winter Maintenance	10	5	0	15	5	0	0	20
Commercial Property Dilapidations Reserve	20	10	0	30	10	0	0	40
Covid Reserve	886	0	(519)	367	0	0	(150)	217
Licensing Reserve	214	0	0	214	0	(37)	0	177
Selective Licensing Reserve	56	16	0	72	0	0	(16)	56
IT Reserve	0	15	0	15	10	0	0	25
Leisure Maintenance Reserve	389	753	0	1,142	290	0	0	1,432
<b>Total</b>	<b>14,929</b>	<b>3,351</b>	<b>(1,984)</b>	<b>16,296</b>	<b>834</b>	<b>(648)</b>	<b>(956)</b>	<b>15,526</b>

### 3.6 Proposed transfers to Reserves

The proposed transfers to Earmarked Reserves for 2023/24 are:

- £84k 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.
- £200k 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 up this reserve.
- £35k transfer to the reserves; Legal (£10k), IT (£10k), Winter Maintenance (£5k) and Commercial Property Dilapidations (£10k).

- £290k 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).
- £150k to the Corporate Transformation Reserve to provide resource to implement key projects which will deliver service improvements to customers and wider stakeholders and deliver both cashable and non-cashable efficiencies at the earliest opportunity.

### 3.7 Proposed transfers from Reserves

The proposed transfers from Earmarked Reserves for 2023/24 are:

- Use of £197k from the Elections Reserve to hold the May 2023 District Elections with a further £40k contingency earmarked, subject to clarity on Government funding to support implementing recent Electoral requirements.
- £332k Revenue Towns Funding to meet known revenue costs of some Towns Fund projects in 2023/24.
- £82k to fund the one-off investment into the Local Authority Energy Plan included in Table 2 – Investments.
- £37k from the Licencing Reserve to fund a post within the service as set out in the business case for the creation of this post.

### 3.8 Further Estimated Use of Reserves in 2023/24

These are estimates of funding potentially required from reserves in 2023/24 to support ongoing works which cannot currently be quantified, these include the Elections contingency (referenced in 3.7 above), further work in respect of developing and adopting a Local Plan, implementation of the new Council Finance system, potential need for ongoing support from the Covid reserve for the Hotel investment property and potential funding to meet additional costs within the Selective Licencing service.

### 3.9 General Reserve

As at 31<sup>st</sup> March 2022 the balance on the General Reserve was £9.004m. **In setting the proposed budget for 2023/24 this includes the proposed use of £386k funding from 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 2023/24 Annual HRA Budget includes investment in two new posts to ensure compliance with the Social Housing White Paper. See table 7 below.
- 4.3 The proposed budget includes provision for funding for increments and contractual inflation. The 2023/24 Budget also includes any revenue implications from the proposed Capital Programme yet to be approved by Council.

**Table 7 – Proposed HRA Investments 2023/2024**

Investment	Detail	Link to Corporate Priorities / Themes	£'000
Social Housing White Paper Compliance	New posts in tenant engagement and decent homes standards	Homes & Housing	85
One off resource due to inability to recruit over last 12 months to address service backlogs	One-off funding for Stock Condition Surveyors and Domestic Energy Assessors to better inform Capital Programme requirements and meet Social Housing White Paper requirements leading to reductions in energy use and improvements to thermal efficiency.	Cleaner and Greener / Decarbonisation / Carbon Net Zero 2050	240
<b>TOTAL</b>	<b>NB: (£240k being non-recurrent)</b>		<b>325</b>

#### 4.4 2022/23 Revised HRA Budget and Proposed 2023/24 HRA Budget

**Table 8 - Revised HRA budget for 2022/23 and the proposed HRA Budget for 2023/24.**

<b>Description</b>	<b>2022/23 Revised Budget</b>	<b>2023/24 Original Budget</b>
	<b>£'000</b>	<b>£'000</b>
<b>Income</b>		
Rents, Charges and Contributions	(25,838)	(28,221)
Interest and investment income	(10)	(700)
Total Income	(25,848)	(28,921)
<b>Expenditure</b>		
Repairs and Maintenance	8,062	8,793
Supervision and Management	4,386	5,760
Interest payable and similar charges	3,548	3,548
Rents, Rates, Taxes and other charges	149	161
Depreciation and impairments of fixed assets	3,947	4,174
Debt Management Costs	44	44
Contribution to the Bad Debt Provision	200	200
Transfer to Major Repairs Reserve	0	9,897
Capital expenditure funded by the HRA	8,333	6,986
Total Expenditure	28,669	39,563
<b>Net Cost of HRA Services</b>	<b>2,821</b>	<b>10,642</b>

The main changes to the above budget for 2023/24 are:

- Increased Rental income from tenants for the approved new charges in rents, amenity and service charges.
- Increased Interest rates in the banking sector will increase the average annual interest rate on the HRA balances and is forecast to continue into 2023/24.
- The Repairs and Maintenance section of the budget has increased due to the pay award in 2022/23 and estimates for 2023/24 inflation in respect of pay, utility prices and contractor inflation increases.
- The Supervision and management section of the budget has increased due to the pay award in 2022/23 and estimates for 2023/24, for inflation for pay (5%), utility price increases and a one-off budget of £240k to assist with the Assets & Investments programme – see Table 7 above.
- Transfer to Major Repairs Reserve due to the Decarbonisation scheme affecting multiple budget lines but mainly the roofing (bad weather and unforeseen works) which subsequently delayed other work schemes. Also, general resource diversion towards HRA and GF funding bids and delivery has slowed progress on other schemes, contingency sums therefore not being required in 2022/23, and

difficulty in sourcing materials. This has pushed some of the planned programme back into 2023/24.

- Capital expenditure funded by the HRA is lower in 2023/24 reflecting the current level of approved developments of affordable housing. This figure will likely increase in the next financial year when further developments are approved.

The 2022/23 Revised Budget above includes the proposed HRA Capital Scheme budget changes for 2022/23 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 that 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.

#### 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 was created and reported to Cabinet in December 2021 and a further update was presented in June 2022. 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. Further additional posts may be required once more as the regulations unfold following legislation being approved with an implementation date highly likely to be from the start of the 2023/24 financial year.

The White Paper also proposes the development of a new Decent Homes Standard which will also incorporate 'neighbourhoods'. The exact nature of this new standard is unknown and is therefore un-costed. Any additional expenditure required to meet this new standard would be on top of the carbon net zero expenditure

##### 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 wide 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, 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 2022/23 and 2023/24:

**Table 9 – HRA Earmarked Reserves**

<b>Movement on Earmarked Reserves</b>	<b>Balance as at 1st April 2022</b>	<b>Transfer to Reserve 2022/23</b>	<b>Transfer from reserve 2022/23</b>	<b>Balance as at 31st March 2023</b>	<b>Transfer to Reserve 2023/24</b>	<b>Transfer from Reserve 2023/24</b>	<b>Balance as at 31st March 2024</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Revenue Grants Reserve	25	0	0	25	0	0	25
Eco Funding Reserve	263	0	(20)	243	0	0	243
Insurance Reserve	144	30	(50)	124	30	(30)	124
Corporate Change Reserve	192	0	(111)	81	0	0	81
Technology Investment	26	0	0	26	0	0	26
Welfare Reform Reserve	170	0	(40)	130	0	(50)	80
<b>Total</b>	<b>821</b>	<b>30</b>	<b>(221)</b>	<b>630</b>	<b>30</b>	<b>(80)</b>	<b>580</b>

#### 4.8 Planned Movement in HRA Earmarked Reserves 2023/24

Eco Funding Reserve – Funding in 2022/23 for the first-year costs of an Energy Analytics Solution. Ongoing annual costs will be incorporated into the HRA budget from 2023/24.

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. This has been reviewed this year and based on outstanding claims a contribution is confirmed as required in 2022/23. This will be reviewed again at the end of 2023/24 in readiness for the next budget cycle.

The Corporate Change Reserve has been used in 2022/23 to progress housing systems and data improvements required to meet the forthcoming Housing Regulator's requirements.

The Technology Investment reserve has mainly been used installing a Dynamic Resource Scheduler, Repairs Module and Mobile licencing in housing repairs and management approved at Cabinet in January 2019. This investment has produced efficiency savings from 2020

onwards that will return the initial investment over three years. The £26k balance will be used 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 December 2024. This would require additional resources to manage the large-scale increase in claimants and to provide the necessary support.

## 5. Capital Programme 2022/23 to 2026/27

5.1 The proposed Capital Programme and funding is summarised in Table 10 below. Appendix 1 shows a detailed breakdown of all the schemes below.

**Table 10 – Capital Programme (2022/23 to 2026/27)**

	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	Total £'000
<b>Capital Expenditure</b>						
Area Schemes	512	155	0	0	0	667
General Fund	33,599	6,671	4,640	1,354	1,108	47,372
Housing Revenue Account	20,006	24,785	15,889	15,288	14,925	90,893
<b>Grand Total</b>	<b>54,117</b>	<b>31,611</b>	<b>20,529</b>	<b>16,642</b>	<b>16,033</b>	<b>138,932</b>
<b>Capital Financing</b>						
Developers Contributions - Area Schemes	294	126	0	0	0	420
Borrowing	11	1	0	0	0	12
Capital Receipts	81	0	0	0	0	81
Other Capital Grants and Contributions - Area Schemes	126	28	0	0	0	154
<b>Sub Total - Area Schemes</b>	<b>512</b>	<b>155</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>667</b>
Prudential Borrowing - General Fund	22,165	1,749	2,107	246	0	26,267
Direct Revenue Financing - General Fund	640	0	0	0	0	640
Developers Contributions - General Fund	30	111	0	0	0	141
Capital Receipts	610	673	0	0	0	1,283
Other Capital Grants and Contributions - General Fund	10,154	4,138	2,533	1,108	1,108	19,041
<b>Sub Total - General Fund</b>	<b>33,599</b>	<b>6,671</b>	<b>4,640</b>	<b>1,354</b>	<b>1,108</b>	<b>47,372</b>
Funded from HRA Reserves	13,138	21,695	14,587	14,008	13,645	77,073
Homes England	2,089	1,650	0	0	0	3,739
Green Homes Grants	336	0	0	0	0	336
BEIS Social Housing Decarbonisation Fund	1,203	0	0	0	0	1,203
Developers Contributions - Housing Revenue Account	391	0	0	0	0	391
Future 1-4-1 Capital Receipts						
Funding Recently Built and New Schemes	209	560	422	400	400	1,991
Non 1-4-1 Capital Receipts	2,640	880	880	880	880	6,160
<b>Sub Total - HRA</b>	<b>20,006</b>	<b>24,785</b>	<b>15,889</b>	<b>15,288</b>	<b>14,925</b>	<b>90,893</b>
<b>Grand Total</b>	<b>54,117</b>	<b>31,611</b>	<b>20,529</b>	<b>16,642</b>	<b>16,033</b>	<b>138,932</b>



5.2 The above proposed capital programme includes all changes previously requested up to the end of December 2022 plus any further changes requested in January 2023.

### **Area Capital Programme**

5.3 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 grant funding is sought wherever possible to maximise the benefit to local communities. Area schemes are included in Table 11.

**Table 11 – Area Schemes (2022/23 to 2026/27)**

	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	Total £'000
<b>Area</b>						
Hucknall Area	89	20	0	0	0	109
Kirkby Area	114	121	0	0	0	235
Sutton Area	168	14	0	0	0	182
Rural Area	141	0	0	0	0	141
<b>Total</b>	<b>512</b>	<b>155</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>667</b>
<b>Funded by</b>						
Borrowing	11	1	0	0	0	12
Capital Receipts	81	0	0	0	0	81
Nottinghamshire County Council (NCC)	79	28	0	0	0	107
Section 106	286	126	0	0	0	412
Skanska	8	0	0	0	0	8
Taylor Wimpey	39	0	0	0	0	39
Sustainable Transport S106	8	0	0	0	0	8
<b>Total</b>	<b>512</b>	<b>155</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>667</b>

5.4 The significant increase in inflation is also inevitably impacting the Council's Capital Programme and will continue to do so at least for the foreseeable future. The various schemes within the programme are being reviewed to try and contain costs within approved budgets. For external schemes such as Towns Fund (TF) and Future High Streets Fund (FHSF) this includes looking at the potential to scale back elements of schemes where it may be appropriate to do so but also working with DLUHC to agree scheme variations with the associated funding variations for schemes whilst containing the overall cost within the approved TF and FHSF funding envelopes.

5.5 Where the additional costs cannot be mitigated and/or timescales for scheme implementations delayed, additional requests for funding will need to be sought through Council. It should be noted that delays to some capital schemes are being experienced due to access to available materials and appropriately skilled labour.

## 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 2023/24. The Government has now said that Local Government Funding Reform will take place in 2025/26 at the earliest. 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 12 below:

**Table 12 – MTFS Estimated Funding Gap 2023/24 to 2026/27**

	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Estimated Expenditure	17,168	16,555	17,247	17,967
Estimated Income	(17,168)	(16,129)	(12,671)	(12,741)
Estimated Cumulative Funding Gap	0	426	4,577	5,226
Estimated Annual Funding Gap	0	426	4151	649

- 6.3 The above estimated funding gaps from 2024/25 currently include the following annual assumptions (which may change on further review):

- Pay inflation (2%)
- Contract Inflation (2.4%)
- Utilities Inflation (5%)
- Insurance (2%)
- No allowance for any inflationary increase in District Council Tax increase from 2024/25
- 1% 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 Government has indicated that the future or otherwise of this funding stream will be announced during 2023/24). It also assumes that Funding Guarantee for 2023/24 (£466k) will be one-off funding as advised when the Local Government Finance Settlement was published.

- 6.4 The significant increase in the estimated funding gap from 2024/25 to 2025/26 represents the expected financial consequences of Local Government Finance Reform being implemented from 2025/26.
- 6.5 The Corporate Leadership Team (CLT) and the appointed Cabinet will continue to meet regularly to identify and agree options to address this estimated financial challenge in the MTFS for 2024/25 and beyond; ensuring the Council has a sustainable future.

- 6.6 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. Once the outcome of Local Government Funding Reform is known, depending on the size of the financial challenge, consideration will need to be given to whether or not some services will need to continue to be delivered, scaled back or even ceased.
- 6.7 Consideration will also be given to the one-off use of reserves to smooth the delivery of savings to address the financial challenge over the next few years.

## **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 2023/24 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 2023/24 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 2023/24 account has been taken of the potential need to call on funding from the Corporate Transformation Earmarked Reserve.

## **Implications**

### **Corporate Plan:**

The proposed 2023/24 General Fund budget, HRA Budget and the 2022/23 to 2026/27 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 09/02/3023]

### **Finance:** [PH 09/02/2023].

<b>Budget Area</b>	<b>Implication</b>
General Fund – Revenue Budget	As set out in the body and appendix of this report.
General Fund – Capital Programme	As set out in the body and appendix of this report.
Housing Revenue Account – Revenue Budget	As set out in the body and appendix of this report.
Housing Revenue Account – Capital Programme	As set out in the body and appendix of this report.

**Risk:**

<b>Risk</b>	<b>Mitigation</b>
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 2024/25 in the MTFS may vary once known.	There is significant uncertainty around the level of central Government funding beyond 2023/24. 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 and the MTFS updated accordingly.

**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**

2023/24 Council Tax Base report

Housing Rents report 2023/24 – Cabinet 24 January 2023

Final Local Government Settlement – 8th February 2023

Budget and Council Tax 2022/23 Report – Council 3rd March 2022

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

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