

Chichester District Council

THE CABINET

1 March 2022

Budget Spending Plans 2022-23

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2. Executive Summary

The Financial Strategy was approved by Full Council on 23 November 2021, which included the key financial principles and the rolling 5 year Financial Model that underpins the Council's approach to financial planning for the medium term.

In preparing for the 2022-23 annual revenue budget any major variances identified in this current year, which are also expected to have an ongoing impact, have been reflected in the draft budget. These include an estimation of the ongoing impact of the COVID pandemic on the Council's finances. The draft budget also considers any service delivery changes, service cost pressures, other funding pressures that are in line with the Council's key priorities, and the spending priorities identified by the Council in January, when it considered the Future Services Framework. The key major variances are set out in appendix 1 of this report.

The draft budget assumes a £5 council tax rise.

Full Council will set the budget and council tax on 8 March 2022. This report concentrates on the proposed budget spending plans, which are a robust financial estimate of the resources required to deliver council services and reflects the Final Local Government Finance Settlement for 2022-23.

3. Recommendations

3.1 That the Cabinet recommends to the Council:

- (a) That a net budget requirement of £15,015,600 for 2022-23 be approved.

- (b) That Council Tax be increased by £5.00 from £170.81 to £175.81 for a Band D equivalent in 2022-23.**
- (c) That a contribution from the General Fund Reserve of £576,100 be approved to help fund the 2022-23 budget.**
- (d) The capital programme, including the asset renewal programme (appendix 1c and 1d of the agenda report) be approved.**
- (e) That a local Council Tax Hardship Reliefs Scheme for 2022-23 giving an additional £150 deduction on council tax bills for relevant taxpayers in receipt of CTR as set out in paragraph 6.7 of this report, using the £159,916 grant received in 2021-22.**

4. Background

- 4.1 This report sets out the proposed annual budget for revenue spending for the forthcoming financial year 2022-23 and the rolling 5 year capital and asset replacement programmes. The detailed revenue budget builds upon the work undertaken for the Financial Strategy, which was considered by both the Cabinet and the Council at their respective meetings in November 2021. The proposed budget also reflects the second year's efficiency savings identified as part of the work undertaken for phases 1 and 2 of the Future Services Framework (FSF). Under these stages projected annual revenue savings of £2m from a mixture of cost reductions and new income generation is expected to be achieved fully by 2023-24. It also includes new spending priorities that were agreed by Council on 25 January when the outcome of the FSF priority setting exercise was agreed by members.
- 4.2 In line with the Financial Strategy the Council is recommended to set a budget that uses General Fund Reserves to help balance its finances. This reflects the approach which was approved in 2020 by the Council to address the anticipated ongoing impact on the Council's finances because of the COVID pandemic. Council has also approved the Future Services Framework which will gradually return the Council to a balanced financial position without using reserves beyond the medium term. Thus, enabling valuable public services to be protected in the interim, as the 2021-22 budget had a funding gap of £2.099m which required support from the General Fund Reserve, and the proposed budget for 2022-23 the budget gap has reduced to £576k. This is partly due to some income streams improving, a better settlement from the Government and due to the impact of the efficiency programme under the FSF.
- 4.3 The final 2022-23 financial settlement from the Government is again a one-year settlement. No specific COVID support packages have been stated in the final financial settlement received on 8 February for 2022-23. The table below sets out the impact of the expected settlement on the 2022-23 budget:

| | Final Settlement / Purpose | Impact | How Treated in the Draft Budget |
|-------------|---|--|---|
| Council Tax | Shire Districts can increase their Council Tax by | For Chichester, a £5 increase equates to | A £5 increase has been assumed in the budget. |

| | Final Settlement / Purpose | Impact | How Treated in the Draft Budget |
|---------------------------|---|--|---|
| | 1.99% or £5, whichever is greater. | £275,200, whereas a 1.99% increase would equate to £187,100. | |
| Lower Tier Services Grant | This grant was introduced in 2021-22 to reduce the effect on Core Spending Power due to reductions in an authority's New Homes Bonus (NHB) grant as the tax base growth was suppressed due to the pandemic impact on the economy. | The allocation contained in the final settlement is grant of £103,014. | This has been credited to the draft budget to reduce the deficit. |
| Service Grant | This is a one-off grant in the final settlement for 2022-23 with an allocation awarded to all authorities. | The allocation in the final settlement is grant of £155,200. | This has been credited to the draft budget to reduce the deficit. |

4.4 Local Tax Income Guarantee Scheme.

4.4.1 In addition to the above, the government have also prescribed how Billing Authorities should deal with deficits created on their Council Tax and Business Rate Collection Fund for 2021-22, and how those deficits should be dealt with going forwards. In normal practice any Collection Fund deficit or surplus in the current year would be recovered in the following financial year. However, the exception to this (because of the effect of the pandemic) is for an element of the exceptional deficit for 2020-21 which continues to be spread over a three-year period ending 2023-24.

4.4.2 Council Tax – After adjusting for the spread of the 2020-21 Covid related deficit, the surplus on the Collection Fund for Council tax at 31 March 2022 is estimated to be £621k. The remaining £233k deficit from 2020-21 will be recovered in 2023-24.

| | 2022-23 (Surplus) £ | 2023-24 (Deficit) £ |
|----------------|---------------------------|---------------------------|
| Chichester DC | 75,763 | (28,634) |
| West Sussex CC | 476,901 | (179,649) |
| Sussex Police | 68,447 | (24,962) |

| | | |
|-------|---------|-----------|
| | | |
| Total | 621,111 | (233,245) |

- 4.4.3 Business Rates – The Government’s announcements of Covid related reliefs continue to work through to the collectible rates figures. Together with necessary adjustments to non-payment and appeal provisions, this is expected to create a deficit on the Business rates collection fund at 31 March 2022 of £13.43m. As with Council Tax, part of the 2020-21 deficit remains to be spread into 2023-24 and this is shown in the table below:

| | 2022-23 (Deficit) £ | 2023-24 (Deficit) £ |
|----------------|---------------------------|---------------------------|
| Chichester DC | (5,374,188) | (445,613) |
| West Sussex CC | (1,343,529) | (111,403) |
| Government | (557,016) | (557,016) |
| Total | (7,274,733) | (1,114,032) |

The Government has already funded the effect of Covid and other business rates reliefs through section 31 (s.31) grant payments received in 2021-22. The Council’s 2022-23 budget allows for this funding to be carried forward to offset the future charges against the Council’s General Fund set out above.

The overall effect of these adjustments on the Council’s budget is that the Council Tax surplus of £75,763 will be credited to the Council’s budget in 2022-23. The Business Rates deficit of £5,374,188 has been funded by s.31 grants received in 2021-22 and so there is no impact on the draft budget for 2022-23.

- 4.5 The preparation for the 2022-23 budget is very much the same as experienced for the previous year, due to the continued uncertainty, along with the complexities of new income streams, and the treatment of collection fund deficits as set out above. It continues to be difficult for managers to estimate with any accuracy their income budgets for next year due to the impact of Government guidance and the Covid response of full or partial lockdowns throughout the year. This has undoubtedly impacted numerous council’s income streams, which makes history and trend analysis less useful when compiling this budget, as it continues to be far less certain than any other, that preceded the pandemic. However, officers have diligently produced a budget that is as accurate as could possibly be prepared, and where necessary income targets have been adjusted where appropriate.
- 4.6 Due to the uncertainty of any changes in the New Homes Bonus scheme (NHB) the Financial Strategy assumed that only the final legacy payment of £0.404m would be received. However, the settlement also allocated one year’s grant for 2022-23 of £0.902m. For 2022-23 the Council has been awarded in total £1.306m of NHB. It is still expected that this scheme will be phased out or radically overhauled in the future as part of the Fair Funding Review.
- 4.7 The bottom line of the budget indicates a draw against the General Fund Reserve of £576,100, which is lower than that anticipated in the 5-year financial model reported in the snapshot in November; as the development of the annual budget progresses some assumptions are crystalised once more information becomes available.

- 4.8 It should also be noted that negotiations with the Council's leisure provider, as to the level of support that may still be required, is still ongoing. The budget assumes that the council will receive no management fee income under the leisure contract, but it also assumes, that the council will not be providing financial support beyond foregoing the management fee. If negotiations conclude that further support is necessary, officers will bring a further report for members consideration.
- 4.9 The draft budget process is an all-inclusive process with the Divisional managers and service budget managers working with the accountancy team, under the leadership of the Strategic Leadership Team (SLT). The result is a budget that is as robust as it could possibly be in the current circumstances, ensuring financial resources match services delivery priorities.

5. Outcomes to be Achieved

- 5.1 A robust financial estimate of the resources needed to deliver council services in 2022-23.
- 5.2 To seek the Cabinet's approval on the draft spending plans and to make appropriate recommendations to the Council to determine the council tax at its meeting on 8 March 2022.
- 5.3 While recognising the objective to return to a position of having a balanced budget without the need to use reserves, to set a realistic budget for 2022-23 drawing on the General Fund Reserve to protect valuable community services while the Future Services Framework programme is implemented.

6. Proposal

Council Spending – Budget for 2022-23

- 6.1 The purpose of this report is to consider the draft budget spending plans ahead of the Council meeting in March, when the council tax and budget will be set for the forthcoming financial year. The plans, if adopted, will set the spending parameters for services and officers for 2022-23.
- 6.2 The Council has a statutory duty to prepare a balanced annual revenue budget and it is also good financial management to do so within the context of its medium term financial strategy. The dominating variable in achieving a balanced financial position for 2022-23 is of course the ongoing impact on the local economy as a result of the COVID pandemic and any behavioural change which remains ongoing e.g. home working, buying online etc. This has made it difficult to predict levels of income from fees and charges and business rates and has created other budget pressures in some service areas.
- 6.3 The revenue estimates for 2022-23 are shown in the Budget Summary Statement in appendix 1a. This statement provides for the net cost of each Cabinet portfolio and shows the calculation of the budget requirement, the council tax requirement and the proposed Band D council tax charge for 2022-23.

- 6.4 The draft spending plans are based on opting for a council tax increase of £5 per Band D property or 10 pence per week; this will generate an additional £275,200 per year for the council. This will assist the authority to meet its long-term objective of protecting public services to its community. The council tax referendum principles for shire district councils were set as the higher of either 1.99% or £5 (which equates to an increase of 2.93%).
- 6.5 The draft budget requirement is calculated after deducting income arising from fees and charges; the remaining balance has to be financed from council tax, retained business rates, other government grants, and reserves. Currently the Council receives around £13.0m of income each year from fees and charges for services e.g. car parking, trade and green waste, estates rents, planning and building control fees. The income targets set in the 2021-22 base budget were reduced to take account of the impact of the pandemic i.e., car park income was reduced by £1.2m. The proposed budget for 2022-23 now also includes a £100k reduction in planning income based on current trends. Ultimately this is only removing the additional £97k that was built into the budget considering the fees income received in 2020-21. This underlines how difficult it is to predict the more volatile income streams.
- 6.6 The draft budget requirement includes several service cost pressures and service delivery changes identified during this budget cycle, the details of which are set out in appendix 1b along with growth items amounting to £187,800.
- 6.7 In 2021-22 the council received grant worth £159,916 to compensate for a potential loss of tax base; the grant was set aside to make additional welfare payments, with a view to seek match funding from other precepting authorities to create a local Council Tax hardship Fund. However, this funding was not required at the time as the scheme proceeded using other government grants. West Sussex County Council have proposed that a further round of Council Tax Hardship deductions is run for 2022-23, jointly funded by the County Council and the District and Borough Councils across the county area. This means that there will be a further £150 deduction from council tax bills for those in receipt of CTR, which will be over and above the government's announcement for band A to D properties to help with their energy costs. The proposal is the County will fund their share of the bill (pro rata against their precept), plus the Police share. This means that this council would need to fund its share and the parish elements only. Effectively WSCC will pay around 87% of the total cost, and this council would fund 13%. The total cost of such a scheme is estimated to be worth approximately £300,000, with CDC's share being approximately £40,000.
- 6.8 The draft budget shows a net deficit of £576,100 for 2022-23, which is funded from the General Fund Reserve. The expectation reflected in the Financial Strategy is that in future years the Government's funding review will reduce funding to shire district councils further. Last year members agreed the Future Services Framework approach to balance the budget; phases 1 and 2 of FSF identified savings and income generation opportunities of £2m to be implemented over a three-year period commencing from 2021-22. These targets will help address some of the cost pressures and uncertainty in the Council's spending plans and are expected to be fully implemented by 2023-24 as anticipated in the Council's Medium Term Financial Strategy.

- 6.9 SLT and budget managers are required to adhere to robust proactive financial management principles to protect the Council's financial position, including monitoring both in year budgets and considering the medium term financial strategy. This ensures that the Council can be proactive rather than reactive to securing the financial stability over the medium term.

Capital Programme and Asset Renewal Programme (ARP)

- 6.10 The current Capital Programme is set out in appendix 1c. This is based on schemes previously approved by the Cabinet or the Council.
- 6.11 Appendix 1d sets out the projects within the five-year Asset Renewal Programme. These are funded via contributions from the Council's revenue budget into a reserve set up for this purpose. This ensures the Council can fund its replacement assets on a recurring basis. The annual contribution to this fund now stands at £1.630m following a detailed review of the services' asset requirements as part of the budget process. Under the Council's Constitution and in accordance with the project management process (i.e. those over £50,000) will be subject to a Project Initiation Document (PID) before funds are released.
- 6.12 The anticipated spend on infrastructure projects is based on the Infrastructure Business Plan (IBP) approved by Cabinet in February; the details of the plan is contained within appendix 1c. These projects will be subject to approval in accordance with the Community Infrastructure Levy (CIL) governance arrangements, and the adherence to the Council's Constitution.
- 6.13 Linked to the spending plans of the Council are the Capital Strategy and the Treasury Management and Investment Strategies. These are to be considered elsewhere on this Cabinet agenda.

Reserves

- 6.14 The current Resources Statement is detailed in appendix 2. This includes the £8m members allocated in July 2020 to address the pandemic, £2.099m was built into the 2021-22 approved budget. In this third year it is estimated that £0.576m is required in setting a balanced draft budget for 2022-23. This statement indicates that the Capital Programme and Asset Renewal Programme remain funded from the Council's own resources. This should be read in conjunction with appendix 3 which sets out the different reserves held by the Council as at 31 March 2021, their purpose and the authorisation required to fund expenditure against those reserves.
- 6.15 The minimum level of reserves was agreed by Council remains at £4m.

Capital Prudential Indicators and Minimum Revenue Provision (MRP) Policy

- 6.16 As part of the budget process the Council needs to ensure that all its revenue and capital expenditure and any borrowing are prudent and sustainable. This includes considering its arrangements for repaying any debt, through the Minimum Revenue Provision (MRP) policy.

6.17 The Council's draft Treasury Management Strategy and Policy for 2022-23 is included in the agenda for this Cabinet meeting, as it is linked to the Council's spending plans and the management of its cash flows and investment decisions.

6.18 Appendix 4 sets out the statutory capital prudential indicators and the Council's MRP policy for the coming financial year and the Council's plans detailed in the Capital Strategy.

7. Alternatives Considered

7.1 The Council is legally obliged to set a balanced budget, although for this forthcoming year in accordance with the Financial Strategy using an element of reserves to do so. The draft budget has therefore been prepared on that basis. However, the level of council tax is a local determination, considering the government's criteria and expectation of tax increases before triggering a local referendum. The criteria announced as part of the provisional financial settlement in December 2021, was that council tax can be increased by the higher of 1.99% or £5; therefore, members could reduce the level of increase currently incorporated in the proposed budget for 2022-23. However, doing so foregoes additional income not only in 2022-23 but in all subsequent years as well. With a deficit anticipated for the following three years this option is not recommended.

7.2 Members could choose to allocate additional resources in 2022-23. Any recurring expenditure would, however, worsen the already anticipated deficits in subsequent years, and potentially result in having to revisit the Future Services Framework to identify further savings. The agreed financial principles of the Council require compensating savings to be identified before additional expenditure or reductions in anticipated income are agreed.

7.3 The Council has already identified over £2 million of annual efficiency savings, including new income generation, over the past two years. This was in response to a reduction in the council's income since the pandemic began. However, it is still possible that further savings will be required over the years ahead and so members were asked to use the Future Services Framework to help them to plan for the future and determine where further investment should be placed. After reviewing the results, members agreed to add £188,100 to the council's base budget to fund a variety of posts and initiatives that aim to support the economy; respond to climate change; and support the ongoing additional work created by the pandemic. Members also used the results to determine which proposals and projects should not go forward at this stage.

7.4 The results from this financial planning exercise can be found in appendices 5 (a) and 5 (b). The results have been used to help the council make the financial decisions above. The council will also be sharing the outcome of this exercise with local parish councils to seek their views on its priorities. Over time, the framework will be used for a range of purposes and reviews, and so it is important to understand that the services and projects listed within it are likely to change.

8. Resource and Legal Implications

8.1 The primary objective of this report is to determine the budget spending plans for 2022-23 against a background of the ongoing impact of the pandemic on the

economy and the ever-tightening financial constraints on public services. The estimates represent robust financial projections for the provision of council services and adhere to the statutory obligation to set a balanced budget.

- 8.2 Section 25 of the Local Government Act 2003 requires the Section 151 Officer i.e. the Director of Corporate Services to report to members on the robustness of the estimates and the adequacy of reserves when considering the budget and council tax. This is so that members have authoritative advice available to them when making decisions on a budget that sets out estimates of what they plan to spend on each of the services. It is the view of the Director of Corporate Services that the processes followed are sound and well established, the resultant estimates are robust, and reserves are at an adequate level.
- 8.3 Regular monitoring reports are brought to members covering revenue budgets, the capital programme and asset replacement programme, along with updates to the Financial Strategy and plan including analysis of the resources and the affordability of the capital programme. The Director of Corporate Services having considered the risks associated with the Council's capital investment plans is of the view that they are affordable, having considered the measures that the authority has in place for mitigating against those risks. These measures include ensuring the adequacy of reserves to be held, regular monitoring of expenditure against the capital programme, and the expected resources available to fund those capital investment plans as detailed in the Capital Strategy.
- 8.4 The Director of Corporate Services is satisfied that the estimates used for Business Rates (the NNDR 1) are robust and prudent. This annual return is required by the end of January and therefore will have been submitted to government before the date of the Cabinet meeting. As in previous years this return is required by the Department of Levelling Up, Housing and Community (DLUHC) to be authorised by the Council's Section 151 Officer i.e., the Director of Corporate Services.

9. Consultation

- 9.1 Due to the significant impact the pandemic had and continues to have on the financial resilience of the Council, both Cabinet and all opposition Group Leaders have monthly meetings, including regular financial updates, with the Strategic Leadership Team.
- 9.2 As part of the work under stage 3 of the Future Services Framework, all members were invited to a workshop about the financial position of the council and the approach for this phase. A second workshop was held with Cabinet, and a separate session with all opposition Group Leaders. After further workshops and briefings arranged for all members, Cabinet, and political group leaders to determine the way forward in the medium term. The outcome of this work is detailed in appendices 5 (a) and 5 (b) which shows the Council's service priorities. This tool will need to be used when considering the draft budget and any alternative proposals made plus it will aid future financial planning once there is more clarity and certainty in the Government's funding of local government services for 2023-24 and beyond.
- 9.3 In line with previous years, the revenue budget spending plans were considered by a budget review group set up jointly by the Overview and Scrutiny, and Corporate

Governance and Audit Committees. This is a very useful debate in terms of testing the changes in the budget from 2021-22 to the draft budget for 2022-23.

- 9.4 The Draft Budget Spending Plan has been made available via the Council's website at [Annual budget: Chichester District Council](#) to encourage feedback on the budget and the balance of spending against taxation. This gives the opportunity for any interested party to state their opinion on priorities and resource allocation. Any comments received will be made available to members either at the Cabinet or the Council before the council tax and budget are set.

10. Community Impact and Corporate Risks

- 10.1 Where services have been changed or reduced through the Council's deficit reduction programme, the community impact will have been minimised as far as possible. Any significant impact to the community will have been assessed as part of the Cabinet's decision process at that time. General service efficiencies which do not impact on the community are managed by the Council's management team in consultation with the Cabinet members. This report represents the culmination of those previous decisions including the efficiencies for the first two years of a three-year savings programme under the Future Services Framework.
- 10.2 The growth items included in the proposed budget takes account of increased service delivery demands, service delivery changes and other budget pressures which are linked to the Council's key priorities.
- 10.3 The resources statement currently indicates a surplus of resource after considering all commitments. The statement excludes any forecast capital receipts that are not yet secured to help mitigate the risks associated with the proposed spending plans, and the potential liquidity risk (cash flow) which is also considered within the Treasury Management and Investment Strategies.
- 10.4 Due to the potential impact on the economy as a result of the COVID pandemic and the Government's view on public service spending there remains a great deal of uncertainty, which may have an impact on the Council's financial stability in the medium term. These risks will need to be monitored closely as further detailed information is obtained.
- 10.5 The Council's own reliance on income generating services may be adversely affected by economic uncertainty which could impact the community that uses the council's discretionary services. The impact of this risk has been considered in the draft budget as the income targets for 2022-23 have not been changed from the reductions built into the 2021-22 base budget because of the pandemic. The planning income has been reduced by £100k in the 2022-23 draft budget reflecting the experience in the latter part of the current financial year.

11. Other Implications

| | Yes | No |
|---|-----|----|
| Crime and Disorder | | ✓ |
| Climate Change and Biodiversity | | ✓ |
| Human Rights and Equality Impact | | ✓ |
| Safeguarding and Early Help | | ✓ |

| | | |
|---|--|---|
| General Data Protection Regulations (GDPR) | | ✓ |
| Health and Wellbeing | | ✓ |

12. Appendices

12.1 Appendix 1 - Draft Budget Spending Plan 2022-23 (Incorporating appendices 1a to 1d)

- Appendix 1a Draft Budget Summary Statement.
- Appendix 1b Analysis of major budget variations
- Appendix 1c Capital and Projects Programme 2022-23 to 2026-27
- Appendix 1d Asset Replacement Forecast 2022-23 to 2026-27

12.2 Appendix 2 - Capital Programme Resource Statement

12.3 Appendix 3 – Reserves Statement

12.4 Appendix 4 – Capital Prudential Indicators and MRP Policy

12.5 Appendix 5 – Future Services Framework Prioritisation Tool

- Appendix 5a Revenue Prioritisation
- Appendix 5b Capital Prioritisation

13. Background Papers

13.1 None