

# Chichester District Council

THE CABINET

7 February 2023

## Budget Spending Plans 2023-24

### 1. Contacts

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### 2. Executive Summary

The Financial Strategy was approved by Full Council on 22 November 2022, 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 2023-24 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 inflationary cost pressures, and any ongoing impact on the Council's discretionary income streams post the Covid pandemic. The draft budget also considers any service delivery changes, specific service cost pressures, and other funding pressures that are in line with the Council's key priorities. The key major variances against the 2022-23 budget are set out in appendix 1 of this report.

The draft budget assumes a 2.99% council tax rise and adheres to the Council's key financial principles.

Full Council will set the budget and council tax on 7 March 2023. 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 provisional Local Government Finance Settlement for 2023-24.

### **3. Recommendations**

#### **3.1 That the Cabinet recommends to the Council:**

- (a) That a net budget requirement of £15,845,400 for 2023-24 be approved.**
- (b) That Council Tax be increased by £5.26 from £175.81 to £181.07 for a Band D equivalent in 2023-24.**
- (c) Should the final settlement differ from the draft settlement, an equivalent sum be either transferred to or transferred from reserves.**
- (d) The capital programme, including the asset renewal programme (appendices 1c and 1d of the agenda report) be approved.**
- (e) The capital prudential indicators and the Minimum Revenue Provision (MRP) Policy (appendix 4 of the agenda report) be approved.**
- (f) That the Government's Council Tax Support Fund Scheme for 2023-24 be allocated as set out in paragraph 6.7 of this report, using the £170,515 grant received in the 2023-24 financial settlement. Any residual balance from this grant to be used to fund a discretionary scheme, with delegated authority to the Director of Housing & Communities in consultation with the Cabinet member for Corporate Services, Revenue and Benefits to agree the criteria of the discretionary scheme.**

#### **3.2 That the Cabinet further notes:**

- (a) The current estimated resources position set out in appendix 2 of the agenda report, and**
- (b) The budget variances included in the Draft Budget Spending Plan as set out in appendix 1b of the agenda report.**

### **4. Background**

- 4.1 This report sets out the proposed annual budget for revenue spending for the forthcoming financial year 2023-24 and the updated 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 2022.**
- 4.2 The proposed budget also reflects the third year's efficiency savings identified under the Future Services Framework (FSF) which was part of the Council's Recovery Plan in 2020 because of the impact of the Covid pandemic. This work identified annual revenue savings of £2m from a mixture of cost reductions and new income generation ideas, however, some of the more aspirational ideas are now expected to be achieved in 2024-25 effectively delayed by one year. When this efficiency programme was approved, to mitigate against the potential risk of non-achievement, only 75% of the £2m target has been reflected in the 5 year Financial Model i.e.**

£1.570m with the phasing incorporated in each years' annual revenue budget since 2021-22.

- 4.3 At the same time in 2020, the Council set aside £8m of reserves to support the revenue budget over the medium term due to the expected ongoing impact of the pandemic on its finances. The budget approved by Council in March 2022 required £808,100 of that reserve to balance the agreed revenue budget. Based on in year monitoring the sum required is forecast to be higher due to the impact of inflation costs pressures as set out in the Financial Strategy in November 2022. Taking into account those assumptions, the 5 year model indicated that there is an underlying shortfall of funding in the medium term of approximately £500k p.a. The strategy also set out the significant financial risks and their potential impact associated with those assumptions contained in the forecasts.
- 4.4 In line with the Financial Strategy forecast officers have prepared a balanced budget for 2023-24 without the use of reserves. However, members are reminded that the Financial Strategy anticipates a deficit budget from 2025-26 and beyond.
- 4.5 The final 2023-24 financial settlement from the Government has yet to be announced at the time of writing this report. The table below sets out the impact based on the provisional financial settlement (announced in mid-December) for the 2023-24 budget:

	Provisional Settlement / Purpose	Impact	How Treated in the Draft Budget
Council Tax	Shire Districts can increase their Council Tax by 2.99% or £5, whichever is greater.	For Chichester, a 2.99% increase equates to £296,300, whereas a £5 increase would equate to £281,600.	A 2.99% increase has been assumed in the budget i.e. £5.26.
Funding Guarantee Grant	New grant created to ensure that every authority has an increase in Core Spending Power of 3%. Effectively it replaces the 2022-23 Lower Tier Services Grant and lower New Homes Bonus scheme awards.	The provisional settlement indicated grant of £730,800.	This has been credited to the draft budget as a funding source.
Rural Services Delivery Grant	Unchanged from previous years', as grant awarded to compensate for higher costs for service delivery as a rural district.	The allocation contained in the provisional settlement is grant of £198,400.	This has been credited to the draft budget as a funding source.

	Provisional Settlement / Purpose	Impact	How Treated in the Draft Budget
Service Grant	This grant was introduced in 2022-23 to all authorities and will continue in 2023-24 but it has been top-sliced to claw-back funding for the National Insurance Contributions increase that was reversed.	The allocation in the provisional settlement is grant of £87,500.	This has been credited to the draft budget as a funding source.
Council Tax Reduction (CTR) Support Scheme Grant	Additional Government support for those eligible under the CTR scheme to a £25 reduction in their Council Tax bill.	The allocation in the provisional settlement is grant of £170,515.	This has been credited to the draft budget as a funding source for this specific scheme.
Revenue Support Grant (RSG)	Two previous specific grants have been rolled into this category of RSG: <ul style="list-style-type: none"> <li>- Family Annex Council Tax Discount Grant</li> <li>- Local Council Tax Support (LCTS) Administration Subsidy</li> </ul>	The allocation in the provisional settlement is a total grant of £158,379, split between £44,218 for the Family Annex CT Discount Grant and £113,767 LCTS Admin subsidy.	This has been credited to the draft budget as a funding source for the specific service expenditure.
New Homes Bonus (NHB)	The NHB grant is now only a one year grant with no legacy payments.	The allocation in the provisional settlement is £810,489.	This is not used to support the revenue budget. It is transferred to an earmarked reserve to fund one off expenditure/projects.

4.6 The preparation for the 2023-24 budget is very much the same as experienced for the previous years, due to the continued uncertainty of many factors, including the ongoing impact of inflationary costs pressures and the impact on discretionary income streams due to the economic and cost of living crisis. Behavioural change post pandemic has undoubtedly continued to impact numerous council's income streams, which makes history and trend analysis challenging when compiling the annual budget. 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 as detailed in the supporting appendices of this report.

- 4.7 Due to the uncertainty of any changes in the New Homes Bonus scheme (NHB) the Financial Strategy did not make any estimate for this grant. However, the settlement allocated a one year grant for 2023-24 of £810,489. It is still unclear the future of this scheme considering the expectation that will be phased out or radically overhauled in the future as part of the Government's Funding Review, and ministers have promised to issue a new consultation before the 2024-25 settlement.
- 4.8 The 2023-24 budget assumes that the council will revert to receiving the management fee income due under the leisure contract. It should also be noted that negotiations with the Council's leisure provider are still ongoing, with the outcome of those negotiations to be considered by members in due course. Mitigation measures have been put in place, and members should refer to the exempt Part 2 Appendix 5 for further detail.
- 4.9 The draft budget process is an all-inclusive process with the Divisional Managers and service budget managers working with the financial services 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 2023-24.
- 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 7 March 2023.
- 5.3 To meet the legal requirement to have a balanced budget, that is realistic and sustainable in the long term to protect valuable community services.

## **6. Proposal**

### Council Spending – Budget for 2023-24

- 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 2023-24.
- 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 variables in achieving a balanced financial position for 2023-24 is the inflationary cost pressures as well as the continued ongoing impact on the local economy because of the COVID pandemic, and the behavioural changes including home working, buying online etc. This has made it challenging to forecast not only significant cost items such as pay, fuel and utilities but also estimating levels

of income from fees and charges including retained business rates with a new business rates valuation list for 2023.

- 6.3 The revenue estimates for 2023-24 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 net budget requirement, the council tax requirement, and the proposed Band D council tax charge for 2023-24.
- 6.4 The draft spending plans are based on a council tax increase of 2.99% which equates to £5.26 per Band D property or approximately 10 pence per week. This will generate an additional £296,300 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 are expected to be the higher of either 2.99% or £5 (which equates to an increase of 2.84%).
- 6.5 The draft budget requirement is calculated after deducting income arising from fees and charges; the remaining balance must be financed from council tax, retained business rates, other government grants, treasury investment returns and reserves. Currently the Council receives around £15.3m 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. Income targets set in the 2022-23 base budget considered the ongoing impact of the pandemic, with the only significant change made in reducing the planning income target by £100k. The proposed 2023-24 budget incorporates some recovery in car parking income of £370k as detailed in the variance analysis, having had £1.2m originally removed in the 2021-22 budget due to the pandemic. This helps underline how difficult it is to predict the more volatile discretionary income streams which play a significant part in supporting the Council's revenue budget.
- 6.6 The draft budget requirement includes several service cost pressures and service delivery changes identified during this budget cycle. Appendix 1b includes three schemes totalling £150,000 that have been added to the draft 2023-24 budget as one-off investments. These have no ongoing impact on the base budget beyond 2023-24. These have been included in response to the cost-of-living crisis in order to support our most vulnerable residents, and further supplement the £300,000 invested by the Council in 2022-23 for the Supporting You programme. Those schemes are:
- £150k for Discretionary Housing Payments which can provide assistance where low-income households are struggling to meet their housing costs. We are anticipating a reduced allocation from the DWP in 2023-24 so this funding would allow additional households to be helped to avoid arrears or homelessness.
  - £20k to support the Food Partnership as a Chichester food grants pot (matching funding Arun DC who have already committed to the Partnership).
  - £30k for Housing Crisis fund (this is largely used to assist homeless people to furnish accommodation)
- 6.7 Alongside the draft settlement the Council has received a provisional allocation of £170,515 to provide Council Tax Reduction Support to those meeting specific criteria. It is estimated that the Government's criteria will require funding of up to £70k. It is proposed that the balance is reserved for a discretionary local scheme

which will be developed to aid other vulnerable taxpayers. It is requested that the criteria of the local discretionary scheme be delegated to the Director of Housing and Communities in consultation with the Cabinet member for Corporate Services, and Revenues and Benefits.

- 6.8 The draft budget shows a balanced position for 2023-24. This is however based on the draft settlement. Should the final settlement differ then it is proposed that any change is dealt with by way of a transfer to, or from, reserves. Any difference between draft and final settlement is historically very minor. Officers hope to be able to provide a verbal update at the Cabinet meeting.
- 6.9 The detail of other transfers to and from the General Fund Reserve are set out in Appendix 5 which is a Part 2 item.
- 6.10 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)

- 6.11 The current Capital Programme is set out in appendix 1c. This is based on schemes previously approved by the Cabinet or the Council.
- 6.12 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 £1.795m following a detailed review of the services' asset requirements as part of the budget process. Schemes will be approved in accordance with the Council's Constitution.
- 6.13 The anticipated spend on infrastructure projects is based on the Infrastructure Business Plan (IBP) recommended to Council by Cabinet in their January meeting; the detail 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.
- 6.14 Linked to the spending plans of the Council are the Capital Strategy and the Treasury Management and Investment Strategies. The Capital Strategy is to be considered elsewhere on this Cabinet agenda, following the recommendation to Cabinet by the Corporate Governance and Audit Committee in January 2023. It should be noted that the 2023-24 Treasury Management and Investment Strategies were considered and approved by the Cabinet and the Council at their respective meetings in January 2023.

#### Reserves

- 6.15 The current Resources Statement is detailed in appendix 2. This includes the £8m members allocated in July 2020 to address the pandemic, which the Council has not needed to utilise at outturn in last two financial years (2020-2022). For the 2022-23 budget £808,100 was estimated to be required in setting a balanced budget. The use

of this specific earmarked reserve is forecast to be higher due to the inflationary and cost pressures experienced in 2022-23, as detailed in the Council's Financial Strategy. However, this statement still 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 2022, their purpose and the authorisation required to fund expenditure against those reserves.

- 6.16 The minimum level of reserves was agreed by Council in November 2022 and remains at £4m.

#### Capital Prudential Indicators and Minimum Revenue Provision (MRP) Policy

- 6.17 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. This is a statutory requirement even though the Council currently has no debt.

- 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 and can do so for this forthcoming year without the use of any of the £8m earmarked reserve to support the revenue budget over the medium term. 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 2022, was that council tax can be increased by the higher of 2.99% or £5; therefore, members could reduce the level of increase currently incorporated in the proposed budget for 2023-24. However, doing so foregoes additional income not only in 2023-24 but in all subsequent years as well. With anticipated deficits in years 3 to 5 of the 5 year model ie from 2025, this option is not recommended. The referenda criteria will be confirmed alongside the final settlement.
- 7.2 Members could choose to allocate additional resources in 2023-24. Any recurring expenditure would, however, worsen the already anticipated deficits in subsequent years. 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 three years. This was in response to a reduction in the council's income since the pandemic began. However, the current forecast over the medium term indicates that further savings or new income generation will be required over the years ahead, and members need to bear this in mind when considering any new proposals or projects and adhere to the key financial principles.

7.4 In preparation for seeking solutions to address the forecast deficits officers are currently developing a budget review process to be used to aid members' decision making after the elections in May 2023. Building upon the work completed under phase 2 of the Future Services Framework.

## **8. Resource and Legal Implications**

8.1 The primary objective of this report is to determine the budget spending plans for 2023-24 against a background of the economic crisis and the inflationary costs pressures, as well as 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 a meeting was held with Cabinet, and a separate session with all opposition Group Leaders to enable Cabinet, and the political group leaders to determine the way forward in the

medium term. The outcome and recommendations of this latest review was considered by Cabinet at its January 2023 meeting.

- 9.3 The FSF tool will need to be used when considering the draft budget and any alternative proposals made to ensure that the key financial principles are adhered to. This tool and other methodologies yet to be agreed to aid future financial planning once there is more clarity and certainty in the Government's funding of local government services for 2024-25 and beyond.
- 9.4 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 2022-23 to the draft budget for 2023-24.
- 9.5 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 third year of originally a three-year savings programme under the Future Services Framework. Some of the more aspirational income generation and savings have now slipped into year 4 and will be reflected in the budget for 2024-25 if they are deemed achievable.
- 10.2 The growth items included in the proposed budget take 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 There continues to be a great deal of uncertainty which may impact the Council's financial stability in the medium term. This includes the impact on the economy due to inflationary costs pressures, industrial action in the UK, along with world events and the current economic crisis. The ongoing delay of the local government funding review by the Government and its view on public service spending following the current economic crisis. All these risks will need to be monitored closely as further detailed information is obtained and the financial model updated accordingly.

- 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 2023-24 still reflect realistic targets considering the ongoing impact due to the pandemic and behavioural changes e.g., hybrid working. Discretionary fees and charges have been amended for inflationary price increases in accordance with the Council's fees and charges policy. However, where appropriate income targets reflect trends in the current year e.g., car park income also reflects an increase due to volume changes of £370k as explained in appendix 1 (b).
- 10.6 The budget contains several assumptions in line with the key financial risks set out in the Financial Strategy including that in relation to the leisure management contract. Appendix 5 (Part 2) considers this risk and what mitigation options are available to members.

## 11. Other Implications

	Yes	No
<b>Crime and Disorder</b>		✓
<b>Biodiversity and Climate Change Mitigation</b>		✓
<b>Human Rights and Equality Impact</b>		✓
<b>Safeguarding and Early Help</b>		✓
<b>General Data Protection Regulations (GDPR)</b>		✓
<b>Health and Wellbeing</b>		✓
<b>Other</b>		✓

## 12. Appendices

### 12.1 Appendix 1 - Draft Budget Spending Plan 2023-24 (Incorporating appendices 1a to 1d)

- Appendix 1a Draft Budget Summary Statement.
- Appendix 1b Analysis of major budget variations
- Appendix 1c Capital and Projects Programme 2023-24 to 2027-28
- Appendix 1d Asset Replacement Forecast 2023-24 to 2027-28

### 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 – Analysis of transfers to or from the General Fund (Part 2 Item)

## 13. Background Papers

### 13.1 None