

Report to Cabinet

Subject: General Fund Revenue Budget 2022/23

Date: 17 February 2022

Author: Senior Leadership Team on behalf of Leader of the Council

Wards Affected

Borough wide.

Purpose

This report sets out the revenue budget which aligns to the Gedling Plan priorities, objectives and priority actions for the Council for the forthcoming year.

Key Decision

This is a Key Decision because the proposals will have a significant impact on all wards in the borough and include financial implications that are above the threshold of £0.5m determined by Council for decisions to be regarded as a Key Decision.

Recommendation(s)

Cabinet is asked to approve:

- i. a 3% discretionary income inflation increase for the individual portfolios as shown in the table at paragraph 2.5.5.

Cabinet is asked to recommend to Council on 3 March 2022:

- ii. that the financial threshold above which decisions will be regarded as Key Decisions be set at £0.5m for 2022/23;
- iii. a provisional Council Tax increase of 2.89% (£5.00) which balances the financing of a Net Council Tax Requirement of £6,726,800 in 2022/23;
- iv. that the detailed budget for 2022/23, as detailed in Appendix 2 be approved.

Background

- 1.1 The Constitution of the Council requires the Leader to present, before 21 February each financial year, a draft Budget and Performance Plan to the Cabinet for approval, highlighting budget priorities, growth items and proposed efficiencies.
- 1.2 The Executive is required to consider any comments made on the draft Budget and Performance Plan and to present the final drafts to Council for adoption in accordance with the statutory requirements. To fulfil these requirements the 2022/23 budget proposals together with the Gedling Plan will be presented to Budget Council on 3 March 2022. The Borough Council has a statutory responsibility to determine its Council Tax by 10 March.
- 1.3 This report ensures that these requirements will be met for the 2022/23 budget process.

Proposal

2. Proposed General Fund Budget 2022/23

- 2.1 The Council's proposed General Fund budget sets out the financial strategy and framework for overall financial control and administration for the Council. It also details how individual items such as Central Government Funding, Taxation levels, Resource Developments and Efficiency proposals impact on the annual budget and this has been taken into account in presenting this annual budget and Medium Term Financial Plan (MTFP) Summary.

2.2 Principles Underpinning the Budget Strategy

The Council has a number of agreed principles as a basis for financial management and budget planning as follows:

- Emerging pressures are managed within existing overall budgets;
- Spending is aligned to key priorities as set out in the Gedling Plan;
- Income is only included in the budget where supported by robust proposals and is deliverable;
- The Council will maximise its commercial income where possible to ensure that fee charging services break-even over time and are provided with a nil cost subsidy from the taxpayer where appropriate, or return a surplus where appropriate;
- Where possible, future liabilities are anticipated;
- Budgets are sustainable;
- Savings proposals are supported by project plans and the impact on service delivery is clear;
- Capital and revenue planning must be integrated to ensure that implications are fully anticipated;

- The Council's reserves and balances are not to be used as a primary method to balance the ongoing pressures in the budget. Earmarked reserves are used for specific one-off purposes to support the delivery of corporate objectives and to mitigate risks.

In light of the anticipated medium term gap, the Council has developed a forward strategy to inform future financial planning, by providing a framework for reducing planned expenditure over the medium term to ensure that the Council is financially sustainable, while still delivering the Council's key priorities as set out in the Gedling Plan.

2.3 **Autumn Budget and Spending Review 2021**

On 27 October 2021, the Chancellor of the Exchequer announced both the Autumn Budget and the Spending Review outlining the Government's spending plans for the next three years by setting budgets for each central government department. This included an average increase in Core Spending Power for local government of 3% in real terms over the Spending Review 2021 period. This includes £4.8 billion of new grant funding primarily to meet social care pressures.

The Chancellor did not make any announcements about the future of the Fair Funding Review (also known as the Review of Relative Needs and Resources), the move to 75% Business Rates Retention, the Business Rates reset or New Homes Bonus reform. There was also no comment on whether local government could expect a three year local government finance settlement from 2022/23.

The conclusions of the Government's review of business rates were also published alongside the Autumn Budget and Spending Review 2021. The Government announced that, among other measures, the business rates multipliers would be frozen for a second year from 1 April 2022 whilst a new temporary business rates relief for eligible retail, hospitality and leisure properties would apply in 2022/23 that would see eligible properties receive 50% relief up to a cap of £110,000 per business. Local authorities would be fully compensated for the loss of income as a result of these business rates measures and would receive new burdens funding for administrative costs.

The Chancellor announced that the Government would publish a Levelling Up White Paper by the end of the year setting out in more detail their framework and next steps towards levelling up opportunities and boosting livelihoods across the country and that the UK Shared Prosperity Fund worth over £2.6 billion over the next three years would replace the EU Structural Fund programme.

On 7 November 2021 the Secretary of State for Levelling Up, Housing and Communities announced that the Government would abandon moves towards 75% Business Rates Retention as they considered that it conflicted with their levelling up agenda. Instead the Government would look to progress the Fair Funding Review and examine the mechanism for redistributing funding to the local authorities most in need.

On 2 February 2022 the Government published the Levelling Up White Paper.

2.4 **Local Government Finance Settlement (LGFS) 2022/23**

2.4.1 The local government finance settlement is the annual determination of funding for local government, distributing revenue raised from business rates and other funding streams through:

- Revenue Support Grant and Baseline Funding level for Business Rates Retention known as the Settlement Funding Assessment;
- Other Key Grants – e.g. New Homes Bonus; the Lower Tier Service Grant; a new one-off Services Grant for 2022/23.

A full analysis of the provisional settlement announced on 16 December 2021 was completed by the Local Government Association and is attached at Appendix 1 for information.

The final settlement figures for 2022/23 were announced by the Secretary of State for Levelling Up, Housing and Communities (DLUHC) on 7 February 2022. The Government's assessment of the Core Spending Power of local authorities and its referendum principles for managing excessive council tax increases were also confirmed as part the Settlement.

2.4.2 **Settlement Funding Assessment (SFA)**

The 2021/22 Settlement determines how much Revenue Support Grant central government will give to each local authority in England in 2022/23 and sets the Baseline Funding Level for Business Rates (the actual amount of business rates funding will be determined by the actual amount of rates collected and movements in the business rates base in accordance with the business rates retention scheme).

The final settlement figures announced on 7 February 2022 related only to 2022/23 and there was no multi-year settlement that many local authorities were hoping for. The one year settlement means that there is still no clarity over funding levels after March 2023. This hampers meaningful financial planning at a time when demand and inflationary pressures are increasing. There are still no firm timescales for the commencement of the Fair Funding Review.

The 2022/23 Settlement Funding Assessment (SFA) figures are set out in the table below along with those for previous periods for comparative purposes:

Year	Revenue Support Grant £	Business Rates £	Total SFA £	Cash (Reduction) /Increase £	Movement from Prev. Year	Movement from 2015/16 (last CSR)
2015/16	2,146,200	2,792,300	4,938,500			
2016/17	1,415,700	2,815,500	4,231,200	(707,300)	-14.3%	-14.3%
2017/18	780,500	2,873,000	3,653,500	(577,700)	-13.7%	-26.0%
2018/19	384,900	2,959,300	3,344,200	(309,300)	-8.5%	-32.3%
2019/20	0	3,027,100	3,027,100	(317,100)	-9.5%	-38.7%
2020/21	0	3,076,400	3,076,400	49,300	+1.6%	-37.7%
2021/22	0	3,076,400	3,076,400	0	0%	-37.7%
2022/23	500	3,076,400	3,076,900	500	0%	-37.7%

The new element of Revenue Support Grant (RSG) relates to funding for Individual Electoral Registration (IER) which has been rolled into RSG for 2022/23.

The total cumulative settlement reductions equate to 37.7% or £1.86m in cash terms over the periods from 2016/17 to 2022/23 compared to the base position of 2015/16. Total settlement reductions compared to the amount received in 2010/11 are £5.8m or 65% by 2022/23. This is the same position as last year.

SFA is reduced to 25% of Gedling's net budget for 2022/23, compared to 60% in 2010/11.

2.4.3 Business Rates Retention – Current 50% Retention Scheme

Business Rates growth compared to baseline funding levels of £3,076,400 for 2022/23 is estimated at **£1,008,100** giving total income from business rates of £4,084,500, including S31 grants to compensate for new reliefs and indexation introduced by the government since the scheme's introduction (Note: S31 Grants are used by central government to reimburse a local authority for additional activities which are not covered by existing funding methods). This includes the impact of the Government's mandated spreading of the estimated 2020/21 Collection Fund deficit related to the Covid-19 pandemic which was determined last year, further details of which are included in paragraph 2.5.9.

Growth amounts for the medium term are currently forecast at a prudent level of £620,000 for 2023/24 and £800,000 per annum from 2024/25 to 2026/27 due to the uncertainties that remain in the estimation process due the delay in the review of the future local government funding system, including business rates retention and the potential for a system reset. In addition, the business rates retention scheme has shown volatility in respect of the appeals process, the prediction of future growth, and the potential for significant local impact where a large business relocates/closes. The economic impact of the recovery from the Covid-19 pandemic is also likely to be a factor.

2.4.4 New Homes Bonus

During 2011/12 Central Government introduced the New Homes Bonus (NHB) which is funded from the centrally retained share of Business Rates income and paid as a separate non-ringfenced grant in addition to the Settlement Funding Assessment.

The principles of the grant are to reward local authorities for each new property completed within their boundary plus an additional reward for returning empty properties back into use. The value of the reward was linked to the national average council tax band D property for a number of specified years, initially set at six years.

When the NHB was introduced, the then Department for Communities and Local Government (now the Department for Levelling Up, Housing and Communities) stated in its final scheme design that it was intended to be a predictable, permanent and enduring feature of local government funding. However, since its introduction a number of changes have been made as summarised in the table below:

Scheme Period	Growth Level Awarded	Number of Years of Award
2011/12 – 2016/17	All	6
2017/18 – 2019/20	Above 0.4% Threshold	4
2020/21 – 2022/23	Above 0.4% Threshold	1

During 2016/17 the Government made changes to the NHB with the intention of delivering savings to fund pressures in social care. The main changes to the scheme included:

- Reducing the length of time bonus is paid from six years to four years;
- Introduction of a 0.4% growth threshold, recognising that some housing would be built regardless of the NHB, to remove what Government terms as 'deadweight' from the payment. Local authorities need to achieve growth of greater than 0.4% in each year before they receive any NHB funding. For Gedling, this equates to 182 Band D properties before any payment is made. It was considered that the baseline could remove any incentive to grow in relatively low growth areas and penalise areas with limited opportunity to grow.

The Government have confirmed that NHB will continue for 2022/23 on the same basis as 2020/21 and 2021/22, with no change to the way the NHB is calculated and the award being for one year only.

For the period measured for the 2022/23 New Homes Bonus i.e. October 2020 to October 2021, growth in Gedling was **459** band D equivalent houses, equivalent to 1.01% growth. This growth includes 297 new properties together with 162 empty properties coming back into use following the end of Covid related restrictions on house sales. This growth is above the national baseline of 0.4% and NHB has been confirmed at £427,670 for 2022/23 (to be paid for one year only) including an affordable homes premium based on a growth of 24 units in the period amounting to £6,720.

Gedling will also receive a legacy NHB payment of £93,105 in 2022/23 (the fourth payment dating back to 2019/20) but this will be the final year in which any legacy payments are received under the current arrangements.

The impact of the scheme changes has been a significantly reduced award as demonstrated in the table below:

New Homes Bonus Projections Compared to 2016/17

Payment Relating to	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	£000	£000	£000	£000	£000	£000	£000	
2011/12	339							
2012/13	410							
2013/14	366	366						
2014/15	448	448						
2015/16	468	468	468					
2016/17	369	369	369	369				
2017/18		9	9	9	9			
2018/19			11	11	11	11		
2019/20				93	93	93	93	
2020/21					270			
2021/22						2		
2022/23							428	
Total MTFP	2,400	1,660	857	482	383	106	521	0
Reduction from 2016/17		(740)	(1,543)	(1,918)	(2,017)	(2,294)	(1,879)	(2,400)

There remains considerable uncertainty surrounding the future of the NHB scheme. During 2019/20 the then Secretary of State for MCHLG stated that it was not clear the NHB in its current form is focussed on incentivising homes where they are most needed and announced that the government would

consult on the future of the incentive in the spring of 2020. This consultation was delayed for a year due to Covid-19 but was completed in April 2021. However, the results of the consultation have not yet been announced. It is now intended that the NHB will be considered in the updating of the local government finance system, the so-called Fair Funding Review. It is considered prudent for medium term financial planning purposes to assume that zero NHB awards will be available to support revenue financing going forward. Any future awards will be available to support one off projects or an increase in balances to support future budgets.

2.4.5 Lower Tier Services Grant

As part of the local government finance settlement for 2021/22 the Government announced a new un-ringfenced Lower Tier Services Grant. The grant allocation methodology is two-fold:

- The first part of the grant is allocated to all lower tier councils on the basis of the 2013/14 Settlement Funding Assessment as the best available relative needs assessment. This was initially intended as a one-off grant and Gedling was awarded a sum of £131,000.

The final local government finance settlement for 2022/23 sees this grant continue for another year and Gedling's allocation is **£140,739**.

- The second is a minimum floor funding to ensure that no authority sees an annual reduction in Core Spending Power (CSP) and there is a nominal and real terms increase in CSP when comparing 2021/22 funding to 2022/23 proposed funding. For Gedling this is **zero** because our CSP has increased for 2022/23 with our protection level set at £10.0m (see paragraph 2.4.7). The CSP measure assumes a maximum increase in Council Tax for 2022/23 but this remains a local decision for full Council. During last year's Settlement the Government indicated this funding was in response to the prevailing exceptional circumstances and a one-off but is now continuing for another year. There has though been no consideration of CSP reductions that have been suffered by Councils prior to 2020/21 and therefore appears to continue to protect those Councils that have not previously suffered decreases in NHB irrespective of the already anticipated reductions in their NHB including legacy payments.

2.4.6 Services Grant

The Government has introduced a new Services Grant as part of the local government finance settlement for 2022/23 to provide funding for one year only to all tiers of local government in recognition of the services they provide and to manage inflationary pressures, for example, this grant includes funding for the increase in employer National Insurance contributions for the Health and Social Care Levy. This is an un-ringfenced grant and Gedling's allocation is **£212,082**.

2.4.7 Core Spending Power 2022/23 Compared to 2015/16

As part of the Settlement announcements the Government includes its projection and comparison of Core Spending Power for each authority. This demonstrates the movements in spending power for the four year spending review period 2016/17 - 2019/20 together with the 2020/21 and 2021/22 spending rounds and the first year of the Spending Review 2021 (i.e. 2022/23).

For Gedling the components of Core Spending Power include the Settlement Funding Assessment (revenue support grant and business rates), the Government's estimate of Council Tax Receipts, the New Homes Bonus, Lower Tier Services Grant, the Services Grant (2022/23 only) and S31 grants and these are summarised in the table below:

Core Spending Power 2016/17 to 2022/23

Year	SFA and S31 Grant £m	Assumed Council Tax £m	New Homes Bonus £m	Lower Tier Services Grant £m	Services Grant £m	Total £m	Movement from Prior Year	Movement from 2015/16
2015/16	5.0	5.5	2.0	0.0	0.0	12.5		-
2016/17	4.2	5.5	2.4	0.0	0.0	12.2	-2.6%	-2.6%
2017/18	3.7	5.7	1.7	0.0	0.0	11.1	-9.0%	-11.2%
2018/19	3.3	6.0	0.9	0.0	0.0	10.2	-7.7%	-18.4%
2019/20	3.1	6.0	0.5	0.0	0.0	9.6	-5.9%	-21.5%
2020/21	3.2	6.3	0.4	0.0	0.0	9.9	+2.3%	-21.3%
2021/22	3.3	6.5	0.1	0.1	0.1	10.0	+1.4%	-20.2%
2022/23	3.4	6.7	0.5	0.1	0.2	10.9	+10.3%	-12.4%

Core Spending Power for local authorities in England increased by 7.4% in 2022/23. The table shows an increase of 10.3% for Gedling in 2022/23 which is 2.9% above the average received by the sector as a whole. The Government's estimate of council tax receipts assumes that District/Borough Councils will increase Council Tax by the maximum possible equating to £236,000 for Gedling. However, actual council tax receipts will be determined by local decisions for council tax increases and actual tax base growth.

The Government forecast presents a total cumulative reduction in Core Spending Power by 2022/23 of **12.4%** when compared to 2015/16. **Gedling has the seventh largest reduction in Core Spending Power when comparing 2022/23 to 2015/16 out of 341 Councils in England. For the previous two years, 2020/21 and 2021/22, Gedling was the worst affected Council in England.** Note for comparative purposes – only 11 (3%) of Councils have seen a reduction in CSP of more than 10% when compared to 2015/16, whilst 249 (71%) have seen an increase in CSP for the same period. The largest increase in CSP for a comparable district council is 26.1%.

2.4.7 Council Tax Increase Referendum Trigger

The Localism Act 2011 gives powers to the local community to either endorse or veto Council Tax rises that are above a limit which is to be set annually by the House of Commons. If a local authority decides to implement a council tax increase above the government set limit this will trigger a referendum so that local voters can either support or reject the proposed rise.

In the final settlement the Government confirmed the referendum limit for 2022/23 for Shire Districts at 2% or £5 whichever is higher. For Gedling the £5 cash limit equates to 2.89% in 2022/23. Any Council which sets an increase greater than the referendum limit and does not get support from the electorate via a referendum will have to revert to a council tax level that is compliant, and bear the costs of re-billing its residents.

2.4.8 Local Government Financing from 2023/24

Fair Funding Review

Alongside the local government finance settlement in 2018/19, the Government announced its intention to implement the Fair Funding Review in April 2020. This was deferred for a year due to the United Kingdom leaving the European Union and was delayed again due to Covid-19. It is now expected that the review will be relaunched with a significant consultation expected to commence early in 2022.

Funding baselines for local authorities, as determined by the local government finance settlement, are based on an assessment of local authorities' relative needs and resources. This consists of a large number of economic and social indicators that underlie the distribution of Revenue Support Grant and the setting of tariffs and top-ups within business rate retention. The methodology behind this assessment was introduced over ten years ago, and has not been updated since the introduction of the 50% business rates retention system in 2013/14.

Since that time, demographic pressures have affected local areas in different ways, as has the cost of providing particular services. In recognition of these pressures, the Fair Funding Review will address concerns about the fairness of current funding distributions which have diverged from the needs basis. The outcome of this review will enable the Government to reconsider how the relative needs and resources of local authorities should be assessed in a world in which they will continue to have greater control over the money that they raise.

Transitioning to the new funding distribution. The Government recognises that introducing a new needs and resources formula could result in significant changes to the funding baselines of some local authorities. It is therefore intended to introduce transitional arrangements that are fair, transparent and easily understood so that budgetary impacts can be accommodated.

The consultation proposes that the starting baseline for the purposes of transition will be a measure of the current funding available to each local authority i.e. the Core Spending Power measure excluding the 2022/23 new Services Grant i.e. £10.7m. This should mean that no authority will see its funding reduce as a result of the new system in the first instance. It is proposed that transition is time-limited, establishing a fixed period of time to enable target allocations to be reached as soon as practicable.

Whilst the need for a transition period is usual in these circumstances there is a risk that the funding reductions of 12.4% that Gedling have suffered since 2015/16, as detailed in the CSP measure, will be locked in for a period if:

- a) the outcome of the review is that Gedling's funding is currently too low based on relative needs, which may be the case given that the disproportionate £1.8m CSP reductions (excluding new Services Grant which will not be protected) we have faced are mainly due to the NHB scheme which takes no account of relative needs; and
- b) the current CSP is used as the comparative measure to apply protection similar to its use in the 2022/23 Lower Tier Services Grant.

Gedling will take an active part in any Fair Funding Review consultation process to ensure its position is understood and views are represented.

Future of Business Rates Retention

Whilst there was no detail provided in Spending Review or the Settlement regarding the plans for the future of Business Rates Retention and the intended reset of the system, on 7 November 2021 the Secretary of State for Levelling Up, Housing and Communities announced that the Government would abandon moves towards 75% Business Rates Retention as they considered that it conflicted with their levelling up agenda.

The Business Rates Retention Scheme will be retained at 50% for next year and there will be no reset of the business rates baseline for 2022/23 which provides some funding certainty for next year i.e. it was anticipated that some existing business rates growth could be removed upon reset, reducing income levels. However there is no real clarity regarding whether the future of the scheme or the potential reset will form part of the scope of the planned Fair Funding Review.

2.5 **General Fund Budget 2022/23 Summary**

2.5.1 The following table summarises the proposed General Fund Budget for 2022/23. The detailed budgets are presented at Appendix 2. In developing a budget proposal, assumptions on the core budget have to be made and the various assumptions in respect of inflation are shown at Appendix 3. These have been included in both the annual base budget and MTFP calculations.

General Fund Budget Summary 2022/23

Portfolio	Original Budget 2021/22 £	Base Budget 2022/23 £	Variance £
Community Development	1,409,700	1,368,500	(41,200)
Housing, Health and Wellbeing	3,098,700	2,397,500	(701,200)
Public Protection	1,362,400	1,520,000	157,600
Environment	4,749,400	5,399,400	650,000
Growth and Regeneration	780,900	1,056,200	243,900
Resources and Reputation	1,503,800	1,059,200	(413,200)
Net Portfolio Budget	12,904,900	12,800,800	(104,100)
Transfer to/(from) Earmarked Reserves	(1,250,600)	(426,700)	823,900
Net Council Budget	11,654,300	12,374,100	719,800

2.5.2. **Major Budget Pressures**

The base budget includes the following major budget increases **greater than £50,000**, which are substantially above the previous medium term financial plan expectations due to prevailing economic conditions and demand pressures:

- 3% Pay Award of £418,700 comprising of an initial £278,700 for an assumed 2% pay award plus a further £140,000 for an additional 1% in recognition of the increasing cost of living pressures;
- 1.25% increase in employer National Insurance Contributions due for the Health and Social Care Levy of £80,000;
- Additional Inflationary pressures in utilities, fuel and software prices £144,000;
- Additional investment in Waste and Street Care Staffing resulting from a growth in the number of household and increase service demands of £79,500
- An increase in housing benefit of £135,000 due to the expectation that overpayment recoveries will be lower;

- An expected reduction in income from major planning applications of £100,000.
- Additional borrowing costs (interest and minimum revenue provision) for the capital programme £148,800.

2.5.3 **Major Budget Reductions – Efficiency Programme**

In response to the budget pressures arising from the downturn in the economy and consequent reductions in central government grant funding, the Council has approved a number of efficiency/budget reductions programmes to ensure delivery of a sustainable Medium Term Financial Plan (MTFP).

The Council's efficiency programme has been developed in accordance with the themes contained in the approved Efficiency Strategy i.e.:

- **Efficiency & Effectiveness** – including: service efficiencies delivering the same level of service with a reduced level of resource; effective asset management; new ways of working including service re-engineering and new delivery methods; demand management; and service reductions or cessation;
- **Contract Management** – improved value for money in procurement;
- **Income Generation** – to maximise all income and reduce the level of subsidy provided in our discretionary service areas moving towards full cost recovery where appropriate; innovation/new ideas for new income streams.

Efficiency Programmes – Progress Update

Since 2014/15 Council have approved five separate efficiency programmes totalling £6.5m net of risk provision. The total programme remaining for delivery over 2021/22 to 2024/25 is £1.2m (net of risk provision), including a new programme of efficiencies of £0.584m approved by Council at its meeting in March 2021.

The progress of the current programme delivery has been positive and budget reductions achieved remain broadly in line with the profiled estimate.

Efficiency Proposals – New Proposal 2022/23 to 2024/25

Due to the uncertainties of future Settlement funding and the potential pressures arising from the ongoing impact of the Covid-19 pandemic, at that same meeting in March 2021, Council agreed a further efficiency target of £600,000 as part of the medium term financial plan, requiring new detailed efficiency plans to be developed with a profile for delivery of £500,000 in 2022/23 and £100,000 in 2024/25 should the potential risks materialise.

As detailed above at paragraph 2.5.2 significant inflationary pressures are now being experienced and whilst New Homes Bonus Funding and the new Services grant will be received in 2022/23 this does not cover the inflationary

and demand pressures and therefore a new efficiency programme is being proposed as part of this budget report.

A new cumulative efficiency programme of £545,000 is proposed for approval and is included in the MTFP, made up of the following annual ongoing targets: **2022/23 £337,000; 2023/24 £108,000; and 2024/25 £100,000**. The inclusion of this target is broadly in line with target agreed by Council and contributes to the achievement of a balanced budget and sustainable medium term financial plan. A total **risk provision of £50,000** is included in the budget to manage the inherent risks of efficiency programme delivery.

The tables below summarise the proposed budget reductions analysed by Portfolio and Reduction type, a detailed list is included in Appendix 6.

Summary of Budget Reduction Proposals

Inclusion in 2022/23 Budgets and MTFP				
Portfolio	2022/23 £	2023/24 £	2024/25 £	Total £
Community Development	30,000	(20,000)	0	10,000
Housing Health & Wellbeing	149,000	150,000	100,000	399,000
Public Protection	0	0	0	0
Environment	1,000	24,000	0	25,000
Growth & Regeneration	0	0	0	0
Resources & Reputation	157,000	(46,000)	0	111,000
Total	337,000	108,000	100,000	545,000

Budget Reduction Proposals Summarised by Type

Summary 2022/23 - 2024/25	Service Cut £	Efficiency and Effectiveness £	Income £	Total £
Community Development	0	10,000	0	10,000
Housing, Health & Wellbeing	0	45,000	354,000	399,000
Public Protection	0	0	0	0
Environment	0	0	25,000	25,000
Growth & Regeneration	0	0	0	0
Resources & Reputation	0	78,000	33,000	111,000
Total	0	133,000	412,000	545,000

2.5.4 **Proposed Revenue Resource Developments 2022/23**

Following discussions with the Leader, the Revenue Resource Developments detailed in the tables below are recommended to Cabinet for approval.

The table below show schemes scoring 15 points and above using the Council's approved methodology which assesses schemes in accordance with the level of contribution made towards the achievement of the Council's Priorities and Improvement Plans.

(a) Revenue Resource Developments 2022/23

Scheme	Revenue Bid 2022/23	Ongoing
	£	£
Economic Regeneration Master Planning Exercises	50,000	0
Queen Elizabeth II Platinum Jubilee Activities	10,000	0
Green Rewards Scheme	5,500	5,500
Street Lighting Maintenance (funded by reserves)	8,000	0
IT Cyber Security and Disaster Recovery Measures	26,000	26,000
Hybrid Meeting Rooms (funded by grant and reserves)	5,000	0
HGV Driver Training	5,000	5,000
Total Revenue Bids	109,500	36,500

Further details of the revenue resource developments for 2022/23 are as follows:

- Master Planning Exercises (£50,000) – Support one-off strategic planning work, particularly in respect of the Arnold, Colwick and Netherfield areas
- Queen Elizabeth II Platinum Jubilee (£10,000) – A series of civic and community events and activities to help celebrate 70 years since Queen Elizabeth II's accession to the throne.
- Green Rewards Scheme (£5,500) – The ongoing costs of participating in the Green Rewards Scheme launched in 2021/22 that saw Gedling join with other Nottinghamshire local authorities to set up an online platform designed to incentivise and encourage residents to undertake positive environmental behaviour change.
- Street Lighting Maintenance (£8,000) – The maintenance of seven previously unregistered street lighting units along Apple Tree Lane in Gedling. It is anticipated that this cost will be met by a contribution from the Asset Management Reserve.
- IT Cyber Security and Disaster Recovery Measures (£26,000) - new software to improve recovery times in the event of a disaster recovery situation and improve day to day IT security.

- Prototype Hybrid Meeting Rooms (£5,000) - To enable initial work to be undertaken to prototype 1 or 2 meeting rooms at the Civic Centre with hybrid technologies to determine if these solutions will support the Council's needs going forwards, particularly in view of the Council's wider agile working agenda. It is anticipated that the cost will be met by a grant of £3,000 from the Local Resilience Forum (LRF) and a £2,000 contribution from the Efficiency and Innovation Reserve.
- HGV Driver Training (£5,000) – A programme to ensure that the Council has a sufficient number of trained drivers to support the delivery of services.

In addition to the revenue resource development proposals a capital resource development (see capital programme report an item elsewhere on this agenda) has ongoing revenue implications which have been included in the revenue budget and MTFP, as detailed in the following table:

(b) General Fund Ongoing Revenue Implications of the Proposed Capital Development and Asset Replacement Proposals (excluding borrowing costs)

Description	Capital Budget – For Information	Revenue Costs 2022/23 and ongoing
	£	£
CCTV Developments Replacement Provision	65,000	6,500
Total Ongoing Revenue Costs/(Saving)		6,500

2.5.5 Discretionary Income Inflation

The Medium Term Financial Plan includes income inflation at 3% on discretionary income, (excluding leisure DNA memberships, garden waste, trade waste, building control, town centre car parking), which equates to £97,900, and the increase per Portfolio is shown in the table below. Each additional 1% increase will raise a further £32,600.

It is suggested that the Portfolio Holder agrees individual charges with the relevant Corporate Director, with discretion to vary the percentage increase, as long as the overall cash amount for that Portfolio is raised or exceeded.

Portfolio	Discretionary Income £	1% increase £	3% increase £
Community Development	(83,500)	(900)	(2,600)
Housing, Health & Wellbeing	(1,773,400)	(17,700)	(53,200)
Public Protection	(599,700)	(6,000)	(18,000)
Environment	(766,500)	(7,600)	(22,900)
Growth & Regeneration	(2,200)	0	0
Resources & Reputation	(41,000)	(400)	(1,200)
Total	(3,266,300)	(32,600)	(97,900)

Some of the services operated by the Council are not included in the general fee inflation increase due either to: the sensitivity of demand to price changes e.g. Leisure DNA memberships, or; being operated on a commercial basis and therefore required to breakeven e.g. Trade Waste Services and Building Control. The levels of fees which are set in these areas are considered separately and the base budget amended to ensure appropriate fees are set.

In 2022/23, in addition to the 3% fee increase, a further review of discretionary pricing will be completed and Portfolio Holders will consider separate recommendations to deliver the £30,000 provision included in the efficiency programme detailed at paragraph 2.5.3.

Some fees for statutory services e.g. development control, are determined by central government and any changes are reflected in the base budget.

2.5.6 Summary of Significant Budget Changes 2022/23

In summary, the table below highlights the areas of significant variance in expenditure/income which have been reflected in the base budget 2022/23.

	Budget Impact 2022/23	
	£	£
Original Net Council Budget 2021/22		11,654,300
Revenue Budget Pressures		
Initial 2% for 2022/23 Pay Award	278,700	
Additional 1% for 2022/23 Pay Award	140,000	
Reduction in DWP Rent Allowance Income	135,000	
Additional Minimum Revenue Provision (MRP)	115,700	
Reduction in Major Planning Applications Income	100,000	
Additional Investment in Waste and Street Care Staffing	80,900	
Additional 1.25% National Insurance Contributions for Health and Social Care Levy	78,400	
Additional Fuel Costs	60,000	
Additional Utilities Costs	57,000	
Additional PWLB Interest on New Borrowing	33,100	
Reduction in Hackney Carriage Licence Income	33,300	
Reduction in Land Charges Income	27,000	
IT Software Licencing and Maintenance Inflation	22,600	
Increase in Banking Services Costs	10,100	
Other minor variances (net)	2,400	
Total Pressures		1,174,200
Revenue Budget Growth		
See above		109,500
Total Growth		109,500
Efficiency/Budget Reduction Programmes		
Previously Approved Programme	(162,300)	
New Proposed Efficiency Programme (net of risk provision)	(287,000)	
Total Efficiency Programme (net impact)		(449,300)
Provisions		
Removal of Covid-19 Expenditure Pressures Government Grant	534,700	
Total Provision		534,700
Other Base Budget Reductions		
Reinstatement of Leisure Income Budget net of Covid-19 Sales, Fees and Charges Grant	(511,400)	
Reduction in Waste Disposal Costs	(40,000)	
Fees and Charges Income Inflation (see para 3.6.5)	(97,900)	
Total Other Budget Reductions		(649,300)
Net Increase in Budget 2022/23		719,800
Proposed 2022/23 Net Council Budget		12,374,100

Note: In addition to the above 2022/23 budget changes and future inflationary increases the MTFP includes the following:

- Elections costs in 2023/24 £133,500;

- Assumptions about the transfer of Housing Benefit administration to the Department of Works and Pensions following the introduction of Universal Credit have been made including the deferral of the roll-out announced by the Government. The net cost to the authority is now expected to be increased by £15,000 per annum from 2023/24 through to 2026/27.

2.5.7 Review of Balance Sheet Reserves

The Local Government Act 2003 requires authorities to consider the level of reserves when calculating their budget requirements. Professional guidance is set out to assist in this deliberation.

The Council's minimum General Fund Balance requirement is set at £1m, or least 7.5% of the Council's net operating expenditure, whichever is greater. The General Fund balance is currently projected to be in excess of the minimum by £0.611m at 31 March 2023. The medium term projection on the General Fund Balance is detailed in the Medium Term Financial Plan summary at paragraph 3 below.

Earmarked Reserves on the balance sheet have been reviewed to ensure appropriate levels of funds are retained for specific future purposes and risks. The estimated movement on reserves for 2021/22 and 2022/23 are detailed at Appendix 4 and show expected balances of £3.91m at 31 March 2023. Whilst the majority is set aside to cover specific risk issues e.g. insurance risks, to support approved capital projects, to support ongoing service provision, including ring-fenced partner funds and grants, they may be diverted to support general expenditure should the need arise. In the region of £700,000 remains that does not have specific approved plans which could be reclassified for general use. If spending pressures did arise in those 'earmarked' areas, in-year additional savings would need to be identified at that time. The MTFP at paragraph 3 assumes that the reclassification of £700,000 earmarked reserves will be required in 2023/24 to support the budget. This will be kept under review and considered in the light of the outturn position for 2021/22 and detailed recommendations made for reclassification if required.

2.5.8 Financing of the Capital Programme

As detailed in the Capital Programme report earlier on this agenda it is currently forecast that borrowing will be required to finance part of the capital programme in 2022/23 to 2026/27. Borrowing has an impact on the revenue budget in terms of interest costs and principal repayment. This is reflected in the Medium Term Financial Plan.

2.5.9 **Collection Fund**

Council Tax

On 15 January each year, the Council is statutorily obliged to prepare an estimate of its Collection Fund transactions for Council Tax, and its expected position at 31 March. This estimate enables Gedling and the three major precepting authorities to take account of any anticipated surplus or deficit on the Fund when they set their own authority budgets.

As detailed in Appendix 5, a nil surplus/deficit was declared on 15 January 2022 for the estimated position at 31 March 2022. This is net of a “spreading adjustment” of £207k representing 1/3 of the 2020/21 in-year deficit of £622k which was largely due to the impact of Covid-19 on the Council Tax Collection Fund and ensured that the full financial impact of the deficit did not fall on a single year’s accounts. The spreading adjustment is required by regulations which came into force on 1 December 2020.

Business Rates

The Business Rates Collection Fund deficit at 31 March 2021 was £13.173m compared to the deficit of £12.135m declared in January 2021 for collection in 2021/22 – an increase of £1.038m. This was not unexpected since the declared deficit was reduced by a mandatory spreading adjustment put in place by the Government to ensure that the full impact of additional Covid 19 reliefs did not impact a single year’s accounts.

The exceptional 2020/21 deficit was mitigated by additional S31 grant of £12m paid to the General Fund in respect of the expanded reliefs. Due to technical accounting requirements there is a timing difference between the receipt of the S31 grant which was accounted for in 2020/21 and the collection fund deficit created by the awarding of the reliefs which is not paid until 2021/22. This element of the collection fund deficit could not be spread over 3 years and therefore at the 31 March 2021 there was a surplus in the General Fund balance of £4.8m which was retained for payment of Gedling’s share of the deficit in 2021/22.

An estimated deficit of £7.1m for 31 March 2022 was declared in January 2022, of which Gedling’s share is £2.85m (40%). The continuation of expanded retail relief into 2021/22 has recreated, to a lesser extent, the timing difference experienced in 2020/21. An estimated £2.459m of additional S31 grant for this will be received by the General Fund in 2021/22 for expanded retail reliefs and the Covid Additional Relief Funding (CARF), and these will need to be carried forward in the General Fund balance at 31 March 2022 in order to finance the deficit in 2022/23.

2.5.10 **Business Ratepayers Consultation**

There is a statutory requirement to consult with business ratepayers on the budget proposal. The consultation has commenced and any responses will be reported at the meeting.

3. **MEDIUM TERM FINANCIAL PLAN**

- 3.1 The implementation of the Local Government Act 2003, which introduced a requirement for the Council's Chief Financial Officer to comment on the robustness of the Council's estimates, and the need to look at the medium term (3 years) in order to produce the required indicators as detailed in the Prudential Code, means greater emphasis needs to be placed on the Council's medium term financial planning. Although an absolute requirement to look over three years is required, it is considered good practice to look over as long a period as is reasonable. This Council has a history of producing a Medium Term Financial Plan (MTFP) over a 5 year horizon and this is still considered the appropriate period for this authority.
- 3.2 The MTFP 2022/23 to 2026/27 is presented against a backdrop of major and unprecedented uncertainty in the post Covid-19 pandemic environment, particularly rapidly rising inflation and problems in the global supply chain along with the recent upward movement in interest rates which have resulted in difficulties in forecasting both funding and spending pressures beyond next year. Other factors contributing to uncertainty associated with the MTFP include:
- The latest one year Local Government Finance Settlement for 2022/23;
 - The lack of a confirmed timescale for the Fair Funding Review;
 - Upward pressure on pay awards due to a response to rapidly rising inflation and skills shortages in key areas.
- 3.3 The following table identifies the impact of all the proposals and assumptions that are contained in this report:
- Planned budget reductions and efficiency savings (paragraph 2.5.3)
 - The incremental increase in base revenue expenditure from 2021/22 and budget growth items (paragraph 2.5.4);
 - Pay Award of 3% for 2022/23 and 2% per annum from 2023/24 to 2026/27. Whilst the April 2021 pay award for Local Government staff has not yet been agreed and an offer of 1.75% has been made to all staff below Chief Officer level, it is considered prudent to forecast a pay award of 3% in the MTFP for 2022/23 to reflect the rapidly rising inflation levels and skills shortages in certain key areas.
 - Fees and charges to be increased by an average 3% (paragraph 2.5.5);
 - Anticipated cost of borrowing to finance the capital programme for 2022/2027;

- A £5 Band D Council Tax increase (42p per month for a Band D property and 28p per month for a Band A property) has been assumed for 2022/23. Beyond that a £5 or 2% Council Tax increase, whichever greater, has been assumed for each year of the MTFP in line with the maximum possible without triggering a referendum. However, future council tax increases will be dependent upon future spending decisions, total local government funding and the achievement of efficiency savings;
- Reclassification of Earmarked Reserves back to General Fund Balance in 2023/24 £700,000 (subject to review as detailed in paragraph 2.5.7).

Based on the current information available, in order to achieve a balanced MTFP and ensure the Council's balances do not fall below the minimum required, additional ongoing budget reductions or funding increases of **£1,000,000** will be required in the following profile: **£100,000 in 2023/24; £900,000 in 2024/25** and these are included in the summary MTFP table below. Any new demand pressures arising will require an increase in these budget reduction/savings projections to maintain a balanced budget.

Whilst these budget reductions are not yet supported by outline business plans meaning this aspect of the financial plan is less robust, given the prevailing backdrop of funding uncertainty detailed in paragraph 3.2 and that the first savings are not proposed for delivery until year 2 of the MTFP this gives the Council a good lead in time for developing detailed plans if required. The Council will not be complacent and will consider options for potential budget reduction options during 2022/23 which can be implemented from 2023/24 in the event that additional funding is not available in the next Local Government Finance Settlement.

The following table demonstrates a balanced medium term plan with a projected surplus on balances at the end of year 5 (2026/27). Whilst the budget still requires a contribution from balances in years 1, 2 and 5, the inclusion of a higher savings projection to that detailed above is not recommended due to the uncertainties surrounding the future of local government funding. Given the many variables in the medium term financial plan there will be sufficient time to address any future imbalance that may arise.

MEDIUM TERM FINANCIAL PLAN 2022/23 TO 2026/27 - HIGH LEVEL SUMMARY

	2022/23 £	2023/24 £	2024/25 £	2025/26 £	2026/27 £
Net Council Budget	12,374,100	12,180,300	11,284,200	11,671,400	12,232,900
Financed by					
SFA Business Rates Baseline	(3,076,400)	(3,138,000)	(3,200,700)	(3,264,700)	(3,330,000)
SFA – Revenue Support Grant	(500)	(500)	(500)	(500)	(500)
Lower Tier Grant	(140,700)	(140,700)	(140,700)	(140,700)	(140,700)
Services Grant (2022/23 only)	(212,100)	0	0	0	0
NNDR Growth/ Collection Fund(Surplus)/Deficit/ S31 Grant	(1,008,100)	(620,000)	(800,000)	(800,000)	(800,000)
NDR Deficit Reliefs 2020/21	2,458,500	0	0	0	0
Council Tax Deficit/Losses Grant/CTRS Support	0	19,100	0	0	0
New Home Bonus - Current	(427,700)	0	0	0	0
New Homes Bonus - Legacy	(93,100)	0	0	0	0
Less: Amount (from)/to Balances	(3,147,200)	(1,306,700)	122,200	64,500	(162,400)
Council Tax Requirement	6,726,800	6,993,500	7,264,500	7,530,000	7,799,300
Council Tax increase	£5 (2.89%)	£5 (2.81%)	£5 (2.73%)	£5 (2.66%)	£5 (2.59%)
Tax Base	37,776	38,201	38,626	39,001	39,376

The MTFP above assumes that a £5 increase will be applied between 2022/23 and 2026/27 but the actual increase will be determined on an annual basis by Council.

Expected balances at year end	1,614,000	1,007,300	1,129,500	1,194,000	1,031,700
Required balance	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
(Surplus)/Deficit on required balances	(614,000)	(7,300)	(129,500)	(194,000)	(31,700)

Note: Actual General Fund Balance at 1 April 2021 was £7,923,000 and the estimated balance at 1 April 2022 is £4,761,000 which includes S31 Grant for the funding of the 2021/22 business rates reliefs, which will fund the related Collection Fund deficit of £2,458,500 (as detailed paragraph 2.5.9 and in the table above). Estimated balances assume the reclassification of £700,000 of Earmarked Reserves back to General Fund Balance in 2023/24.

4. **COUNCIL TAX**

- 4.1 The Council Taxpayer has to meet the difference between the planned expenditure and the Government grant receivable after the use of any balances are taken into account. It is this difference that is used to calculate individual Council Tax bills for 2022/23.
- 4.2 Gedling's share of the council tax for a band D property for 2021/22 is £173.07. The level of council tax for 2022/23 depends on the extent of service reductions/developments and financial risk issues (see paragraph 5 below) that the Council decides to provide for in the budget for next year. For illustration, an increase in council tax by 1% provides additional funding of £64,700. In the above MTFP a £5 (equivalent to 2.89%) increase has been assumed for 2022/23. **The MTFP at paragraph 3.2 assumes that a £5 increase will be applied for the whole period of the plan but the actual increase will be determined on an annual basis by Council.** The maximum council tax increase that a shire district can apply without triggering a referendum is £5 or 2%, whichever is greater. To illustrate the impact of the £5 increase, the overall position in terms of the increase for the year ahead on each band would be as follows:

	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
Year	£3.33	£3.89	£4.44	£5.00	£6.11	£7.22	£8.33	£10.00
Per Week	6p	7p	9p	10p	12p	14p	16p	20p

5. **ROBUSTNESS OF ESTIMATES**

- 5.1 Sections 25 and 26 of the Local Government Act 2003 place a personal duty on the Chief Finance Officer to make a report to Council when considering its budget and Council Tax. The report must deal with the robustness of the estimates and the adequacy of reserves.

The Act requires Members to "have due regard to the report in making their decisions". Where this advice is not accepted, it should be formally recorded within the minutes of the Council Meeting.

Under Section 25 of the Local Government Act 2003 the Section 151 Officer is required to provide a commentary assessing the robustness of the estimates when Cabinet and Council are considering the budget proposals.

The key strategic risks in considering the 2022/23 revenue budget proposals and Capital Programme in the context of the Medium Term Financial Plan are detailed in paragraphs 5.2 to 5.8 below.

5.2 **Financial Settlement/Funding Streams**

After a delay of two years, firstly due to Brexit and then the Covid-19 pandemic (resulting in one year spending rounds for 2019 and 2020 and consequently one year local government finance settlements), the much awaited 3 year 2021

Comprehensive Spending Review was announced in October of 2021. However, once again, the continuing impact of Covid-19 has had a knock on impact on the timing of the promised local government finance reforms i.e. Fair Funding Review and Business Rates Retention, which have now been deferred for at least a further year resulting in a third, one year only Local Government Finance Settlement. This means that Councils still have no clarity or certainty of how services will be funded beyond next year which presents incredible challenges, inhibiting meaningful financial planning and the development of a sustainable medium term financial plan. This is further exacerbated by the uncertainties resulting from Covid in terms of ongoing budget pressures and consequent inflationary pressures and how they will be financed.

The 2021 Comprehensive Spending Review outlined the Government's spending plans for the next three years by setting budgets for each central government department. This included an average increase in Core Spending Power for local government of 3% in real terms over the three year Spending Review period. However, a substantial part of the additional £4.8 billion of new grant funding to this department is primarily to meet social care pressures which is an upper tier function, presenting a risk that district and borough councils will not receive the full 3% increase in real terms over the 3 year period.

- **Business rates retention/Fair Funding Review:** The extension of the business rates retention scheme and implementation of the Fair Funding Review was planned for 2020/21 but this has now been delayed for a third year with the earliest expected conclusion to be in time for the 2023/24 Local Government Finance Settlement, i.e. year two of the 2021 Comprehensive Spending review period. Consultation on updating the system is expected to commence early in 2022 but it is, as yet, unclear if this will include a review, or reset, of the business rates retention system. In the absence of a review of the local government funding, pilots for the 100% business rates retention are continuing in 2022/23 but the Secretary of State for Levelling Up, Housing and Communities announced that the Government would abandon moves towards 75% Business Rates Retention as they considered that it conflicted with their levelling up agenda. Instead the Government would look to progress the Fair Funding Review and examine the mechanism for redistributing funding to the local authorities most in need.

Any retention of business rates will still require a mechanism to ensure funding is distributed in respect of need which will create winners and losers which will be determined by the Fair Funding Review. With an obvious emphasis already included in the Spending Review to support upper tier authorities in respect of their funding for social care, there is a real risk that district councils could lose further under any new allocation process. The original intention of the business rates retention scheme was for it to be fiscally neutral and in order to achieve this, additional responsibilities would need to be transferred to Local Government in a move to 100% retention. In this scenario care will be needed to ensure

that any new transferred responsibilities are capable of being fully funded in both the short and long term although the risk of this materialising is now reduced if the retention level stays at the current 50%.

The current retention of business rates has shown the volatility of this funding in respect of the appeals process, the prediction of future growth, and the potential for significant local impact where a large business relocates/closes. These changes may require local authorities to hold higher levels of reserves in the future depending on the outcome of the review of the local government finance system.

- **New Homes Bonus**: the main body of the report at paragraph 2.4.4, identifies the significant impact that changes to this funding stream has for Gedling Borough Council due to the introduction of a 0.4% growth baseline resulting in a significantly reduced awards since 2016/17.

In line with the line with the one year only local government finance settlement, the NHB award has continued on a one year only basis for 2022/23. Previously the government has stated that it is no longer clear that the NHB in its current form is focussed on incentivising homes where they are needed most. A consultation on the future of the NHB was held in the spring of 2021 but there is, as yet, no firm indication as to how the Government will wish to proceed. There is speculation that the future of NHB will be considered in the context of the Fair Funding Review.

Whilst there may still be an opportunity to receive NHB in the future it is considered that there is a significant downside risk to this arising and it is not prudent to rely on this funding stream to support the revenue budget. This risk came to fruition for 2021/22 as Gedling received a zero award because growth was below the threshold before receiving a positive allocation of £427,670 for 2022/23. Therefore the MTFP assumes future payments will be zero. In the event that the Council does receive some NHB in the future, this will be used to support projects or be transferred to balances to support future budget setting but, in all probability, will be matched by corresponding reduction in Lower Tier Services Grant.

- **Council Tax**: The Government's Core Spending Power figures are based on the assumption that Council Tax will be increased by 2% or £5 per annum whichever is greater and that growth in the tax base will recover from the adverse impact of Covid due to the increased Council Tax Reduction Scheme caseload and will increase by the creation of additional hereditaments. These may be optimistic assumptions and in any case leave very little room for local discretion to set a higher Council Tax in order to plug any funding gaps. The MTFP contained in this report assumes that a £5 increase will be applied between 2022/23 and 2026/27 but the actual increase will be determined on an annual basis by Council. In the absence of additional ongoing funding in the local government finance settlement, any Council Tax increase below the £5

will require an increase in the efficiency/budget reduction targets to ensure that a balanced MTFP is secured.

- **COVID19:** There remains a significant amount of uncertainty and risk around the financial impact of Covid-19 in the medium term due to: potential increased service demand arising from the economic impact; the ongoing impact on income for Council services e.g. leisure, and local tax collection reductions; and now to a lesser extent, the risk of ongoing response work being required. There remains a risk that the Covid financial impacts are higher than estimated and in the absence of additional government funding these will need to be met from an increase in savings/budget reductions in other Council services. For both 2020/21 and 2021/22 the full costs of Covid have not been covered in full by government grant and the Council has been required to use its finite reserves to cover the deficit. No further government grant funding is expected for 2022/23 despite income levels not being anticipated to reach pre-pandemic levels until 2023/24.
- **Economic Growth/Inflation:** Both Brexit and Covid-19 had a major adverse impact on the economy and whilst effective vaccines improved the economic outlook, the related ongoing uncertainty continues to create major challenges for economic forecasting. Overall the balance of risk to economic growth in the UK is now to the downside, with significant risks related to: labour supply shortages proving more enduring and depressing economic activity; inflationary pressures not being effectively controlled by monetary policy interventions; UK/EU trade agreements being effective. Without a multi-year settlement or an understanding of what the Fair Funding Review or business rates retention will bring any future pressure arising from an economic downturn and inflationary pressure need to be managed within local resources i.e. from further budget reductions or efficiencies.
- Inflation assumptions have been incorporated in the MTFP as detailed in Appendix 3, including pay award of 3% for 2022/23 and 2% per annum from 2023/24 to 2026/27. Whilst the 2021/22 pay award for Local Government staff has not yet been agreed, and an offer of 1.75% has been made to all staff below Chief Officer level, it is considered prudent to forecast a pay award of 3% in the MTFP for 2022/23 to reflect the rapidly rising inflation levels and skills shortages in certain key areas. However, given the uncertainties in the economy present there is a minor upside financial risk that future awards could be lower than 2% if a period of public sector austerity ensues and is reflected in local government finance reforms and Settlement.

5.3 A minimum balance of £1m on the General Fund, or 7.5% of net operating expenditure whichever greater, is recommended by the Chief Financial Officer to be a prudent amount given the scale of the business conducted by the Council. The external auditor regards this level of balance on the General Fund

to be satisfactory, and it is also appropriate to reflect uncertainties in the financial position in the medium term.

- 5.4 The (surplus)/deficit on balances in the MTFP table in 3.2 shows amounts (above)/below the recommended minimum General Fund balance in any one year. Current spending plans show a surplus of £614,000 in 2022/23 declining to £31,700 by the end of 2026/27. Achievement of this position is reliant upon efficiency plans being progressed and delivered during the period of the MTFP or additional funding being made available via the local government finance reforms. Underlying this is an annual deficit between the amounts of income expected and anticipated expenditure which needs to be managed beyond the five-year horizon but this is significantly reduced to manageable levels with the inclusion of the efficiency/savings programmes. However this still does not leave significant capacity to manage future budget and inflation pressures that may arise which will have to be managed by further budget reductions.

The Council has a substantial programme of budget reductions planned for delivery, as detailed in paragraph 2.5.3. Whilst risk provisions and transformation funds have previously been approved, (which mitigate the risk of non-delivery) and in the main the delivery of the programme has gone well, more recently difficulties have been experienced particularly with regards to projects that contain uncertainties inherent in more innovative commercial approaches and the impacts of Covid-19 which presents an increasing downside risk to successful delivery. Programmes are regularly monitored and progress reported to Cabinet to manage this risk and as detailed in paragraph 2.5.3 new efficiency proposals recommended to ensure this downside risk is effectively managed.

The challenges that lie ahead remain equal to those in previous years, but this plan is considered robust. Gedling is not alone in facing this challenge - it is a national problem - and it is better placed than most councils to react and to develop strategies to meet the set efficiency targets.

- 5.5 Initiatives introduced to manage within reduced resources bring increased risks both financially and in terms of service delivery. For example:

- Reduced maintenance budgets – can be accommodated in the medium term but may bring pressures in the longer term as major capital investment plans may need to be accelerated as assets deteriorate faster. Increased public building maintenance budgets have been included in the capital budget proposals to mitigate this risk;
- Earmarked reserves for specific purposes/risk management have been reviewed and will be managed at minimum requirement levels providing less scope for managing emerging risks. However, additional reserves have been set aside for the potential staffing redundancy/transfer costs in respect of the move of rent allowance payments to the Universal Credit system which has again been delayed.

- 5.6 The Authority continues with activities undertaken in association with a variety of partners. This requires reliance on partnership funding and/or the delivery of

integrated programmes and is an approach which is integral to the Council's efficiency programme. However, a significant number of the Council's partners are public sector organisations which are also facing significant budget pressures and changing roles. This places increasing risk on the Council both directly, in respect of possible withdrawal of partnership funding, and indirectly, with the Council potentially facing additional burdens resulting from budget cuts in other organisations. This is especially true in respect of the most vulnerable in society which could therefore have a direct impact families initiatives, homelessness and those with specialist housing need.

- 5.7 There is an increased risk arising from these assumptions and it has been necessary to increase minimum balances to £1m from 7.5% of net projected expenditure (approx. £930,000 2022/23). As the Council is responding to the challenges through efficiency measures and service reductions it is considered that the annual and medium term budgets are robust, but given the above risk assessment the achievement of the estimated Medium Term Financial Plan will not be easy to deliver.
- 5.8 Given the Council's excellent track record for budget management, careful budget monitoring and financial planning, which will continue, the structural deficit that remains in the Medium Term Financial Plan is considered to still be at a manageable level, although it should be expected that there may need to be some contraction of service delivery/performance if existing efficiency plans do not proceed in line with expectations or there are funding reductions following the implementation of the Fair Funding Review.

6. **Risk Assessment**

Gedling needs to review its Financial Strategy and Medium Term Financial Plan annually to ensure its projected expenditure is balanced with the income it receives, and where it doesn't, or is projected not to, corrective action needs to be identified and put in hand.

Risk	Impact	Comments
Time	Medium	<p>Gedling has always aimed to be at least one year ahead of the budget reductions it needs to make, so that any changes required are as trouble free as possible.</p> <p>Efficiency plans to meet the approved targets will continue to be implemented over the next 4 years to help balance the MTFP.</p>

Viability	High	The continuing one year local government finance settlements, the lack of a clear timeframe for the Fair Funding Review, uncertainty regarding the future of the New Homes Bonus and the rapidly increasing levels of inflation as well as the upward movement in interest rates increases the risks to the finances of the Council; Whilst it has reserves to cushion the impact, these are quickly reducing and delivery of the approved efficiency programmes will be essential.
Finance	Medium	With the continued removal of central government support, the Council will increasingly rely on income generated by local fees and charges, and council tax, and these will need to consistently increased year on year to offset the momentum of continual reductions in available budgets. Covid19 presents an additional risk to income levels for which the recovery period is uncertain
Profile	High	The achievement of a balanced and sustainable MTFP is reliant upon the effective delivery of the efficiency programme, with £1.7m planned for delivery 2021/22 to 2024/25. In the absence of additional funding in the next local government finance settlement, or reduced inflationary pressures, further budget reductions of £1.0m over 2023/24 to 2026/27 will be required.
Adaptability	High	Working with partners will be essential to successfully respond to the challenges that face the Council. The joint work with the DWP has provided a positive model of partnership working and Gedling is working more closely with the Police and the local Clinical Commissioning Group to work laterally across the sector.

7. **Equality Issues**

The Council has a duty under the Equality Act 2010 to have due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations between protected groups (such as disabled people or ethnic

minority groups) when considering proposed new or changing policies, services or functions, including decisions on funding for services.

Heads of Service have been asked to assess the equalities impact of the proposals for service changes contained in this report. It is not anticipated that there will be any significant cumulative impact on any protected group arising from these budget proposals.

Where appropriate, individual Equality Impact Assessments will be carried out in relation to specific proposals identified in this report. Any equality issues arising will be brought to the attention of the decision maker when the decisions on those proposals are made.

8. Key Decision Thresholds

In accordance with the Council's Constitution, full Council will in each year determine the financial thresholds for each service or function above which expenditure or saving is regarded to be significant and should therefore be regarded as a Key Decision. Traditionally the threshold has operated at above £0.5m and it is proposed that this value be continued for 2022/23.

9. Alternative Options

Cabinet could consider recommending an alternative budget and service plan. Recommending an alternative budget may alter the level of recommended Council Tax for 2022/23. If Cabinet chose not to recommend a budget to Council this would be in contravention of the Council's Constitution and would not be in compliance with the Local Government Finance Act 1992.

10. Financial Implications

As detailed in the report.

11. Legal Implications

It is a statutory requirement under Local Government Finance Act 1992 that the budget is presented to Council for approval. The budget has been prepared taking into account the Council's Gedling Plan priorities and Council objectives for the coming year, as well as with regard to statutory requirements.

12. Carbon Reduction/Environmental Sustainability Implications

The Council has committed through the Gedling Plan to promote a sustainable environment, recognising the responsibility it has to safeguard the local environment by reducing its own Carbon Footprint, and working with the local community to reduce global warming. This commitment impacts on the budget in terms of investments and expenditure required to deliver such changes, and in considering the risk of climate change to the Council in terms of impact on its residents and delivery of services.

13. Appendices

- Appendix 1 - Local Government Association Settlement Briefing
- Appendix 2 - Detailed Gedling Plan Portfolio Budgets 2022/23
- Appendix 3 - Major Price Indices – Medium Term Financial Plan
- Appendix 4 - Movement on Earmarked Reserves
- Appendix 5 - Council Tax Collection Fund Estimate 2022/23
- Appendix 6 - Summary of Budget Reduction Proposals 2022/23 – 2025/26

14. Background Papers

- Central Government Report – Local Government Finance Report 2022/23
- Prudential and Treasury Indicators and Treasury Management Strategy Statement 2022/23
- Capital Programme and Capital Investment Strategy 2022/23 to 2026/27
- Gedling Plan 2020/21 to 2022/23

15. Reasons for Recommendations

To obtain approval of the General Fund Revenue Budget 2022/23 for referral to Council.

Statutory Officer approval:

Approved by: Chief Financial Officer

Date: 9 February 2022

Approved by: Monitoring Officer

Date: 9 February 2022