

6 July 2022

Report of	Deputy Chief Executive	Author	Paul Cook <input type="checkbox"/> 505861 Darren Brown <input type="checkbox"/> 282891
Title	Budget Strategy 2023-24		
Wards affected	All		

1 Executive Summary

- 1.1 The report sets out the Budget Strategy for 2023-24.

2 Recommended Decision

- 2.1 To note the revised Medium Term Financial Forecast set out in Appendix A.
- 2.2 To agree the Budget Timetable for 2023/24 as set out in Section 13 of this report.
- 2.3 To bring forward £250k of the planned 2023/24 reserve usage to address the cost of living crisis.

3 Reason for Recommended Decision

- 3.1 The report enables the Council to begin the 2023/24 budget process.

4 Alternative Options

- 4.1 No alternative options as the Council is obliged to balance its budget on an annual basis.

5 The Council's Strategic Plan

- 5.1 The Council's current Strategic Plan 2020-23 will be concluded on 31 March 2023. Work is beginning now to research, develop and engage widely on its replacement. There is no doubt that the context the Council is working in now is very different to the world in early 2020. The landscape and legislative context for public services is transforming before our eyes and communities have demonstrated time and again their incredible agility and power to affect positive change.
- 5.2 At the same time, inequalities have become yet further exacerbated post Covid, the cost-of-living crisis continues and the new City of Colchester provides an opportunity to set new aspirations for inclusive economic growth, providing affordable housing, tackling the climate challenge, allowing nature to recover and building on the incredible diversity, culture and heritage of this borough for the benefit of all residents, businesses and visitors.

- 5.3 It is intended that the next Strategic Plan will be aligned to the Medium Term Financial Forecast (MTFF) period, becoming a five year plan for the Council from April 2023 – March 2028.
- 5.4 This longer-term framework not only will align with the MTFF process, but it will provide a clear strategic context for the Council's service planning and annual budget-setting, incorporating the shared priorities of the Council's partners in the public, private and voluntary sectors, in joint programmes of work to deal with the challenges and opportunities above. This is already happening in many areas of the Council's services and the 2023-28 Strategic Plan will provide a framework for this to be applied comprehensively and consistently in line with the Council's Transformation themes of enabling, innovative and commercial.
- 5.5 Furthermore, it is anticipated that the contribution of the ONE Colchester Communities Can approach to community enabling will help the Council better understand the value of this in achieving strategic priorities and build the support for this into the Strategic Plan.
- 5.6 The development of the Council's 2023-28 Strategic Plan will therefore enable resources to be planned and assessed in the widest sense moving forward as the role of the Council as a convenor of system-wide resources, alongside the Council's statutory duties, helps to ensure a more effective approach to delivering the Strategic Plan priorities.
- 5.7 Up to £250k of the planned 2023-24 reserve usage set out in this report may be brought forward into 2022-23 without financial impact to address immediate strategic requirements. This will fund the measures recommended in Addressing the Cost of Living Crisis on this 6 July 2022 Cabinet agenda.
- 5.8 The 2023-24 Budget will be published alongside the new Strategic Plan to demonstrate how the Council's budget will be a key enabler of delivering the year one priorities of the 2023-28 Strategic Plan.

6 Budget Assumptions

- 6.1 Assumptions at this stage are summarised in Appendix B.

7 Capital Programme

- 7.1 A full review of the capital programme will be undertaken to ensure all projects represent good value for money. All new capital bids will be subject to a gateway process before being recommended for inclusion in the Capital Programme.

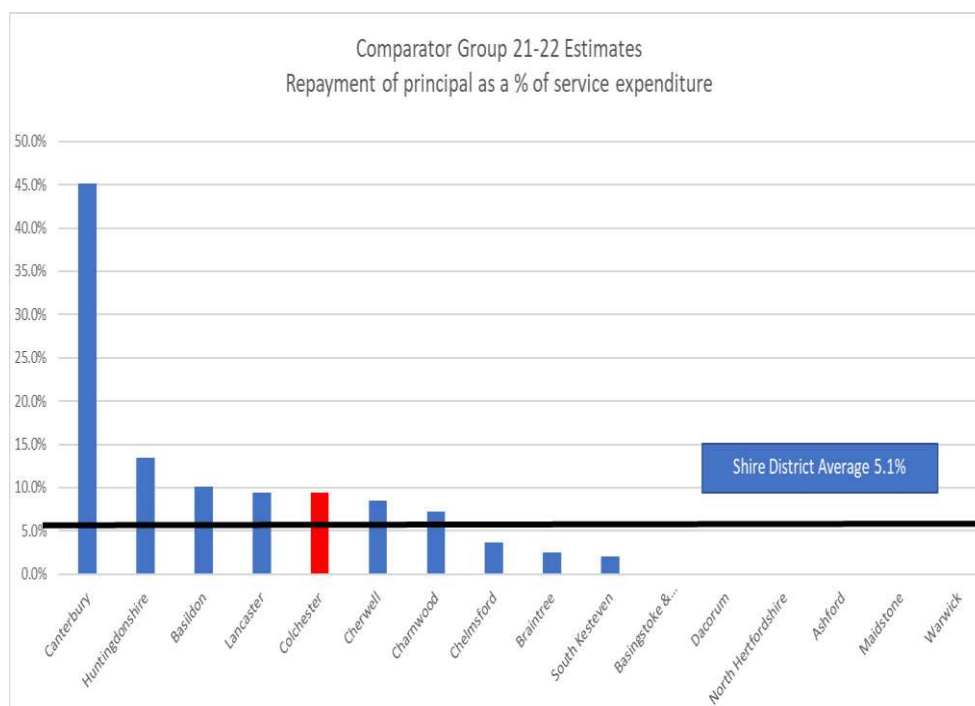
8 Government Funding Prospects

- 8.1 The 2022-23 Local Government Finance Settlement was a one-year settlement only. The Department of Levelling Up, Housing and Communities has previously indicated the 2023-24 Local Government Finance Settlement would be a multi-year settlement. Long-committed reforms may be announced in the following areas:
- A review of business rate retention and the resetting of business rate baselines at individual authority level

- A review of resource allocation between different local authorities with particular emphasis on delivering the Government's levelling-up agenda.
 - The reform of New Homes Bonus
- 8.2 £2.878m of the £7.206m government support received in 2022-23 was one-off funding. £500k downward annual steps from 2023-24 onwards in the MTFF allow for continuing uncertainty over government funding prospects. Any large change in funding at individual local authority level would likely be phased in over several financial years
- 8.3 The progress of government funding changes will be monitored in the lead up to the 2023-24 Local Government Finance Settlement and finalising the 2023-24 budget and Medium Term Financial Forecast.

9 Technical Accounting Changes

- 9.1 Under a long running Department of Levelling Up Housing and Communities consultation, there was to be a new requirement to make minimum revenue provision in 2023/24 on Council advances to the Amphora Group. The consultation has been amended. Minimum revenue provision on loans will not now be required unless the loan is either for a commercial purpose or has lost value. This means that planned advances to Colchester Amphora Housing Limited can be made without the need for minimum revenue provision.
- 9.2 The Council will ensure that it continues to make ample, correct, and transparent provision to repay all long term borrowing. At all times it will borrow responsibly and affordably.
- 9.3 The Levelling Up and Regeneration Bill includes the power for The Department of Levelling Up, Housing and Communities to issue risk mitigation directions to individual authorities. Directions might be issued
- If the Council's S151 Officer makes a S114 notice.
 - The authority seeks a capitalisation direction or exceptional government funding
 - If the authority breaches any of five capital risk thresholds
 - Debt v financial resources
 - Level of commercial investments
 - Level of commercial debt
 - The level of MRP compared to the Council's budget
- 9.4 Department of Levelling Up, Housing and Communities setting of the capital risk thresholds will need to be monitored in the build up to 2023-24 budget setting. 2023-24 and 2024-25 already allow for significant increases in capital financing costs. The below chart based on 21-22 estimates shows Colchester as having a normal level of provision for debt repayment compared to its service expenditure.



10 Revised Medium Term Financial Forecast

- 10.1 The revised financial forecast based on the assumptions set out in Appendix B is shown at Appendix A.

11 The Transformation Programme

- 11.1 The budget gap for 2023/24 is £1.402m after £1.700m use of reserves in that financial year and increased income assumptions in some service areas.
- 11.2 The budget gap for 2024-25 is £5.029m
- 11.3 The Transformation Programme will therefore need to generate substantial savings in all years of the Medium Term Financial Forecast

12 Quarterly Income Reviews

- 12.1 Colchester Borough Council, in common with most other local authorities, sets its fees and charges as part of its budget setting process. Fees and charges are mostly agreed by Cabinet in November ahead of the financial year, though some are set by Budget Cabinet in January. Portfolio Holders also have delegated authority to review fees and charges in-year.
- 12.2 Regular and timetabled charging reviews are necessary in periods of inflation. This is particularly important where the aim is to recover the full cost of services and avoid unbudgeted service costs.
- 12.3 A quarterly review programme of fees and charges is being operated in 2022-23 and will continue into 2023-24 given inflation concerns. Officers will shortly report their 2022-23 first quarter reviews to Portfolio Holders who can then revise fees and charges appropriately.

13 Budget Timetable

- 13.1 Transformation proposals will be brought forward at different stages of the financial year, and this will enable some changes to be accepted into the 2023/24 budget at an early stage where possible.
- 13.2 Work on budget options will proceed through the summer, with a second budget strategy report to Cabinet in October 2022.
- 13.3 The Capital Programme will be reviewed at the same time as the Medium Term Financial Forecast using the same strategic approach.

14 Budget and Medium Term Financial Forecast Consultation

- 14.1 A full consultation programme will be conducted later in the calendar year as budget options are developed.
- 14.2 The budget strategy and timetable ensure that information is available for scrutiny and input from all Members. The Leader of the Opposition has been offered the opportunity to meet with officers to assist with consideration of any alternative budget proposals.
- 14.3 The normal statutory consultation with business ratepayers and parish councils will take place.

15 2022/23 Outturn

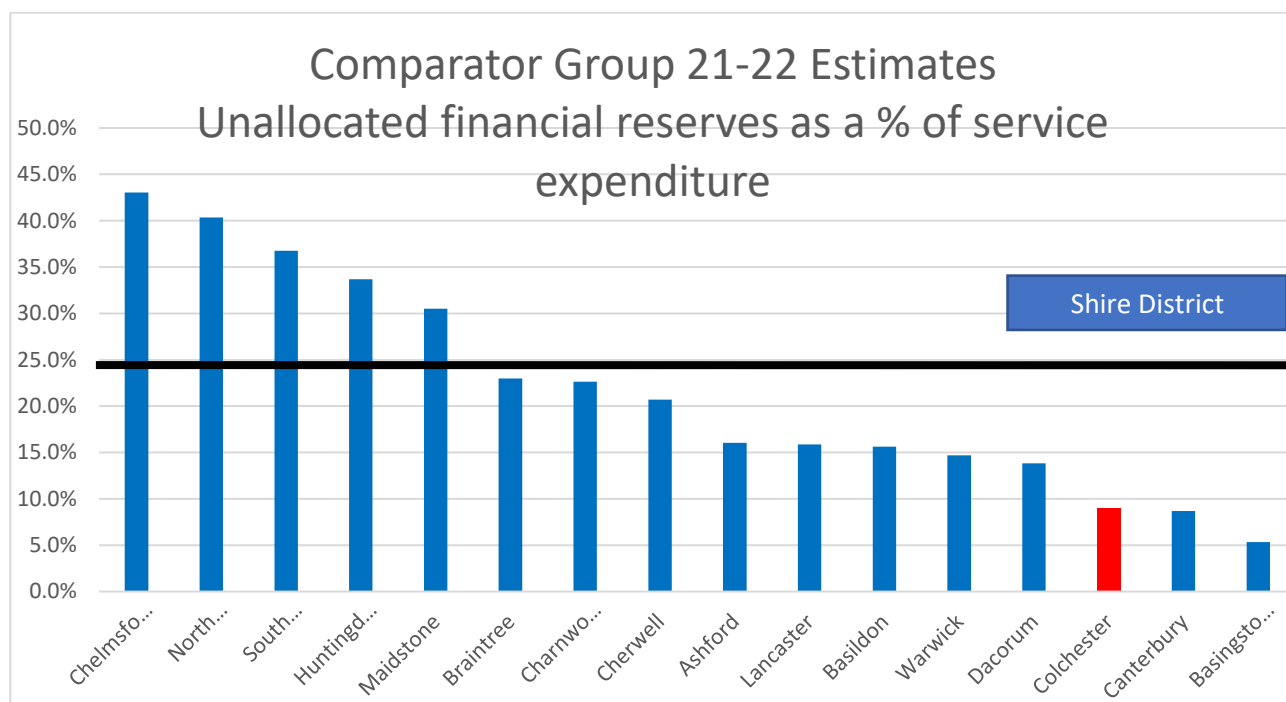
- 15.1 It is expected that 2022-23 outturn will be on budget, avoiding additional budget pressures coming into 2023-24.

16 Financial implications

- 16.1 As set out in the report.

17 Budget Robustness

- 17.1 The Budget Strategy assumes £1.700m use of reserves in 2023-24 and that service income can be further improved.
- 17.2 The budget gap for 2024-25 is currently calculated at £5.029m against a planned net budget of £24.665m
- 17.3 The cost of capital financing already shows significant increases, and a new system of prudential limits and some technical accounting changes will be in force.
- 17.4 A high value of transformation savings will therefore be required to continue the Council's finances on a sustainable footing.
- 17.5 A more detailed statutory robustness assessment will be made in finalising the 2023-24 budget. The chart based on 21-22 estimates shows Colchester as having an acceptable but below average level of unallocated financial reserves compared to its service expenditure. This is an overall measure and more detailed analysis will be required in due course looking at different reserve categories. The reserves to be used to support the 2023-24 budget requirement have yet to be decided.



18 **Environmental and Climate Change Implications**

- 18.1 All budget measures will be assessed for their likely environmental impact, reflecting the Council's commitment to be 'carbon neutral' by 2030. Environment and Climate Change is an essential cross-cutting theme in the Council's recovery planning.

19 **Equality and Diversity Implications**

- 19.1 Consideration will be given to equality and diversity issues in respect of budget changes proposed as part of the budget process. This will be done in line with agreed policies and procedures including production of Equality Impact Assessments where appropriate.

20 **Risk Management Implications**

- 20.1 Financial risks will be assessed at all stages of the budget.

21 **Other Standard References**

- 21.1 There are no direct Publicity, Human Rights, Community Safety or Health and Safety implications as a result of this report.

Appendix A – 2023-28 Medium Term Financial Forecast and Assumptions

2023/24 Budget and MTFF	23/24	24/25	25/26	26/27	27/28
	£'000	£'000	£'000	£'000	£'000
Previous year's budget	20,703	22,530	24,665	25,039	25,539
Cost pressures & Growth items	2,862	1,700	900	1,000	1,000
Capital financing	609	385	(276)	(300)	(303)
Income losses	0	(200)	(200)	(200)	0
Savings	(640)	(50)	(50)	0	0
Use of new homes bonus for one-off investment	(1,004)	300	0	0	0
Current year's budget	22,530	24,665	25,039	25,539	26,236
Business rates	(5,956)	(5,500)	(5,044)	(4,589)	(4,134)
Govt Grant	0	0	0	0	0
New Homes Bonus	(650)	(650)	(650)	(650)	(650)
Council Tax	(13,757)	(14,221)	(14,693)	(15,173)	(15,662)
Previously planned use of reserves	935	935	935	935	935
Covid use of reserves	(1,700)	(200)	(200)	0	0
Budget Gap Cumulative	1,402	5,029	5,387	6,062	6,725

- In the finance tables expenditure is positive. A negative (bracketed) figure is an expenditure reduction.
- In the finance tables income is negative (bracketed).

Council Tax Annual Assumptions

	23-24	24-25	25-26	26-27	27-28
Council Tax collection	99%	99%	99%	99%	99%
Growth in council tax base	1.0%	1.0%	1.0%	1.0%	1.0%
District council tax increase	£4.95p	£4.95p	£4.95p	£4.95p	£4.95p

MTFF assumption changes compared to 2022-23 budget setting

	23-24	24-25	25-26	26-27	27-28
	£'000	£'000	£'000	£'000	£'000
Pay inflation	+3.0%	+2.0%	0	0	0
	600	400	0	0	0

The MTFF allows for implementation of the Real Living Wage both internally and for contractors.

Other inflation	700	700	300	300	300
Use of reserves	(1,300)				

New Homes Bonus excluding affordable housing element	400
Corporate services	100
External audit fees increase	50
Sport and Leisure income	(200)
Bereavement income	(100)
Parking income	(150)
Commercial income	(100)