

CABINET

DATE	22/02/2023
REPORT OF	Councillor Stephen Harness - Portfolio Holder for Finance, Resources and Assets
RESPONSIBLE OFFICER	Sharon Wroot, Executive Director – Place and Resources
SUBJECT	Budget, Finance and Business Plan 2023/24 – 2025/26
STATUS	Open
FORWARD PLAN REF NO.	CB 01/23/02 - This decision has been carried forward from the provisional advertised date. Therefore, this item will be considered under the general exception provisions of the Constitution.

CONTRIBUTION TO OUR AIMS

The Council has two clear strategic priorities – Stronger Economy and Stronger Communities. In order to achieve these priorities, the Council needs to have a clear and robust financial and business plan which focusses on long term financial sustainability.

EXECUTIVE SUMMARY

The Budget, Finance and Business Report outlines how the Council plans to deliver its agreed financial strategy over the coming three-year period. The document focuses on the delivery of core services at a time of continued uncertainty and outlines how we are investing for the future.

RECOMMENDATIONS

1. That Cabinet recommends to Full Council, approval of:
 - a) the 2023/24 Budget and summary 2023/24 – 2025/26 Medium Term Financial Plan ('MTFP') contained within Appendix 1.
 - b) An increase in Council Tax and Adult Social Care precept which the supporting papers suggest indicative levels of:
 - i. a 2.98% increase in Council Tax in 2023/24
 - ii. the application of a 2% Adult Social Care precept in 2023/24
 - c) In anticipation of enabling powers, that from 1st April 2024:
 - i. in the case of empty homes, a 100% premium of the original liability is applied after 12 months (rather than the period of 24 months previously agreed): and
 - ii. in the case of second or holiday homes, a premium of 100% of the original liability is applied across the borough, in whole or in part, as yet to be determined, and to be reviewed upon implementation of the requisite statutory provision.
 - d) the Business plans contained within Appendix 1 (Annex 1).

- e) an annual organisation wide uplift in fees and charges (where permissible by law) in line with the Consumer Prices Index (CPI) or any official index replacing it.
- f) the Capital Investment Strategy included within Appendix 1 (Annex 3).
- g) the 2023/24 - 2025/26 Capital Programme set out in Appendix 1 (Annex 2).
- h) The Flexible Use of Capital Receipts Policy included within Appendix 1 (Annex 7).

REASONS FOR DECISION

The Council must determine how it is to operate within the forecast financial resources over the medium term. To comply with its legal obligations, the Council must set a balanced budget for 2023/24 and provide a realistic financial forecast for the medium-term financial planning period.

1. BACKGROUND AND ISSUES

- 1.1 This Budget, Finance and Business Plan outlines how the Council will support the delivery of its strategic outcomes and priorities as detailed within the Council Plan. It is acknowledged there are a number of significant uncertainties at present and, as a consequence, this plan will need to be subject to regular review throughout the year. Notably, further transformation and change in targeted areas will be required to ensure the Council delivers the right outcomes and remains financially sustainable over the medium term.
- 1.2 The plan itself is set within the context of significant economic uncertainty, with high inflation, increased energy costs, rising interest rates and national pay awards all impacting on the Council's financial position. These economic challenges, on top of underlying demand and demographic pressures within the sector, creates a unique challenge for the Council. In particular the unprecedented increase in utility costs, will present a major challenge to budgets in the coming years if we do not consider options now to address this and also address our carbon footprint.
- 1.3 We must also continue to be ambitious in the regeneration of the Borough, delivering physical transformation which will encourage growth in business, raise aspiration and improve community confidence. We must continue to enable growth and investment in key industry sectors which will drive future employment opportunities. At the same time, we must ensure that our local communities are supported. In times of significant economic and financial uncertainty, these aspirations become more challenging. However, the Council remains committed to delivering an affordable and comprehensive suite of public services for the Borough.
- 1.4 The Council continues to face significant demand pressures within children's services which are above and beyond core funding allocations. The Council is working with partners, its commissioner and the Department for Education (DfE) to deliver an improvement programme designed to address areas of weakness in the system, which will improve outcomes for Children and families and reduce the financial pressures in the system over time. This is a long-term programme, which will continue to be monitored over the course

of the improvement journey.

- 1.5 The Local Government Financial Settlement announced on 6th February 2023 has provided the Council with a real term increase in funding, taking into account additional tax raising powers. Specifically, the settlement incorporates a council tax referendum limit of 3% and the flexibility to apply a further 2% Social Care Precept to meet extra cost and demand-led pressures. These additional tax raising powers alongside a range of one-off grants, has provided an uplift in income of 8%. However, even with this increase in income, the Council has had to bring forward a range of proposals designed to offset the difference between spending need and income available.
- 1.6 As in 2022/23, the settlement only covers a single year although the supporting policy statement does provide some clarity over future social care grant allocations. Longer term changes to the local government financial model, including fair funding and business rate retention, have once again been postponed. The Council is committed to working with Government on a long-term plan to fund local services and supporting wider devolution where local leaders have sustainable funding and greater freedom to take decisions on how to provide vital services in our communities.
- 1.7 The business plans incorporated within this budget reflect the continued focus on transformation and change, designed to look at different ways of responding to demand. Historically short-term funding has not been an effective way of dealing with rising numbers, and it is imperative that these programmes continue, if we are to improve outcomes and provide support for local communities.
- 1.8 The Council has a responsibility to ensure it can respond quickly to risk and uncertainty and does so by holding a range of reserves specifically for that purpose. As can be seen in the detail of the plan, reserves have fallen consistently over the last few years as earmarked reserves have been utilised. The current level of reserves and continued uncertainty necessitates a review of the level of reserves to ensure the Council has sufficient capacity to deal with the risks and opportunities it currently faces. It is important to note that this level of uncertainty is likely to remain for some time as the medium to long-term impact of COVID and the outcome of the work in respect of the Children's Services Improvement Plan is fully understood.
- 1.9 Through the Capital Investment programme, the Council is continuing to take a more commercial approach and investments are anticipated to make a significant contribution to the Council's strategic objective of enabling the growth of a strong and sustainable local economy. Major investment within the Stallingborough Enterprise Zone and in the town centres are progressing well and expected to support the borough at a time of economic challenge and slowdown.
- 1.10 This year we have taken the opportunity to review the overall programme, to reflect current priorities, and ensure that our projects and programmes remain viable. This approach will help to ensure the Council continues to

operate within its approved Treasury Management Strategy over the short to medium term and that any external borrowing remains affordable, sustainable and prudent.

- 1.11 The net zero and decarbonisation agenda is a key Council priority, reinforced by the Council's adopted 2030 net zero ambition and underpinned by the Council's approved Carbon Roadmap. We are committed to reducing our own carbon footprint alongside continued support to our key sectors and the reduction in the Borough's overall carbon footprint. To facilitate this, the Council is embarking on an ambitious property rationalisation programme which will deliver efficiency savings, reduce the carbon footprint, support new ways of working, drive footfall and generate capital receipts which can be applied to support the wider transformation programme.
- 1.12 In summary, despite the current economic and demand led challenges the Council's remains committed to the achievement of financial sustainability by embracing the area's economic potential, growing the local tax base, and delivering efficient and affordable public services.

2. RISKS AND OPPORTUNITIES

- 2.1 The budget planning approach considers the most likely financial scenario faced by the Council over the next three financial years. External factors linked to the economic climate, demographic issues and potential changes in local government funding bring significant uncertainty and therefore risk into the financial planning process.
- 2.2 However, the Council must avoid non-compliance with its fiduciary responsibilities to set a robust, balanced budget, maintain appropriate levels of reserves and secure value for money in service delivery.
- 2.3 In establishing the budget, the Council needs to take account of its regulatory and legal requirements in relation to Equalities, Environmental Issues and Data Protection.
- 2.4 The budget consultation arrangements form part of the process of identifying and capturing legal and regulatory issues. Individual impact assessments will be undertaken for budget proposals.

3. OTHER OPTIONS CONSIDERED

- 3.1 Option appraisals have been undertaken in setting the budget.
- 3.2 A range of options have been considered when considering service delivery within defined financial resources to support the delivery of the Council's outcomes.

4. REPUTATION AND COMMUNICATIONS CONSIDERATIONS

- 4.1 The economic and financial environment in which the Council is operating remains challenging and any significant issues will be communicated externally through a variety of media. The report has been circulated to key

stakeholders as part of budget consultation and engagement.

5. FINANCIAL CONSIDERATIONS

- 5.1 As set out in the report

6. CHILDREN AND YOUNG PEOPLE IMPLICATIONS

- 6.1 The Council continues to face significant demand pressures within children's services. As a consequence, additional resources have been allocated towards this area of the Council's activities.
- 6.2 The Council is working with partners to deliver an improvement programme designed to address areas of weakness in the system. This will improve outcomes for children and reduce financial pressures over time. This is a long-term programme, which will continue to be monitored over the course of the finance and business plan.

7. CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS

- 7.1 Ultimately, all resourcing decisions taken by the Council impact upon the environment. Therefore, the Council takes climate change and environmental issues into account in the establishment of the plan.
- 7.2 The Council's budget process looks towards consuming resources more efficiently, eliminating waste and supporting and developing the green economy and infrastructure, reinforcing the Council's 2030 net zero ambition and the implementation of the Council's Carbon Roadmap. This includes recognising and realising the economic and social benefits of a high-quality environment. By working towards a low carbon economy, the area will be prepared for, and resilient to, the impacts of climate change.
- 7.3 Budget consultation arrangements form part of the process of identifying and capturing environmental implications. Environmental impact assessments will be undertaken for individual budget proposals.

8. CONSULTATION WITH SCRUTINY

- 8.1 The proposed budget and business plans were shared with councillors as part of established consultation arrangements during December 2022 and January 2023.
- 8.2 Following confirmation of the Local Government financial settlement and consultation processes, the medium-term financial plan has been updated. This Budget, Finance and Business Plan and supporting annexes is subject to Cabinet and Full Council approval in February 2023.

9. FINANCIAL IMPLICATIONS

- 9.1 As set out in the report

10. LEGAL IMPLICATIONS

- 10.1 The Council must set a balanced budget at the start of every year for the coming financial year. It is unlawful for the Council to spend more money than it has available. Section 114(3) of the Local Government Finance Act 1988 explains the consequences if it appears that the Council's expenditure in any particular financial year will exceed available resources.
- 10.2 The Council is under a number of duties in connection with how it carries out its functions which have to be balanced. These include the following duties of particular relevance to this report:
- The fiduciary duty to establish and maintain a balanced budget;
 - The duty for continuous improvement in the delivery of its functions having regard to strategic effectiveness, service quality and availability, fairness, sustainability, efficiency and innovation; and
 - The duty when making decisions to have due regard to the need to (1) eliminate unlawful discrimination, (2) advance equality of opportunity and (3) foster good relations on the basis of protected characteristics.
- 10.3 The above report contains authoritative advice and guidance from the s151 officer. Members are required to have regard to this advice when making their decisions.
- 10.4 To clarify the comments around empty, second or holiday homes. There is an amendment proposed to the Local Government Finance Act 1992 by virtue of the Levelling-up and Regeneration Bill 2022-2023 which at the time of this report, is due to go to the Lord's Committee Stage on 20th February 2023. If the content of the draft bill remains constant, then it is likely that the enabling provisions will become law prior to the start of the 2023/24 financial year. The matter will be kept under review.

11. HUMAN RESOURCES IMPLICATIONS

- 11.1 The financial forecast outlined in this report may have potentially significant human resource implications for Council staff. All employment matters will be dealt with in accordance with established council and HR procedures in order to achieve the relevant savings identified by the options and the decisions taken which may include redundancy (the usual appointments committee process will be adhered to). Staff and Trade Unions will need to be informed of the proposals being considered prior to any public announcements or public decisions. Staff and Trade Unions will need to be kept engaged throughout the respective processes with consultation as appropriate in accordance with the procedural and legal requirements.

12. WARD IMPLICATIONS

- 12.1 All wards affected

13. BACKGROUND PAPERS

- 13.1 Draft Budget, Finance and Business Plan 2023/24-2025/26

<https://democracy.nelincs.gov.uk/wp-content/uploads/2023/01/Budget-Finance-and-Commissioning-Plan-PDF-1395KB.pdf>

13.2 Financial Strategy 2020-2030

<https://www.nelincs.gov.uk/your-council/finances-spending-and-contracts/budgets-and-finance-strategy>

14. CONTACT OFFICER(S)

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