

**Report for:** Full Council 1st March 2022

**Item number:**

**Title:** 2022/23 Budget and Medium-Term Financial Strategy 2022/27

**Report authorised by:** Jon Warlow – Director of Finance – (Chief Finance Officer and Section 151 Officer)

**Lead Officer:** Frances Palopoli – Head of Corporate Financial Strategy & Monitoring

**Ward(s) affected:** ALL

**Report for Key/  
Non-Key Decision:** Key.

**1. Describe the issue under consideration**

- 1.1. Cabinet considered the 2022/23 Budget and 2022/27 Medium Term Financial Strategy (MTFS) report at their meeting held on 8<sup>th</sup> February 2022 and resolved to propose that report for consideration and approval of the final Budget, MTFS and Council Tax for 2022/23 by Full Council in accordance with the Council's constitution.
- 1.2. The council tax and savings proposals remain unchanged from those in the Cabinet report.

**2. Cabinet Member Introduction**

- 2.1. My comments on the 2022/23 budget which can be found in the Cabinet report of 8 February 2022 attached at Annex 1 remain unchanged.

### **3. Recommendations**

#### **3.1. Council are asked:**

- (a) To approve the proposed 2022/23 Budget and Medium-Term Financial Strategy (2022/27) agreed by Cabinet on 8th February 2022 as set out in Annex 1;
- (b) To approve the increase of 1.99% in Haringey's element of the Council tax and an additional 1% for the Adult Social Care Precept;
- (c) To approve the General Fund budget requirement for 2022/23 of £262.923m, net of Dedicated Schools Budget, as set out in Appendix 1 of Annex 1 to this report;
- (d) To approve the Priority Cash Limits for 2022/23 of £262.923m as set out in Annex 2;
- (e) To approve the 2022/27 General Fund Capital Programme set out in Appendix 4 of Annex 1 to this report;
- (f) To approve the strategy on the flexible use of capital receipts as set out in and Appendix 6 of Annex 1 to this report;
- (g) To approve the Housing Revenue Account (HRA) Budget 2022/23 as set out in Table 9.4 of Annex 1 to this report;
- (h) To approve the 2022/27 HRA Capital Programme set out in Table 9.5 of Annex 1 to this report;
- (i) To note the Greater London Authority (GLA) precept (para. 7.6);
- (j) To approve the budgeted level of non-earmarked General Fund balance and the specific and other reserves as set out in Annex 3b;
- (k) To approve the reserves policy including the Chief Finance Officer's (CFO) assessment of risk and the assessment of the adequacy of reserves, as set out in Annex 3 (a – c);
- (l) To note the report of the Chief Finance Officer under Section 25 of the Local Government Act 2003 on the robustness of the estimates and the adequacy of proposed reserves set out in section 9;
- (m) To approve the Treasury Management Strategy Statement 2022/23 set out in Annex 4; and
- (n) To pass the budget resolution including the level of Council Tax, in the specified format, and to determine that the Council's relevant basic amount of Council Tax for the year is not excessive as set out in Annex 5.
- (o) To note the results of consultation as set out in Appendix 8 of Annex 1.

#### **4. Reasons for decision**

- 4.1. The Council has a statutory responsibility to set a balanced budget each year. The financial planning process this year has been markedly different. Our strategy has been to look to align fundamental future budget decisions with knowledge of our fundamental future funding position, in the context of that new borough plan. We have also gone into this budget round knowing that the Council as part of its outturn for 20/21 was able to assign £10m into the Strategic Budget Planning reserve, in anticipation of the sorts of timescales that would be associated with such future change.
- 4.2. The 2022/23 Budget & 2022/27 MTFS Cabinet report of 8th February included Cabinet's response to feedback from the Budget consultation, the views of Overview and Scrutiny Committee held on 20<sup>th</sup> January 2022 and also the outcome of the overall equalities assessment. Relevant budgetary allocations announced in the Provisional Local Government Finance settlement on 16<sup>th</sup> December 2021 were also included. The Final Settlement ratified by Parliament on 7th February 2022 was largely as expected and no further adjustments have been required.
- 4.3. Taking all relevant factors into account, this report sets out Cabinet's 2022/23 Budget and 2022/27 MTFS proposals, including the level of Council tax for 2022/23, for the Council to consider and approve.
- 4.4. The report and recommendations from the Cabinet meeting on 8th February 2022, were agreed in full and are attached as Annex 1.

#### **5. Alternative options considered**

- 5.1. The Council has a statutory requirement to set a balanced budget for 2022/23. Therefore, in accordance with legislation and the Council's constitution, this report recommends that the Council should approve the proposed 2022/23 Budget and 2022/27 Medium Term Financial Strategy agreed by Cabinet on 8th February 2022, including the outcomes from the budget consultation exercise, budget scrutiny and equalities review, which is attached as Annex 1 and approve the Council tax for 2022/23. Accordingly, no other options have been considered.

## **6. Background information**

- 6.1. On 8th February 2022 Cabinet agreed a proposed 2022/23 Budget and 2022/27 MTFS for submission to this meeting of the Council, including: a General Fund revenue budget for 2022/23 of £262.923m; the Dedicated Schools Budget and the Housing Revenue Account (HRA) revenue budget for 2022/23; and the 2022/27 Capital Programmes for both the General Fund and HRA. Cabinet agreement to these proposals was subject to the decisions of levying and precepting authorities, not available at that time.
- 6.2. The Cabinet report of 8th February 2022 (attached as Annex 1 to this report), and the proposed Budget/MTFS recommended to Full Council by Cabinet are the subjects of discussion at this meeting.
- 6.3. This report also addresses:
  - The final local government finance settlement 2022/23 (see para 4.3);
  - The decisions of levying bodies and precepting authorities;
  - Considerations in setting the Council Tax;
  - The robustness of the Council's budget process;
  - The adequacy of the Council's reserves; and,
  - The Treasury Management Strategy Statement 2022/23.
- 6.4. The report concludes by presenting the Budget Resolution to set the Council Tax for 2022/23.

## **7. Key Developments and Updates**

### Levying Bodies

- 7.1. The Board of the North London Waste Authority (NLWA) met on 10 February 2022 and agreed an overall levy of £57.04m for 2022/23 which is a 1.3% decrease over the 2020/21 position.
- 7.2. The decrease is due to higher balances retained by NLWA available to offset the levy because of the impact of COVID on tonnages in previous year which reduced its costs. The report to Cabinet in February acknowledged the likely reduction in levy and proposed a one-off reduction to the budget for 2022/23 to £8.1m. The final levy on Haringey approved by the NLWA Board for 2022/23 is £7.86m, which can be accommodated within this reduced budget figure.
- 7.3. The MTFS continues to assume growth in future years from 2023/24 to address the expected increase in levy to fund the costs associated with the new Energy and Resource Recovery Facility. This will need to be kept under review and the MTFS adjusted when more up to date figures are available.
- 7.4. The levies payable to all other bodies have remained stable and can be accommodated within the current proposed budget.
- 7.5. The below table provides a summary of levy charges to Haringey Council in 2021/22 and 2022/23.

**Table 7.1: Summary of 2021/22 and 2022/23 Levies**

	<b>Amount Paid 2021/22 £'000</b>	<b>Amount Due 2022/23 £'000</b>
Environment Agency	180	187
Lee Valley Regional Park Authority	184	188
London Borough Grants Scheme	200	197
London Pensions Fund Authority	261	266
North London Waste Authority (NLWA)	9,000	7856
<b>Total Paid/ Due</b>	<b>9,825</b>	<b>8,694</b>

### **The Greater London Authority Precept**

7.6. The Mayor's final draft budget proposals for the 2022/23 consolidated budget will be considered by the London Assembly on Thursday 24th February 2022. The current draft proposals indicate an increase of £31.93 (8.8%). This reflects the Mayor's additional funding allocated to MOPAC through a £10 increase in the police element of the precept – in line with the council tax referendum limits set out in the Home Office's provisional police funding settlement for all local policing bodies, a 1.99 per cent increase in the core non-police precept which allocated in full to the London Fire Commissioner and a further £20 increase at Band D to fund transport services.

7.7. It is possible that the proposed increase in the precept may change before the final Budget is approved – including the possibility of a change at the GLA meeting on the 24th of February 2022. Therefore, the amounts shown in respect of the GLA precept in Annex 5, the formal Budget resolution, may change. If this happens, the revised figures will be added as an addendum item to this report. The Council as a billing authority is required to reflect the level of any relevant precept notified to it and so it is not a decision of the Council as to whether the level of the GLA precept should be approved or not. It is, however, imperative that the Council Tax information produced by the Council as the Billing Authority reflects the final decision taken by the GLA.

### **Final Local Government Finance Settlement**

7.8. The Final Local Government Settlement was in line with the budgetary assumptions built into the February Cabinet report however, the government did announce that the level of compensation that Councils will receive from S31 grants in relation to business rates will be higher than that announced in the provisional settlement due to a change in the inflation calculation methodology used. The impact of business rates performance, including S31 grants, will be taken into account as part of the regular in-year finance update reports to Cabinet.

### **The Council Tax Energy Rebate 2022/23**

7.9. 3 February 2022, the Department issued a Council Tax Information Letter (CTIL) summarising the Government's announcement that an Energy Bills Rebate will be provided to households in England in April 2022. This includes a £150 rebate for most households in council tax bands A-D. In addition to this payment, discretionary funding will be provided to local authorities to support

people on low incomes that do not pay council tax, or who pay council tax for properties in bands E-H.

- 7.10. The Government is yet to publish the guidance for the operation of this scheme.

## **8. Considerations in setting the Council Tax**

- 8.1. The Localism Act 2011 gave electors the right to veto excessive Council tax rises. Councils that set 'excessive' council tax increases above a ceiling approved by Parliament each year would automatically trigger a referendum in their area.
- 8.2. In the Spending Round 2021 (SR21) the Government announced that those authorities with Adult Social Care functions could implement a further Adult Social Care (ASC) precept of 1% for 2022/23. This is on top of the previous legislation which allowed up to 2% in 2016/17, a maximum of 6% between 2017/18 and 2019/20 and a further 3% in 2021/22. For those years, Haringey applied the full 8% between 2016/17 and 2018/19 and 3% in 2021/22. The ASC precept must be allocated entirely towards Adults Social Care costs and specific information must also be made available on the face of the Council tax bill highlighting this to taxpayers.
- 8.3. For 2022-23, the relevant basic amount of council tax is excessive if the authority's relevant basic amount of council tax for 2022/23 is 3% (comprising 1% for expenditure on adult social care, and 2% for other expenditure), or more than 3%, greater than its relevant basic amount of council tax for 2021/22. The Budget now proposed assumes that both allowable elements will be charged to residents i.e. a 1.99% increase in basic Council Tax and a 1% increase in the Adult Social Care element. These proposals are below the levels that would trigger a referendum.
- 8.4. Council is therefore recommended to resolve the relevant basic amount as not excessive at paragraph 6 of the Formal Budget Resolution (Annex 5).
- 8.5. The projected income from Council tax in 2022/23 is £117.7m (£110.3m in 2021/22) based on 79,303 Band D equivalent dwellings (the Tax Base) (76,544 in 2021/22), a collection rate of 95.75% (95.5% in 2021/22) and the proposed Band D Council tax rate of £1,484.13 (£1,441.04 in 2021/22).
- 8.6. These proposals result in total available funding (the 'Budget Requirement') for 2022/23 of £262.923m, as set out in recommendation 3.1(c), above.

## **9. Statements of the Designated Chief Finance Officer**

- 9.1. Local authority financial resilience continues to be of great significance after a prolonged period of austerity, the impacts of the Covid-19 pandemic and uncertainty about the impact of the Levelling Up agenda on future funding streams.
- 9.2. Considerable care is taken in the financial reporting to Members both during the time of budget setting and also during the course of the year to ensure that a full and fair perspective is given of the financial position and resilience of the Council. This takes account of issues and opportunities, trends, risk analysis and service and corporate developments. In addition to this, the CIPFA

Financial Resilience Index is a useful tool as it provides an independent view for the local leadership on the overall financial resilience of their Council.

- 9.3. The underlying data used for the Index is necessarily based on publicly available data and is therefore historic in nature. Furthermore, the pandemic has fundamentally altered the local authority funding landscape in 2020-2021. This is particularly pertinent for the reserves assessments where the picture for 2020-2021 has been distorted by the timing of significant COVID-19 payments received late in the financial year and will also reflect other means authorities have chosen to use to meet the C19 challenge. The adequacy of reserves for Haringey will be covered in Annex 3b.
- 9.4. Haringey's 2020/21 position compared to other London Boroughs is shown in Annex 3d along with further description and interpretation for each of the indicators and their relationship to risk.
- 9.5. The key messages, outside reserve balances, to note are that:
  - Social Care spend ratio to Total Net Service expenditure has improved compared to the previous year and is no longer the authority's highest risk. This is due to the application of growth to the care services along with some additional specific government grants. The 2022/23 Budget proposes further growth for these services.
  - The highest risks indicated by the model are now gross external debt and the ratio of interest payable to net revenue expenditure. The latter reflects the impact of the Council's expansive capital programme.
- 9.6. The Council's Chief Financial Officer is required by Section 25 of the Local Government Act 2003 to report on the robustness of the estimates made for the purposes of the final budget calculations.
- 9.7. To meet the scale of the financial challenge facing the Council, the Council refreshes its five-year MTFS on an annual basis to ensure that assumptions, especially those around budget reductions and evidenced demand are reviewed and updated as necessary.
- 9.8. The Spending Round 2021 (SR21) announced on 27 October 2021 confirmed departmental resource and capital budgets for a three-year period (2022-2025), the first time since 2016. However, the Local Government Finance Settlement (LGFS) only provided allocations for a single financial year (2022/23).
- 9.9. This Settlement made an additional £3.7 billion available to councils nationally, including funding for adult social care reform. This is an increase in local authority funding for 2022/23 of over 4.5% in real terms.
- 9.10. The government has stated that the 22/23 settlement is intended to provide a firm foundation for funding throughout next year with its longer-term aim being to allocate funding based on up-to-date assessments of need and resources. Most of the underlying data used in the LGFS has not been updated by the government since the existing funding regime was introduced in 2013 and during this time the country has seen much change, notably a prolonged period of austerity post 2008-2010 recession, Brexit and more recently the C19 pandemic. The LGFS acknowledges this and confirms that government will undertake a review over the next year with the sector with reference to the Levelling Up white paper published on 2 February which sets out how

government intend to spread opportunity more equally across the UK. This signals the potential for reallocations of resourcing from 2023/24 onwards within local government. It is unclear whether this will be beneficial for Haringey or not, however it does create a level of uncertainty that was not anticipated at the time of the three-year spending review announcements in October.

- 9.11. Although the direct impacts of the C19 pandemic appear to be receding, the local government sector continues to see increased demand and cost pressures as a consequence of the pandemic, and these are costs for which no further direct government resource has been made available. The 2022/23 Budget has recognised this and directed growth where possible in order to build as realistic budgets as possible.
- 9.12. On a macro-economic scale, the UK and much of the world is facing inflationary pressures not seen for many years. A rapid increase in energy costs, particularly the wholesale price of gas, has been a key driver of the recent increases in inflation. Disruption to global supply chains has also increased prices. Pandemic shutdowns of factories in Asia have caused a shortage of semiconductors, an important component in common consumer goods such as cars and home appliances. Global shipping costs have also increased, as shipping firms reduced capacity by 11% during the pandemic in anticipation of reduced demand.
- 9.13. The latest Bank of England forecast has inflation peaking at 7.25% in April 2022. Inflation is expected to remain high for the next two years: the Bank expects that inflation will not reach its 2% target until the second quarter of 2024.
- 9.14. Government has recently announced some one-off measures to help offset the impact of the energy price increases for households although it has chosen to continue with the planned introduction of the Health and Social Care levy from April 2022. This will add an additional 1.25% to national insurance paid by both employees and employers. Aligned with the additional ASC precept that Government assumes councils will apply, adds financial pressures to many of our businesses and residents even if they are in work. These factors are also likely to drive wage growth across most sectors.
- 9.15. The 2022/23 Budget and MTFS 2022/27 has made estimates of the budgetary impact of these inflationary pressures and has made allowances based on these assessments. Clearly the assumptions beyond 2022/23 become less sound and will need to be tracked carefully as part of the new financial planning cycle.
- 9.16. In the light of these considerable uncertainties, largely outside the Council's direct control, further weight is given to the S151 considerations on the adequacy of reserves and other balances.

### **Robustness of the budget process**

- 9.17. The approach taken to the financial planning process has been markedly different this year, planned to lead to what is now a very different kind of budget being proposed. We have been clear from the onset that we need to continue

our council change agenda, particularly in light of the ongoing effects of the Covid-crisis and change in needs that that has brought about. We have also recognised that this type of change is difficult and takes time, and that the Council is now starting to consider how the new four year borough plan should be framed, which will provide the essential framework for that change. Our budget strategy also allows us to better focus on the delivery of the next year of our already agreed savings strategy, which in itself represents £12m for 2022/23.

- 9.18. Our strategy has been to look to align fundamental future budget decisions with knowledge of our fundamental future funding position, in the context of that new borough plan. We have also gone into this budget round knowing that the Council as part of its outturn for 20/21 was able to assign £10m into the Strategic Budget Planning reserve, in anticipation of the sorts of timescales that would be associated with such future change.
- 9.19. An extensive exercise was carried out over the summer and autumn to gather data and evidence to enable informed decisions to be made about where to direct the limited resources; not all items of growth put forward were able to be accommodated however the proposed budgets are as realistic as possible. A total additional funding this budget round of £6.0m to Adults and £6.6m to Children's. Some of this will be met from the application of the additional 1% ASC precept that is proposed to be levied in 2022/23 as well as the additional specific social care grants announced in LGFS.
- 9.20. However, unavoidable or demand growth has been identified in all directorates and a total of £17.589m new service specific growth is proposed for 2022/23 as part of this year's process with a total of £23.757m across the MTFS period.
- 9.21. The improved funding position post LGFS has allowed additional budget to be directed into the care services from 2022/23 which has also enabled a small re-balancing of the assumed use of this reserve between 2022/23 and 2023/24. The overall impact on the MTFS is that the major step up in gap is now forecast for 2024/25 (£12m), which is a year later than previously assumed.
- 9.22. Looking forward, this financial planning strategy, will enable the Council to achieve a stronger platform to approach the new programme of change required to address the structural c. £20m gap and which will align with the priorities identified in the Council's new Borough plan.
- 9.23. The budget process will continue to be supported by a regular cycle of budget management and reviews. The Council's Risk Management process also underpins all these activities.
- 9.24. The Council has previously agreed £13.3m of savings to be delivered across the period 2022-2026 and these are set out below.

Priority	Total				
	2022/23	2023/24	2024/25	2025/26	Total Savings
	£000	£000	£000	£000	£000
Housing	340	51	12	1	404
People - Adults	4,161	535	-	-	4,696
People - Children	1,679	130	230	0	2,039
Place	2,649	(1,370)	1,360	170	2,809
Economy	100	100	100	70	370
Your Council	751	6	-	-	757
<b>Total Savings - Priorities</b>	<b>9,680</b>	<b>(548)</b>	<b>1,702</b>	<b>241</b>	<b>11,075</b>
Cross-Cutting Proposals	2,250				2,250
<b>Total Savings</b>	<b>11,930</b>	<b>(548)</b>	<b>1,702</b>	<b>241</b>	<b>13,325</b>

- 9.25. The Council closely monitors progress on delivering agreed savings and provides quarterly RAG rated reports to Cabinet. The C19 pandemic has continued to have some impacts on delivery during 2021/22 predominately in Adult services, as officers had to re-focus efforts on responding to the different and increasing demands presenting. The financial planning process has acknowledged this and has built in an allowance for re-profiling of £3.250m agreed savings and up to £0.750m to be permanently written out.
- 9.26. The Council also holds a single corporate contingency which can also be called on to manage any slippage to the agreed budget reduction programme in any one year as well as addressing unforeseen circumstances which cannot realistically be built into budget plans. The contingency for 2022/23 and across the remainder of the MTFS is £7.4m.
- 9.27. The proposals in this Budget/ MTFS have been reviewed by Overview and Scrutiny, public consultation and assessed for any negative equalities' impacts. The implications of the proposed capital programme to the future revenue budgets of the authority were highlighted during this process and have also been highlighted as one of the authority's higher risks in the CIPFA resilience analysis.
- 9.28. It is acknowledged that one of the larger growth areas in the Council's budget is the capital financing costs associated with the impact of investment in the council's expansive capital programme. This has rightly been a focus throughout the budget setting and scrutiny process and the Cabinet budget reports have made clear the revenue implications associated with each project. The authority must continue to keep a close focus on its capital programme and the revenue implications of this in future years.
- 9.29. In summary, the MTFS recognises both a significant step up in budget gap from April 2024 and the use of Strategic Budget Planning reserve across the next two financial years to facilitate balanced budgets. The financial strategy this year, set out above, has clearly recognised this and will require the organisation to start work on identifying solutions and opportunities now. To implement and deliver service transformation of the scale required will require recourse to one-off funding which confirms the need to maintain sufficient earmarked reserve funding specifically for this. The Transformation reserve and the use of capital receipts direction flexibility will be important in this respect

- 9.30. This challenging financial horizon also supports the proposed maintenance of the £7.4m annual contingency across the MTFS period.

### **2021/22 Budgetary Position**

- 9.31. At the end of Quarter 3 for 2021/22, the draft budget monitoring position indicates a year end General Fund (GF) deficit of circa £21.8m however, £12.4m of this is C19 related, and the council still expects to be recompensed by the government for this element.
- 9.32. Of more concern is the residual forecast base budget pressure which was £10.2m at Qtr2. Quarter 3 has seen a further £2.6m increase in base budget forecast pressures in the two care services over and above the £8.9m reported at Qtr2. Much of the forecast variance is caused by the indirect impact of the pandemic which continue to drive a significant step up in demand since the original budgets were set; this has been coupled with increased placement and other costs. These are pressures not expected to be met by Government this year as they are consequential, rather than direct impacts of the pandemic.
- 9.33. The overall forecast outturn for Qtr3 of £9.37m is already net of a £6.1m forecast underspend against corporate budgets, predominately interest payments and earmarked inflationary budget provisions no longer forecast to be required this year. Where the Council has a statutory duty to provide a service, the options to reduce costs are constrained however, directors will continue to look to mitigate the pressures where possible. The financial planning process for 2022/23 has sought to recognise and respond to the increased demand seen across the current year and social care budgets in particular have been increased as far as possible to match this evidenced demand.
- 9.34. Outside the General Fund, the position on the Dedicated Schools Grant continues to be of concern to Haringey, with a projected overspend of £6.5m for 2022/23. New provisions have been put into the School and Early Years Finance (England) Regulations 2020 which sets out on a statutory basis, a new requirement that a deficit must be carried forward to be dealt with from future DSG income, unless the Secretary of State authorises the local authority not to do this. The Council must therefore carry forward its overall DSG deficit in an account established, charged, and used solely for the purpose of recognising deficits in respect of its school's budget. The DSG Deficit Reserve which is used to hold the DSG deficits (£17.2m as at 31st March 2021) has now been designated as unusable in the Statement of Accounts in line with the regulations. The final 2022/23 year end overspend will need to be added to this balance. Authorities are required to prepare DSG Management Plans as live documents to be shared with the DFE periodically.
- 9.35. Overall, the Chief Financial Officer is satisfied that the estimates underpinning the Cabinet's proposals for the 2022/23 Budget are robust however, challenges remain across the whole MTFS period.

### **Adequacy of Reserves**

- 9.36. Section 25 of the Local Government Act 2003 also requires the Chief Finance Officer to report on the adequacy of the proposed level of financial reserves. The Council's Reserves Policy is set out at Annex 3a, which the Council should formally review each year.
- 9.37. The level of reserves is subject to the approval of the Council and will be set at the level commensurate with their identified need.
- 9.38. The Council holds a number of reserves which are detailed in Annex 3b and can be categorised as follows:
- **Non-earmarked (general) Reserves** - These are held to cover the net impact of risks, opportunities and unforeseen emergencies;
  - **Earmarked (specific) Reserves** - These are held to cover specific known or predicted financial liabilities;
  - **Other Reserves** - These relate to ring-fenced accounts which cannot be used for General Fund purposes e.g. the Housing Revenue Account and schools' accumulated balances.
- 9.39. All reserves have been reviewed and their level judged to be adequate and the continued need for them appropriate.
- 9.40. Annex 3b also shows the projected movement on the reserves over the current (2021/22) financial year, based on the position at Period 10.
- 9.41. It is projected that the Council will have un-earmarked General Fund balance of £15.8m at 31st March 2022. The final position will be dependent however on the Council's 2021/22 financial outturn.
- 9.42. It is imperative that the un-earmarked general reserves and contingencies are adequate to meet the net financial impact of the risks facing the Council. These risks have been assessed and based on knowledge at the current time, have been calculated at £20.5m as set out in Annex 3c. This risk can be covered by the existing Resilience reserve and the General Fund reserve. Accordingly, the proposed levels of general reserves set out above, together with the contingency provision in the Council's base budget are judged to be adequate within the meaning of the 2003 Act.
- 9.43. No change to the Council's Reserves Policy is recommended.

#### Treasury Management

- 9.44. The Treasury Management Strategy Statement (TMSS) for 2022/23 in Annex 4 sets out the proposed strategy with regard to borrowing and investment of cash balances and the associated monitoring arrangements. It was considered by Corporate Committee on 1st February 2022 and recommended it for approval by Full Council; the report from that Committee is included elsewhere on this agenda.
- 9.45. The Council's Overview and Scrutiny Committee also considered the TMSS on 20th January 2022 as part of the budget scrutiny process and in accordance with the CIPFA Treasury Management Code of Practice.

- 9.46. The proposed prudential indicators are based on the proposed Capital Programme as reported to Cabinet on 8th February 2022. Any future decision by the Council to undertake further debt financed capital expenditure, including, in particular, any changes associated with the Capital Strategy will require a review of the prudential indicators and further approval by full Council.

## **10. Summary and Conclusions**

- 10.1. This report finalises the Budget process for 2022/23 and proposes that Council Tax is increased by 1.99% with an additional 1% increase in relation to Adult Social Care precept.
- 10.2. The level of financial reserves is also reported, and those levels are considered to be adequate.
- 10.3. The Council is required to determine whether its increase in Council Tax for 2022/23 is 'excessive' and, if so, would trigger a referendum. The proposal in this report is not an "excessive" increase.
- 10.4. The recommendations of the Cabinet are reflected in the formal Council tax Resolution in Annex 5.
- 10.5. The Medium Term Financial Strategy 2022/2027 recognises the risks arising predominantly from funding constraints and increases in demands for council services, but it remains essential that the Cabinet and Council keep the key assumptions under close review, identify and deliver the requisite level of budget reductions, maintain financial discipline and control, focus on their highest priorities and strive to improve further the value for money the Council secures from its resources.

## **11. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)**

- 11.1. As the report is primarily financial in its nature, comments of the Chief Finance Officer are contained throughout the report.

### **Head of Legal & Governance Comments and legal implications**

- 11.2. The Head of Legal & Governance has been consulted in the preparation of this report and makes the following comments.
- 11.3. In accordance with section 67 of the Local Government Finance Act 1992 (the '1992 Act'), the functions of agreeing the budget and the calculation of Council tax are to be discharged by the Full Council.
- 11.4. The Local Authorities (Standing Orders) (England) (Regulations) 2001 set out the process of approving the budget and provide that the adoption of the budget and calculation of the Council tax by Full Council is to be on the recommendation of the Cabinet. The council tax and savings proposals remain unchanged since their consideration by the Cabinet on 8th February 2022. In reaching a decision Full Council may adopt the Cabinet's proposals, amend them, refer them back to Cabinet for further consideration, or substitute its own proposals in their place.
- 11.5. Under section 25 Local Government Act 2003, in considering decisions on the budget, and the level of Council tax, Full Council must take into account this

report from the Council's Chief Finance Officer, as the Section 151 Officer, who has a statutory duty to report on the robustness of the estimates and the adequacy of the proposals for reserves.

- 11.6. Full Council may take decisions which are at variance with this advice provided there are reasonable grounds so to do. However, Members must take into consideration their exposure to personal risk if they disregard clearly expressed advice.
- 11.7. Full Council has a legal duty to set a lawfully balanced budget and adoption of the recommendations in this report would fulfil the statutory obligations in this regard.
- 11.8. In accordance with section 31A of the 1992 Act, Full Council is required to calculate the Council tax chargeable by way of a Council tax requirement. The Council must calculate its expected outgoings and income for the year. Where the expected outgoings exceed the expected income, the difference is the Council's Council tax requirement for the year. The relevant basic amount of Council tax for the year is calculated by dividing the Council tax requirement after the deduction of levies by the Council tax base.
- 11.9. Under section 52ZB of the 1992 Act the Council is required to determine whether its proposed relevant basic amount of Council tax is excessive on the basis of criteria set by the Secretary of State. It has been confirmed by the Referendums Relating to Council tax Increases (Principles) (England) Report 2022/23 that for 2022/23 an increase is excessive if the authority's relevant basic amount of Council tax for 2022/23 is 3% (comprising 1% for expenditure on adult social care and 2% for other expenditure), or more than 3%, greater than its relevant basic amount of Council tax for 2021-22. In such circumstances such an increase would be regarded as excessive and automatically trigger a referendum in the borough. The 'relevant basic amount' of Council tax was redefined by section 41 of the Local Audit and Accountability Act 2014, and accordingly section 52ZX of the 1992 Act has been updated. Essentially an authority's relevant basic amount of Council tax is the authority's own level of Band D Council tax. With the current proposals of a less than 3% increase the Council is entitled to conclude in accordance with the Direction issued by the Secretary of State, that the relevant basic amount of Council tax is not excessive.
- 11.10. In accordance with section 30 of the 1992 Act, the Council is required to set the Council tax for the next financial year on or before 11 March. Under section 106 of the 1992 Act, any Member who is in arrears of two months or more Council tax must declare it at the meeting and abstain from voting upon this report.

### **Equalities and Community Cohesion Comments**

- 11.11. Equality comments are included in the report to Cabinet dated 8th February 2022, attached as Annex 1.

## **12. Use of Appendices**

Annex 1 – Cabinet report of 8th February 2022 including Appendices 1 - 11.

Annex 2 – Cash Limits analysed at Priority Level

Annex 3 – Reserves

3a: Reserves Policy

3b: Reserves and their adequacy

3c: Risk evaluation

3d: Financial Resilience Indicators

Annex 4 – The Treasury Management Strategy Statement

Annex 5 – The Formal Budget Resolution

### **13. Local Government (Access to Information) Act 1985**

13.1. The following background papers were used in the preparation of this Report

- Final Local Government Finance Settlement 2022/23.
- NLWA Budget Proposals report agreed 10<sup>th</sup> February 2022.
- GLA Budget proposals report agreed 24<sup>th</sup> February meeting 2022.

For access to the background papers or any further information please contact  
Frances Palopoli – Head of Corporate Financial Strategy & Monitoring ext. 3896