

SETTING THE BUDGET 2023/24

Item CB 23/11 referred from Cabinet of 14 February 2023

Further to the reports to the Overview and Scrutiny Committee earlier in the cycle, the joint report of the Chief Executive, Director of Finance and Transformation, the Leader and Cabinet Member for Finance, Innovation and Property updated the Cabinet on issues relating to the Medium Term Financial Strategy (MTFS) and gave details of the necessary procedure to be followed in order to set the budget for 2023/24.

In addition, the budget setting process for this year had to incorporate the difficult task of estimating the extent and speed of the recovery of the Council's income and expenditure impacted by the Covid-19 pandemic and the prevailing economic conditions.

Members noted that, as at the time of publishing the report the final settlement had not been confirmed, all figures contained in the report were based on the provisional local government finance settlement received in December 2022. The Director of Finance and Transformation advised that the final local government finance settlement figure was now confirmed and whilst there had been some minor changes the 'bottom line' was the same as the figures previously announced. The Settlement Funding Assessment (SFA) was for one year only and the Fair Funding Review deferred to a future date. This further prolonged the uncertainty over local government funding.

The local government finance settlement included an allocation of £0.6M for New Homes Bonus (NHB) and a funding guarantee of £1.8M. There was an overall funding increase on 2022/23 of £0.5M. Based on a Government policy statement, it was anticipated that funding for 2024/25 would follow a similar pattern. Beyond 2024/25 there was no indication of future core funding including any replacement (or not) for NHB which made financial planning difficult.

Members noted that the current global economic conditions, the deferral of reforms to the Business Rates Retention scheme, waste services contract, homelessness/temporary accommodation, climate change initiatives and the Local Plan continued to have significant financial implications for the Borough Council. Particular reference was made to the Kent Business Rates Pool which the Borough Council had re-joined. It was reported that increased business rates income was being received due to the Panettoni development on the former Aylesford Newsprint site.

With regard to the Capital Plan, it was noted that the Borough Council was currently debt free and expected to remain debt free until 2029. Two evaluated schemes had been added to List A and these were the Refurbishment of Gibson East and the Decarbonisation of the Borough Council's Estate.

The report then described the remaining procedure to be followed in setting the budget for 2023/24 and calculating the council tax. For the purposes of preparing the budget

papers and updating the MTFS a council tax increase of just under 3% (or £6.73) in 2023/24 and 2024/25 had been assumed followed by the higher rate of 2% or £5 [each year thereafter.]

The Cabinet deliberated on the most appropriate guidance to offer the Council as the way forward for updating the MTFS for the next ten year period and setting the council tax for 2023/24. Members were advised of details of special expenses for the same period.

An updated copy of the Savings and Transformation Strategy was presented, including revised outline targets and timescales for each of the themes totalling £1,700,000. The proposed number, scale and timing of requisite future savings and transformation contributions were set out in 1.10.5 of the report. Members were also reminded that the funding gap set out in the report assumed that all the recommendations, as summarised in the report, were delivered. If for whatever reason these were found not to be deliverable the funding gap and, therefore, the savings and transformation target would increase.

Finally, the Director of Finance and Transformation explained the basis on which the statement to the Robustness of the Estimates and Adequacy of the Reserves had been made, including an understanding that the required savings and transformation contributions based on latest projections of £1,700,000 plus the initiative already built into the MTFS, the scaling back of office accommodation in the sum of £200,000 are delivered in the timeframe assumed.

In closing, the Cabinet recorded its appreciation to the Director of Finance and Transformation and Officers in Financial Services for the significant contribution in preparing the budget during a challenging period.

RECOMMENDED: That

- (1) the Revenue Estimates, as presented to the Overview and Scrutiny Committee earlier in the cycle, together with the subsequent adjustments detailed at paragraph 1.4.2, be endorsed and adopted by the Council;
- (2) the Capital Plan be updated, as set out in paragraph 1.6.14, and adopted by the Council;
- (3) the Capital Strategy, as presented to the Overview and Scrutiny Committee earlier in the cycle, be endorsed and adopted by the Council;
- (4) the prudential indicators listed in paragraphs 1.7.7, including the new liability benchmark indicator, and 1.7.11 be endorsed and adopted by the Council;

- (5) subject to the comment at paragraph 1.6.8 of the report, for the financial year 2023/24 the Borough Council's annual minimum revenue provision be noted as 'nil';
- (6) the updated MTFS, set out in Annex 10a be noted and endorsed;
- (7) the updated Savings and Transformation Strategy, attached at Annex 10b, including the proposed scale and timing of each of the required savings and transformation contributions, as set out at paragraph 1.10.5, be noted and endorsed;
- (8) the special expenses calculated in accordance with the Special Expenses Scheme and set out at Annex 13b, be endorsed; and
- (9) the Statement provided by the Director of Finance and Transformation as to the Robustness of the Estimates and the Adequacy of the Reserves, as set out at Annex 16a, be noted and endorsed.

***Referred to Council**