

COUNCIL

DATE OF MEETING: 24 FEBRUARY 2022

TITLE OF REPORT: BUDGET 2022/23

Report of: Head of Corporate Services

Cabinet Member: Councillor James Radley, Deputy Leader and Finance

1 PURPOSE OF REPORT

- 1.1 To provide Council with a summary of Cabinet's revenue and capital budget recommendations for 2022/23 to enable Council to calculate and approve the Council Tax requirement for 2022/23. The report also includes the statutory statement of the Head of Corporate Services (Section 151 Officer) to Council on the robustness of the estimates and adequacy of reserves.

2 RECOMMENDATION FROM CABINET

- 2.1 That the Council Tax Base for 2022/23 be
- (a) for the whole Council area as 41,815.86 [Item T in the formula in Section 31B(1) of the Local Government Finance Act 1992, as amended (the "Act")]; and
 - (b) for dwellings in those parts of its area to which a Parish precept relates as in the attached Appendix 1A.
- 2.2 The Council Tax requirement for the Council's own purposes for 2022/23 (excluding Parish precepts) is £7,812,875.28
- 2.3 That the following amounts be calculated for the year 2022/23 in accordance with Sections 31 and 34 to 36 of the Act:
- (a) £45,450,983 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act taking into account all precepts issued to it by Parish Councils.
 - (b) £33,943,563 being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.
 - (c) £11,507,420 being the amount by which the aggregate at 2.3(a) above exceeds the aggregate at 2.3(b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its Council Tax requirement for the year. (Item R in the formula in Section 31B(1) of the Act).

- (d) £275.19 being the amount at 2.3(c) above (Item R), all divided by Item T (1(a) above), calculated by the Council, in accordance with Section 31B of the Act, as the basic amount of its Council Tax for the year (including Parish precepts).
- (e) £3,694,545 being the aggregate amount of all special items (Parish precepts) referred to in Section 34(1) of the Act (as per Column 2 of Appendix 1A).
- (f) £186.84 being the amount at 2.3(d) above less the result given by dividing the amount at 2.3(e) above by Item T (1(a) above), calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year for dwellings in those parts of its area to which no Parish precept relates.
- (g) The amounts set out in column 6 of Appendix 1A for each part of the Council's area being the amounts given by adding to the amount at 2.3(f) above the amounts of the special items relating to dwellings in those parts of the Council's area mentioned in Appendix 1A divided in each case by the amount at 1(b) above, calculated by the Council in accordance with Section 34 of the Act, as the basic amounts of its Council Tax for the year for dwellings in those parts of its area to which one or more special items relate.
- (h) The amounts set out in columns 1 to 9 of Appendix 1B for each part of the Council's area being the amounts given by multiplying the amounts at 2.3(g) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

2.4. That it be noted that for the year 2022/23 Hampshire Country Council's precept figures are subject to approval on the 17th February 2022 and are listed below. If any changes are required as a result of Hampshire County Council approval provision for delegation to change is provided in 2.6 of this report. The Police & Crime Commissioner for Hampshire and the Hampshire Fire and Rescue Authority have stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings below:

Valuation Band	Hampshire County Council	HCC Adult Social Care	Police & Crime Commissioner for Hampshire	Hampshire Fire & Rescue
	(£)	(£)	(£)	(£)
A(R)	681.64	91.06	131.37	41.91
A	817.97	109.27	157.64	50.29
B	954.29	127.49	183.91	58.67
C	1,090.62	145.70	210.19	67.05
D	1,226.95	163.91	236.46	75.43
E	1,499.61	200.33	289.01	92.19
F	1,772.26	236.76	341.55	108.95
G	2,044.92	273.18	394.10	125.72
H	2,453.90	327.82	472.92	150.86

- 2.5 That, having calculated the aggregate in each case of the amounts at 2.3(h) and 2.2 above, the Council, in accordance with section 30(2) of the Local Government Finance Act 1992, hereby sets the amounts shown in Appendix 1D as the amounts of Council Tax for the year 2022/23 for each of the categories of dwellings in each of the Parishes.
- 2.6 That for the purposes of section 35 (2) (d) of the Local Government Finance Act 1992, any expenses incurred by the District Council in the financial year 2022/23 in performing functions in a part of the district which elsewhere in the district are performed by a Parish Council, shall not be special expenses of the District Council.
- 2.7 That the Council concluded the £5 increase in Council Tax for Hart District Council for 2022/23 is not excessive in accordance with principles approved under Section 52ZB Local Government Finance Act 1992
- 2.8 That the Head of Corporate Services in consultation with the Cabinet member for Finance be given delegated authority to amend the final council tax calculations in the event of approved changes from the other precepting authorities.
- 2.9 That the fees and charges for 2022/23 as set out in Appendix 2 be approved.
- 2.10 That the budget set out in Paragraph 13 be approved.
- 2.11 That the revised Capital Programme for 2021/22 to 2022/23 as detailed in Appendix 4 be approved.
- 2.12 That the Section 151 officer's statutory report regarding the robustness of the estimates and the adequacy of reserves detailed in paragraph 14 be noted.
- 2.13 That Chief Officer's pay is increased by 1.50% from the 1st April 2021 as agreed by the NJC. Back pay will be calculated separately and paid on the 20th June 2022. This is included within budget.
- 2.14 That staff pay is increased by 1.75% from the 1st April 2021. Back pay will be calculated separately and be paid on the 20th June 2022 as included in budget.

3 BACKGROUND INFORMATION

- 3.1 This is the third year that the Government has provided a short-term (one-year) funding settlement. The following paragraph states key proposals from the financial settlement.

Summary of the Government's Final Financial Settlement 2022/23:

- A freeze in Baseline Funding Levels (BFLs) at 2021-22 levels, to match the freeze in the business rates multiplier.
 - An increase in section 31 grant for the under-indexation of the multiplier, to compensate for the freeze in the business rates multiplier.
 - A bespoke council tax referendum principle of up to 2% or £5, whichever is higher, for shire district councils.
 - A referendum principle of £10 for police authorities.
 - A round of New Homes Bonus payments in 2022-23, which will not attract new legacy payments.
 - A new one-off Services Grant based on 2013/14 Settlement Funding Assessment to compensate for the increase in National Insurance Contributions.
 - Allocation of a Lower Tier Services Grant to top up the Council above the minimum funding floor.
- 3.2 The Government is now consulting on a range of changes for future years which include changes to the Business Rates System. We also expect there to be further information provided on Fairer Funding and the replacement for New Homes Bonus.
- 3.3 The principles of the 2022-23 budget were reported to Cabinet on 3 February 2022 and these remain the most up to date. The Medium -Term Financial Strategy is contained within the Cabinet report.

4 FINAL 2022/23 GOVERNMENT SETTLEMENT FOR HART

- 4.1 The final finance settlement for 2022/23 was published on 7 February 2022. The budget has been based on this settlement as there are no changes to the provisional 2022/23 local government finance settlement that was published on 16 December 2021.

5 COUNCIL TAX

- 5.1 The Government anticipates, as in previous years, that local authorities such as Hart will increase council tax in 2022/23 by a core principle of up to 2% or £5 on a Band D property. Any higher rise will require holding a local referendum. Consequently, the budget proposals included in this report assume a £5 increase in 2022/23. The Government has incorporated the full increase as an assumption in Local Authorities' increase in spending power and this has therefore been used in our precept calculation.

6 NEW HOMES BONUS (NHB)

- 6.1 The Local Government Settlement retains New Homes Bonus for 2022/23 and the value to be received for 2022/23 is £1,604m. The Council relies on funding from New Homes Bonus with approximately 13% of the net revenue budget being funded by New Homes Bonus in 2021/2022. It is expected that New Homes Bonus will be replaced in 2023/24 and the Council awaits consultation from the Department of Levelling Up on this. The future of the funding received from New Homes Bonus remains one of the most significant risks to the Medium-Term financial Strategy.

7 LOWER TIER SETTLEMENT GRANT

- 7.1 The 2021/22 Finance Settlement introduced an un-ringfenced lower tier services grant, which was granted to ensure that no council received a reduction in core spending power. It is based on assessed relative need for lower tier services.
- 7.2 The Financial Settlement proposes that Hart will receive £62K in Lower Tier Settlement Grant in 2022/23. This is a reduction of £122K from 2021/22.

8 ONE OFF SERVICES GRANT

- 8.1 The 2022/23 Finance Settlement introduced a one-off Service Grant to provide funding in recognition of vital services delivered by local government.
- 8.2 The Financial Settlement proposes that Hart will receive £95K in Services Grant. The purpose of the intent of this grant is to assist with the increased National Insurance Contributions required in 2022/23. It is not known if this grant will continue into 2023/24.

9 COUNCIL TAX SUPPORT SCHEME

- 9.1 Since 2013, local authorities in England have been responsible for running their own local schemes for help with council tax - Council Tax Support. Councils can choose to either reduce the discount paid to working age claimants or find income to make up the reduction. In previous years the Council has agreed not to reduce the discount (benefits) paid to such claimants but to fund the cost from the revenue account. The Council is reviewing the parameters of the scheme in 2022/23 for implementation in 2023/24.

10 FEES AND CHARGES

- 10.1 The Budget has been prepared taking account of the following considerations:
- Car Parking – No changes are proposed. Following a significant decrease in income during Covid-19 and a lack of workplace commuting the overall Car parking fee income budget has been reduced by 22% in comparison to pre-Covid levels.
 - The Taxi licensing service is provided by Basingstoke and Deane Council. Basingstoke and Deane Council are proposing an increase in the cost that they

charge us for this service. However, due to delays in providing this information; fees and charges will need to be set outside this process.

- In all other cases, where the Council has flexibility in setting and charges the general intention is to increase them by CPI on a July to July comparison (3.2%) and up to the nearest £, where applicable, unless any individual scheme of delegation allows flexibility to set specific fees and charges, or Statutory charges apply.
- At the point of writing this report we had not yet received confirmation from the County Council of fees and charges relating to the services we operate under the Agency agreement. An update will be provided when these are received.

11 GROWTH AND SAVINGS INCLUDED IN BUDGET

- 11.1 Historically, an incremental approach to the budget build was followed, this year a zero-based budget build has been applied for the first time. A zero-based budget requires that all expenditure is justified. The below table shows the movement in net cost of services as a result of the zero-based budget: highlighting budget corrections, growth items and reductions as a result of reviewing each service line by line.

	£000
Net cost of services 2021/22	10,794
Staff inflation after savings	51
Contract inflation	919
Growth – new initiatives	487
Growth – existing service delivery	448
Insurance	(19)
Savings (zero base budget)	(183)
Net Cost of Services 2022/23	12,497

- 11.2 Existing service delivery growth recognises growth required to deliver the existing services. New initiative growth recognises a change or new initiative for example growth in climate change or a change in method of service delivery in Repairs and Maintenance for the Civic Offices.
- 11.3 Section 14.1 below shows the movement of budgets between 2021/22 and 2022/23.
- 11.4 For information the following areas represent some of the more significant and ongoing cost pressures:
- Contract inflationary charges uplifted to reflect CPI of 5.1% (prevailing at the time of budget setting)
 - 2022/23 staff pay increases (currently unknown)
 - Reduction in income anticipated from fees and charges due to changes in behaviours during Covid-19
 - Power and Fuel cost inflation
- 11.5 In August 2021 a program of savings and refreshed Medium Term Financial Strategy was brought to Members to review. Potential Savings were classified into Tier 1 and Tier 2; the more difficult savings included within Tier 2 due to the speed

of implementation; desirability and risk of implementation. Tier 1 and 2 Savings have been agreed for implementation and the following assumptions have been made on implementation. The value of Tier 1 savings agreed for implementation in 2022/23 is £335,000. Implementation of Tier 2 savings was agreed by Council in November 2021. The value of Tier 2 savings to be realised in 2022/23 is £202,000 and a breakdown is shown in the table below.

Tier 2 Savings - in at 50% achievement rate in most cases for 2022-23 increase in 2023-24	2022-23 £'000
Corporate – Corporate Services Restructure – bring services back from Mendip and restructure	62
Corporate – Review and revise skills and resources at Senior Management Team	52
Corporate – Carry out a review of Member and Staff Allowances	4
Corporate – Outsource of Internal Audit to one provider	15
Place – Review and revise skills and resources and skills required in the future within Place	25
Technical and Environmental – Review and revise skills and resources required within Technical and Environmental Service	17
Place – Review provision of dog warden service	27
TOTAL TIER 2 SAVINGS	202

12 CAPITAL PROGRAMME

12.1 The proposed 2022/23 Capital Programme is attached as Appendix 4.

13 BUDGET 2022/23

13.1 The table below summarises the budget for 2022/23 compared to the approved 2021/22 original budget. The 2021/22 budget is what was set in February 2021.

	2021/2022	2022/2023	
	Budget	Draft	
	£000	£000	
Net Service Budget	10,536	11,930	
SANG Expenditure	258	567	Funded from allocated S106 receipts
Cost of Service	10,794	12,497	
Debt Interest	12	12	
MRP (Minimum Revenue Provision)	406	642	
New Homes Bonus	-1,847	-1,604	Local Government Settlement
Lower Tier Services Grant	-200	-62	Local Government Settlement
Services Grant	0	-95	Local Government Settlement
Pressures	610	0	Change Programme Variables
Net Expenditure	9,776	11,390	
Financed by:			
Council Tax	-7,487	-7,813	Local Government Settlement
Business Rates Retained	-1,400	-1,400	Local Government Settlement
S106 receipts	-53	0	Allocation as per approved expenditure
SANG receipts	-639	-567	Allocation as per approved expenditure
Tier 1 Savings	0	-335	
Tier 2 Savings	0	-202	
Commercial Income	-196	-1,073	
Total Financing	-9,395	-11,390	
Funding from General Fund	381	0	Balanced Budget

13.2 The major revenue funding risks and decisions looking beyond 2022/23 to be considered to ensure financial sustainability:

Funding Risks

- Spending Review 2022 – may reduce the totality of local government funding
- Fair Funding Review – risk of losing further central government funding as it is distributed elsewhere
- Loss if New Homes Bonus
- Changes to business rates retention and revaluation of properties
- Uncertainty over future Planning Fee income (this will inevitably fluctuate as driven by demand)
- Risks of voids in Commercial Property

13.3 Major changes in spending in service areas have been provided at Appendix 3

14 ROBUSTNESS OF ESTIMATES AND ADEQUACY OF RESERVES

14.1 Section 25 of the Local Government Act 2003 requires the Chief Financial Officer to report on the robustness of the estimates and the adequacy of proposed financial reserves.

14.2 The budget has been constructed following a detailed and robust process involving budget holders, finance staff, the leadership team and Members. Account has been taken of identified financial issues and pressures and realistic budget assumptions have been made and key risks identified. Service changes and savings options have been considered by Heads of Service and Members through the service review process.

14.3 Budget risks are managed throughout the year by a comprehensive budget monitoring process, which acts as an early warning of budget issues allowing corrective action to be taken, and via the general fund reserve.

14.4 The Council has limited reserves available to it. The General Fund balance stood at £6.9m at 31st March 2021.

14.5 The S151 Officer considers that the projected General Fund balance is sufficient to manage the 2022/23 budget risks. While the use of the General Fund balance is for financing unplanned one-off costs and does not underwrite on-going expenditure, the level of the General Fund balance does provide a buffer against the uncertainty of future central government funding.

14.6 In June 2021, the Section 151 Officer recommended to Cabinet a new calculation for the General Fund reserve. The calculation included potential risks to future years budgets such as Income from the Leisure Contract, potential loss in Garden Waste Income and a complete loss in New Homes Bonus. Since June, significant risk on the leisure contract has been mitigated through negotiation and the Council's reliance on New Homes Bonus has reduced from £1.8m to £1.6m. The below table shows an updated calculation of the recommended minimum general fund balance.

	2022-23 £'000
10% of Net expenditure	1,139
Garden waste income	900
New Homes Bonus	1,604
Leisure contract	500
Total Required	4,143
Actual General Fund Balance	6,900
Balance held in excess of minimum recommended balance	2,757

15 STAFF PAY

15.1 All Staff excluding Chief Officers (2021-22)

Staff pay is set by negotiation between the National Employers and Union representatives (NJC). At this point there has been no agreement has been reached with a final offer from employers of 1.75%. From the 1st April 2022 there will be a temporary 1.25% increase in Class 1 primary employee contributions which combined with higher inflation rates will lead to employees being worse off. It is therefore recommended that an interim increase in employee pay takes place. This report therefore seeks to increase staff gross pay by 1.75% from the 1st April 2022. The issue of back pay will be resolved once the negotiations have been concluded.

15.2 Chief Officers (2021-22)

The Joint Chief Executive have differing contracts to all other staff at the authority. This is standard in Local Authorities. These roles are known as Chief Officer roles. Increases in Chief Officer pay are subject to a separate negotiation process than for all other Officers. The conclusion of these negotiations has been reached and it has been agreed that Chief Officers will have a 1.5% increase applied to their gross pay. Backdated pay for the 2021-22 period will be paid by the 30th June 2022.

16 COMMENTS OF THE MONITORING OFFICER

- 16.1 This report recommends the adoption of a lawful budget and the level of Council Tax for 2022/23. It also outlines the Council's current and anticipated financial circumstances, including matters relating to capital expenditure and resources.
- 16.2 The setting of the Budget and Council Tax by Members involves their consideration of choices. No genuine or reasonable options should be dismissed out-of-hand and Members must bear in mind their fiduciary duty to the council taxpayers of Hart.
- 16.3 Members must have adequate evidence on which to base their decisions on the level and quality at which services should be provided. Where a service is provided pursuant to a statutory duty, it would not be lawful to fail to discharge it properly or abandon it, and where there is discretion as to how it is to be discharged, that

discretion should be exercised reasonably. Where a service is derived from a statutory power and is discretionary that discretion should be exercised reasonably.

- 16.4 Should Members wish to make additions or reductions to the budget, on which no information is given in the report before Members, they should present sufficient information on the justification for and consequences of their proposals to enable the Council to arrive at a reasonable decision on them.
- 16.5 The report sets out the relevant considerations for Members to consider during their deliberations and members are reminded of the need to ignore irrelevant considerations. Members have a duty to seek to ensure that the Council acts lawfully. They are under an obligation to produce a balanced budget and must not knowingly budget for a deficit. Members must not come to a decision which no reasonable authority could come to; balancing the nature, quality and level of services which they consider should be provided, against the costs of providing such services.
- 16.6 Members are also reminded of Section 106 of the Local Government and Finance Act 1992 which prohibits any Member, who has not paid for at least two months his/her Council Tax when it became due, from voting on setting the Budget and Council Tax.

17. SUPPLEMENTARY NOTES ON APPENDICES

- 17.1 Appendix 5 contains the Draft Budget Book. The draft budget book is divided into a number of key sections:
- Service Summary
 - List of Budget Holders and Cost Centres
 - Detailed Service Summary
 - Budget by Subjective coding. i.e. Employees, Premises, Transport and Supplies and Services
 - Budget by Cost Centre
- 17.2 The Budget Book contains comparator figures for 2021/22 approved by Full Council. Where Directorate responsibility for service delivery has changed this is reflected in the 2022-23 budget book, for example the provision of waste services was in Technical and Environmental, it is now in Corporate Services.
- 17.3 Please note there are no recharges shown for 2022/23 within the budget book. Recharges do not affect the controllable budget.

18 EQUALITIES

- 18.1 There are no identified equalities issues from this report.

19 CLIMATE CHANGE

- 19.1 This budget has allocated £250K to the declared Climate Change Emergency as agreed by Cabinet in April 2021.

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APPENDICES:

Appendix 1A	Council Tax Band D, Hart and Parishes
Appendix 1B	Council Tax All Bands, Hart and Parishes
Appendix 1C	Council Tax Bands – Parishes for information only
Appendix 1D	Council Tax Bands - All Precepts
Appendix 2	Fees & Charges
Appendix 3	2021/22 Budget – Change Analysis
Appendix 4	2021/22 Capital Programme
Appendix 5	2021/22 Draft Budget Book – To follow