

Report to Corporate Overview and Scrutiny Committee



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| Date of Meeting | 8 th February 2022 |
| Portfolio | Cabinet Member for Finance & Corporate |
| Report Author | Julie Murphy |
| Public/Private Document | Public |

Budget Report and Medium Term Financial Strategy 2022/23

Executive Summary

- 1.1 This report provides Cabinet with the proposed Revenue Budget, Capital Programme and Council Tax 2022/23 for recommendation to Budget Council on 23rd February 2022. The information contained in the report is subject to the approval of the Mayor of Greater Manchester Council Tax precepts for 2022/23.
- 1.2 The report also outlines the Medium Term Financial Strategy 2022/23 to 2026/27. The Medium Term Financial Strategy provides the latest budget position for the Council, sets out the key financial challenges and issues which will be faced over the period, and provides details of the assumptions and estimates which underpin the budget. The strategy also takes account of the latest known developments both regional and at a local level.

Recommendations

- 2 It is recommended that Cabinet :
 1. Consider and recommend to Budget Council the proposed revenue budgets outlined in Appendix 1, based on a budget requirement of £248.446m for 2022/23.
 2. Subject to confirmation of the Mayor of Greater Manchester precepts, consider and recommend to Budget Council:
 - a) A Council Tax for district purposes of £1,779.01 for Band D properties (2.99% increase) for 2022/23.
 - b) A Council Tax (including precepts) of £2,110.26 for Band D properties (3.62% increase).

3. Note the position in relation to Education Services Grant and Schools Funding. Cabinet delegate the decision regarding any changes to the final allocations for the Dedicated Schools Grant to the Director of Children's Services in consultation with the Chief Finance Officer, the Cabinet Members for Children's Services and Finance and Corporate, and the Leader of the Council.
4. Note that any final balance on the 2021/22 budget will be transferred to the Equalisation Reserve.
5. Consider and recommend to Budget Council the establishment of a targeted Council Tax reduction scheme for 2022/23 with an estimated cost of £3m to be funded from one off funds as detailed in paragraph 4.3.9.
6. Note that the proposed revenue budget includes a £1m transfer to the Equalisation Reserve from the Collection Fund Surplus to smooth future losses linked to the pandemic as detailed in paragraph 6.1.5.
7. Approve and recommend to Council the establishment of a £0.4m Hardship fund to support vulnerable residents as detailed in paragraph 6.1.5.
8. Consider and recommend to Budget Council the updated Budget Carry Forward policy, as detailed in Appendix 3.
9. Consider and recommend to Budget Council the updated Reserves policy, as detailed in Appendix 8.
10. Consider and recommend to Budget Council, the proposed Capital Programme for 2022/23 to 2026/27 as detailed at Appendix 4 of this report, noting that some of the assumed external funding included in the programme is still subject to clarification from Government and in some cases may involve bids for funding. It is therefore recommended that all approvals are subject to confirmation of funding allocations.
11. Approve that new spending proposals requiring additional revenue and capital resources should only be considered during the financial year in extreme circumstances as determined by the Budget and Policy Framework. The proposals would need to be reported to the next available Council meeting in accordance with the Budget & Policy Framework.
12. Consider and recommend to Budget Council the Council's updated Medium Term Financial Strategy 2022/23 to 2026/27, as provided at Appendix 6.
13. Consider and recommend to Budget Council the Council's updated Pay Policy Statement (see appendix 7) and approve the proposed amendments to the Council's terms and conditions within the Pay Policy as detailed in paragraph 5.7.
14. Consider and recommend to Budget Council that delegated authority for allocations from the £0.25m Climate Change fund included in the proposed budget is given to the Head of Corporate, Policy & Performance in conjunction with the Portfolio Holder for Climate Change and Sustainability, the Cabinet Member for Finance & Corporate and the Leader of the Council.

15. Consider and recommend to Budget Council that the Housing Benefit Local Discretionary Scheme to disregard 100% of war disablement pension and war widows' pension for both working age and pension age claimants be continued from 1 April 2022, as detailed in paragraph 5.8.

Reason for Recommendation

- 3.1 Cabinet Members are required to consider and recommend to Budget Council before the 11th March 2022:
- a) A balanced Revenue Budget for 2022/23 and provisional budgets for 2023/24 and 2024/25.
 - b) The Council Tax increase for 2022/23.
- 3.2 The Medium Term Financial Strategy provides a key part of the budget setting process.

Key Points for Consideration

4.1 Background

- 4.1.1 This report contains the revenue proposals which are being recommended to Cabinet to enable a balanced budget to be considered and presented to Budget Council for approval.
- 4.1.2 The Budget process begins in July with approval, by Cabinet, of the assumptions and principles on which the budget is to be based. These are used as a part of the determination of the overall budget position and are incorporated into Directorate budgets.
- 4.1.3 Throughout the year we consult on the budget and savings proposals. Financial projections are updated as further information becomes available from Central Government, and other changes including local decisions. The updated budget and feedback from consultations are reported back to Cabinet in February with recommendations for Budget Council, who will in turn set the budget.
- 4.1.4 Budget Council 1st March 2021 approved the 2021/22 budget and provisional budget for 2022/23. The budget position of the Council is reviewed throughout the budget process as more information becomes available. An updated budget position was reported to Cabinet in July and November 2021.
- 4.1.5 The Council's Medium Term Financial Strategy (MTFS) 2022/23 to 2026/27 has been reviewed and Appendix 6 provides an updated MTFS reflecting current budget assumptions.

4.1.6 The Capital Programme being recommended to Cabinet has been consulted on during Autumn 2021. The Capital Programme will be presented to Budget Council for approval.

4.1.7 This report is presented in two parts, as there is a requirement for all billing authorities to keep a separate Collection Fund Account to the main General Fund Budget. Part 1 deals with the budget requirements of Rochdale Council, while Part 2 concentrates on Collection Fund issues.

4.2 PART 1 – DISTRICT REQUIREMENTS

4.2.1 The General Fund Revenue Account

The proposed budgets for 2022/23 to 2024/25 are set out at summary level at Appendix 1. The estimated resources for 2022/23 are £248.446m, as set out in Table 1.

Table 1: Estimated Resources

| | 2022/23 |
|-----------------------------|----------------|
| | <u>£'000</u> |
| Council Tax | 100,037 |
| Business Rates Retained | 61,768 |
| Business Rates Top-up Grant | 37,804 |
| General Grants | 48,837 |
| Total Resources | 248,446 |

4.2.2 The assumptions on which Directorate budgets are based are set out in the Medium Term Financial Strategy, as outlined in Appendix 6. The individual Directorate budgets are provided at Appendix 2.

4.2.3 The budget takes account of the latest projected outturn for 2021/22, which is forecast to be in balance. Any final balance for 2021/22 will be transferred to/from the Equalisation Reserve.

4.2.4 The Council's general balances will be £17m at 31st March 2022 and will support the risks within the proposed budget.

4.2.5 Further information on budget risks is provided as a separate agenda item as part of the Local Government Act 2003 report requirements. Members should consider the views of the Chief Finance Officer set out within this report with regard to the robustness of the budget and the adequacy of balances and reserves when determining the budget requirement.

4.2.6 The calculation of 2022/23 Council Tax (for District purposes) for Band D properties based on the proposed expenditure level of £248.446m is shown in Table 2.

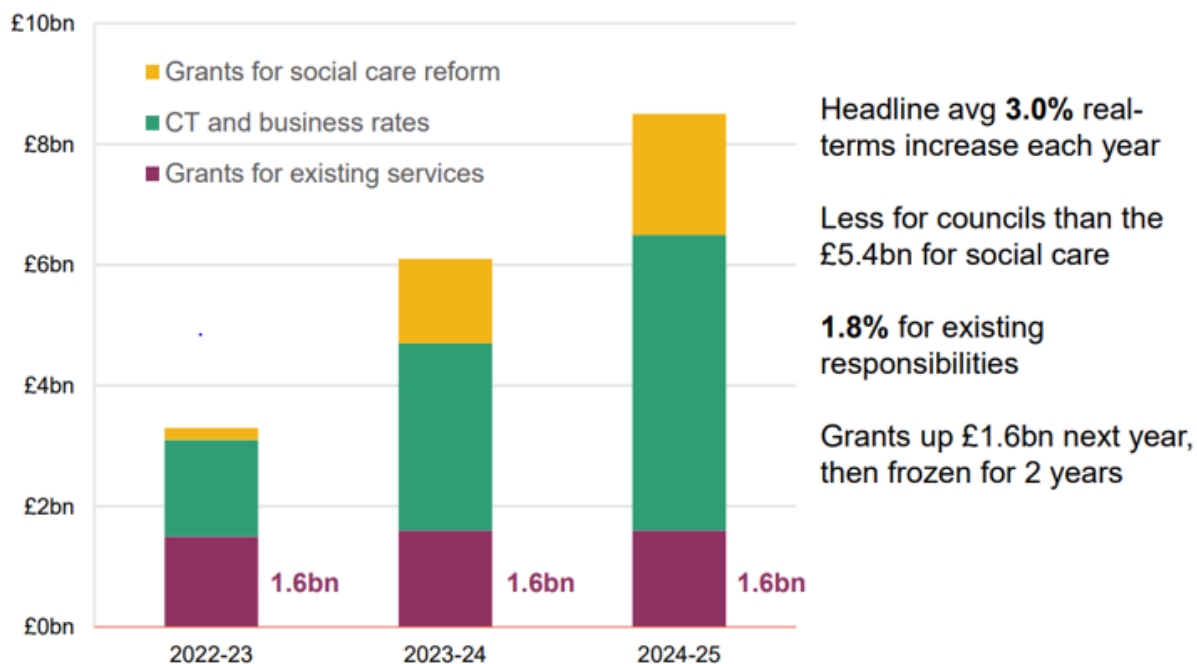
Table 2: Proposed Budget and Council Tax for District Purposes

| | Budget | Proposed Budget | Variation | |
|---|--------------------------------|--------------------------------|-------------------------------|--------------------------|
| | <u>£'000</u> 235,984 | <u>£'000</u> 248,446 | <u>£'000</u> 12,462 | <u>%</u> 5.28% |
| BUDGET REQUIREMENT | | | | |
| <u>Funding Available</u> | | | | |
| Business Rates Top-up Grant | 37,114 | 37,804 | 690 | 1.86% |
| General Grants | 42,928 | 48,837 | 5,909 | 13.76% |
| Business Rates Retained | 61,564 | 61,768 | 204 | 0.33% |
| Amount to be funded from Council Tax | 94,378 | 100,037 | 5,659 | 6.00% |
| Council Tax for District Purposes (Band D) | £1,727.37 | £1,779.01 | £51.64 | 2.99% |
| Tax Base | 54,637 | 56,232 | 1,595 | 2.92% |

4.3 Changes in Estimated Resources

4.3.1 The provisional settlement was announced in December and confirmed the proposed funding allocations form 2022/23. No figures have been provided for 2023/24 and 2024/25 however, the following chart shows the planned increase in English Councils' core spending power for 2022/23 to 2024/25 with an expectation of a 3% real term increase each year.

Increase in English councils' core spending power, compared to 2021-22



4.3.2 The proposed increase to grants for existing services and the introduction of new grants for 2022/23 are part of the £1.6Bn shown in purple. This amount is expected to remain at 2022/23 levels until 2024/25, so no further increase are expected over this period.

4.3.3 The proposed increase to grants for existing services and the introduction of new grants for 2022/23 are part of the £1.6Bn shown in purple. This amount is expected to remain at 2022/23 levels until 2024/25, so no further increase are expected over this period.

4.3.4 The introduction of new grant funding to support social care reform is shown in yellow on the graph. There are significant increases planned in this grant as the introduction of the proposed care caps will begin from October 2023. This funding is expected to be fully required to meet the associated costs of the reform.

4.3.5 The remainder of the growth is expected to be funded from increases in Council Tax and Business Rates. The increase in spending power assumes that English Councils' will continue to increase Council tax by 1.99% per annum and raise the Adult Social Care precept of 1% per annum over this 3 year period. The budget assumptions for 2023/24 and 2024/25 have been updated to reflect the additional precept.

Table 3 provides an analysis of the changes in Estimated Resources compared to the position reported to Cabinet 23rd November 2021.

Table 3: Changes in Estimated Resources 2022/23

| | As per 23rd November Cabinet | Proposed Budget 2022/23 | Increase/ (Decrease) in Resources |
|--|--|--|--|
| | <u>£m</u> | <u>£m</u> | <u>£m</u> |
| <u>Government Grants</u> | | | |
| Business Rates Top-up Grant | 37.270 | 37.804 | 0.534 |
| New Homes Bonus | 0.398 | 1.246 | 0.848 |
| Improved Better Care Fund | 11.917 | 12.277 | 0.360 |
| Business Rates Section 31 Grants | 11.376 | 17.691 | 6.315 |
| Additional Social Care Funding | 8.985 | 12.159 | 3.174 |
| Service Grant Allocations 22/23 | 0 | 4.230 | 4.230 |
| Market Sustainability and Fair Cost of Care Fund | 0 | 0.748 | 0.748 |
| Lower Tier Services Grant | 0.362 | 0.381 | 0.019 |
| Other Section 31 Grants | 0.105 | 0.105 | 0.000 |
| | 70.413 | 86.641 | 16.228 |
| <u>Locally Generated Income</u> | | | |
| Council Tax | 100.038 | 100.037 | (0.001) |
| Business Rates | 65.258 | 61.768 | (3.490) |
| | 165.296 | 161.805 | (3.491) |
| | | | |
| Total Resources | 235.709 | 248.446 | 12.737 |

The estimated resources for 2022/23 have been updated to reflect the provisions made in the Spending Review 2021 and the Provisional Local Government Finance Settlement for 2022/23. The main changes from the position reported to Cabinet 23rd November are:

4.3.6 **New Grants**

- **2022/23 Services Grant - £4.23m** - This will be used in 2022/23 to continue to support the post Covid recovery. This grant is expected to continue into future years, however the allocation method is due to be reviewed, and so there is uncertainty on the long term allocation to Rochdale Council at this stage.
- **Market Sustainability and Fair Cost of Care Fund - £0.748m** - This is our initial allocation to support Adult Social Care reform from the funds being raised by the 1.25% NI increase in April. This will be pass-ported to Adult Social Care to prepare for the upcoming changes. This funding is expected to increase significantly in 2023/24 (£6.2m) and 2024/25 (£9.0m).

4.3.7 Increases to existing grant allocations

- **Social Care Support Grant - £3.174m** - Social Care Support Grant relates to both Adult and Children's social care and Rochdale's allocation for 2022/23 has increased from £8.985m to £12.159m. This will support the additional costs already built into the budget for service pressures and provider fee increases, including a £0.6m additional pressure on Adult Care Provider fees due to the current high non-pay inflation levels.
- **Improved Better Care Fund - £0.360m** This represents a 3% increase on the existing grant which will support the increase Adult Social Care costs built into the budget.
- **Business Rates Retention/RSG - £0.534m** - This is an increase in Rochdale Councils core funding.
- **Compensation for under-indexing the business rates multiplier - £0.633m** - This is to compensate for the Business Rate multiplier being frozen in 2022/23, in order that local authorities do not lose what would have been the increase to the multiplier. The increased value represents the difference from the amount assumed in the budget model.
- **New Homes Bonus - £0.847m** - Rochdale is set to receive £1.246m in New Homes Bonus Payments in 2022/23, which is an improvement on the level of funding previously assumed.

The additional resources have enabled the Council to reduce the planned use of its reserves required in order to balance the 2022/23 budget and provided additional resources to manage the ongoing financial implications of Covid.

- 4.3.8 Compensation for under-indexing the business rates multiplier has been updated to reflect RPI rather than CPI. Subject to confirmation in the final settlement, the net impact of this change via Section 31 grant changes and the reduction in forecast Business Rates retained is forecast to be an increase of £2.192m in available resources.
- 4.3.9 It is recommended that this additional resource is used to contribute towards the establishment of a Council Tax reduction scheme for 2022/23 to offer targeted support for working-age households in receipt of Local Council Tax Support facing financial difficulties, with a further allocation from the net Collection Fund Surplus (after adjusting for Government grant funding for reliefs) of £0.808m bringing the total funding available for the scheme to £3m. The scheme will provide a credit of up to £150 on their Council Tax account. If the amount of Council Tax to pay is less than £150, it will be reduced to £0.00.
- 4.3.10 Public Health Grant Allocations have not yet been confirmed, the current budget estimates assume no change to the current level of funding.
- 4.3.11 The Supporting Families grant has been confirmed to continue, but details have yet to be confirmed.

4.4 Final Local Government Finance Settlement 2022/23

4.4.1 The Final Local Government Finance Settlement for 2022/23 confirming the measures outlined in the Spending Review is expected to be announced by mid-February.

4.5 Schools Funding Settlement

4.5.1 A summary of the Dedicated Schools Grant (DSG) allocation is provided in Table 4.

Table 4 Dedicated Schools Grant Allocation

The traditional DSG allocations also include Rochdale's share of the additional £1.6bn funding announced in the October spending review. This is detailed in the table below as the £7m Supplementary Grant split as £6m for the Schools Block and £1m High Needs Block. The breakdown of this funding to school level will not be made available until spring, however we do know that it will be paid as a separate supplementary grant and calculated on a formulaic basis using factors from the national funding formula.

In order to compare to prior year the 2021/22 figures have been restated to include the Teachers Pay and Pension Grant, the funding is now included within the overall settlement, previously it was provided as a separate grant.

| DSG Block | 2022/23 £m | Supple - mentary Grant £m | Revised 2022/23 £m | 2021/22 £m | Variati on £m | % | Trans - fers £m |
|---------------------------------|-------------------|----------------------------------|---------------------------|-------------------|----------------------|-------------|------------------------|
| Schools Block* | 193.557 | 6.000 | 199.557 | 185.565 | 13.992 | 7.54 | (0.968) |
| High Needs Block* | 35.432 | 1.000 | 36.432 | 31.889 | 4.543 | 14.2 | 0.968 |
| Central Schools Services | 1.339 | | 1.339 | 1.265 | 0.074 | 5.85 | |
| Early Years Block ** | 16.882 | | 16.882 | 17.334 | (0.452) | (2.61) | |
| | | | | | | | |
| Total | 247.210 | 7.000 | 254.210 | 236.053 | 18.157 | 7.69 | 0.00 |

* Final DSG Allocations prior to the adjustment for places funded directly by the DfE and prior to the deduction of domestic rates.

** Indicative based on 2021/22 allocation, final allocations for the Early Years Block will not be published until July 2022.

- 4.5.2 The DSG allocation is received in four Blocks; these are the Schools Block, High Needs Block, Central Schools Services Block and Early Years Block.
- 4.5.3 The DSG allocation for 2022/23 is £254.210m, in comparison to 2021/22 there has been an overall increase in funding of £18.157m, 7.69%.
- 4.5.4 The increase in funding of £18.157m is due mainly to an increase in pupil numbers in schools and additional funding provided by government. It was announced in the October spending review that Schools will receive an additional £4.7 billion in core funding by 2024/25. This includes £1.6 billion in 2022/23, the £1.6bn is on top of already planned increases from the 2019 spending review, resulting in a total cash increase of £1,500 per pupil by 2024/25, restoring per pupil funding to 2010 levels in real terms. The additional investment will also support the delivery of a £30,000 starting salary for all new teachers as well as supporting recovery in schools.
- 4.5.5 Included within the schools block is a separate allocation of £1.413m for Growth Funding. This is based on a national formula but does not necessarily accord to the amount an LA will require for the Growth Fund; this will be determined locally based on the LA's Growth Fund policy.
- 4.5.6 The High Needs Block is based on a funding formula of a mix of historic spend, pupil numbers and pupil need. As part of the Settlement the government has recognised the pressures LA's are facing on High Needs Spend and provided additional funding nationally for 2022/23. Rochdale's final High Needs allocation is £36.432m, which is an increase of £4.5m over 2021/22 funding. It is important to highlight that an 11% gains cap is applied by the DfE to the formula, without this cap Rochdale would have attracted an additional £2.88m high needs funding (excluding the supplementary grant). Therefore, Rochdale continues to be underfunded on the High Needs Block.
- 4.5.7 The National Funding Formula (NFF) is expected to be delayed until 2024/25 with the DfE, however Rochdale's formula closely mirrors the NFF subject to affordability.
- 4.5.8 The Early Years final allocation is not available until July 2022 therefore the allocation of £16.882m is an indicative figure, which is based on:
- 2-year-old entitlement - 21 pence per hour increase to the LA hourly rate for the 2-year old entitlement.
 - 3- 4 year Old entitlement - 17 pence per hour increase to the LA hourly rate for the 3-4-year-old entitlement.
(The rate passed through to providers is yet to be finalised, however the LA can retain up to 5% of the 3-4 year old entitlement funding for central services)
 - Maintained Nursery School (MNS) Supplementary Grant hourly rate is set to increase by 3.5%, which is equivalent to the increase in the 3-4 year old hourly funding rates in 2022/23.

- Early Years Pupil Premium will also increase by 7 pence to 60 pence per hour.
- Disability Access Funding (DAF) will increase from £615 to £800 per child.

4.5.9 For 2021/22 there was a temporary variation put in place using termly rather than an annual census to fund numbers, for 2022/23 this will return to the normal process of allocating funding based on the January census.

4.5.10 The DSG Recovery Plan

At the end of 2020/21 financial year the deficit on the high needs block was £5.1m which is in line with the recovery plan projections. The increase is due to the continued significant growth in Special Educational Needs and Disability (SEND) and Education Health Care Plans as well as the impact special schools at maximum capacity within the borough, which results in children placed in high cost out of borough independent settings. The deficit is set to increase further to £6.6m by the end of the 2021/22 financial year, which is in line with the recovery plan. The key turning point of the plan is the new special free school which was due to open in September 2022, however this has been delayed by the DfE until September 2023. The Council and the Newbridge Trust are working collectively to try to open a temporary setting in September 2022 to accommodate 20 pupils; this will prevent these children going into out of borough settings and also enable the children to move into the new school the following year.

Whilst £5.1m is a significant deficit, it is important to highlight the position of some of the GM authorities who are in deficit positions of approx. £20m.

The growth in SEND is putting pressure on non-DSG budget areas, 2021/22 has seen a significant increase in SEND Transport costs, as at quarter 2 2021/22 the current overspend position is £0.5m, it's the LA's statutory duty to provide home to school transport and there is little market competition in this area.

4.5.11 School Places

The first of the new special free schools (DfE funded) Edgar Wood opened in September 2021 in temporary accommodation at Hopwood Hall, the new school will be completed for the 2022/23 academic year. Star Academy (Littleborough Site) is expected to open 2023/24. The remaining new special free school (Heywood site) has been delayed a year until September 2023; however negotiations are taking place to open in temporary accommodation in September 2022 with 20 pupils, without this the children will be placed at out of borough independent schools which will have a significant negative recurrent impact on the DSG Recovery plan.

It is the LA's statutory duty to provide a school place for all children within the borough, however if all places are not taken up due to for example children

attending a school in a neighbouring LA or the number of places are over estimated then this results in vacant places across schools. A level of vacant places are required to ensure that children who move into the area throughout the year can be accommodated, however a large number of vacant places equate to “missed funding” as schools are not funded for these through the formula. In cases where vacant places have clustered i.e. there are a number of vacant places in a ward or individual school, this can have a detrimental impact on school budgets. In particular if a school sustains a high level of vacant places over number of years, there will be a deficit. The LA does not have a falling roles policy or surplus funding to support schools with their budgets for this issue.

4.5.12 It is recommended that Cabinet delegate the decision regarding any changes to the final allocations for the Dedicated Schools Grant to the Director of Children’s Services and the Chief Finance Officer in consultation with the Cabinet Members for Children’s Services and Finance and Corporate, and the Leader of the Council.

5 The Council’s Budget 2022/23 and Provisional Budget for 2023/24 to 2024/25

5.1 Council Budget Position 2022/23 to 2024/25

5.1.1 The government has committed to a 3 year Finance Settlement, however only the 2022/23 allocations have been confirmed to date (as detailed in 4.3.5). The planned significant reforms to the local government funding system are now expected to be introduced for from 2024/25 at the earliest. At this stage the impact of these reforms on individual authorities is unknown.

5.1.2 The pre-Covid Budget Gap for 2022/23 has been updated to take account of updated assumptions, including the impact of the Spending Review 2021, the Local Government Finance Settlement 2022/23 and the proposed 2022/23 Council Tax increase of 2.99% for district purposes.

5.1.3 Savings proposals totaling £0.477m in 2022/23 were approved at Cabinet 23rd November 2021. A further £0.214m were agreed, as a basis for consultation which has since been revised to £0.123m. The total value of saving proposals included in the budget estimates for 2022/23 to 2024/25 is £0.6m. A separate report elsewhere on the agenda outlines the outcome of consultation.

5.1.4 In order to tackle the post-Covid Budget Gap the Council has developed a strategy to utilise its reserves in order to balance the budget. A contribution from reserves of £4.4m will be required to set a balanced budget for 2022/23. It is currently estimated that contributions will be required from reserves of £2.6m in 2023/24. The contributions from reserves required will be reviewed as part of the budget process each year.

5.1.5 The reserves strategy includes a repayment plan to recover the level of the reserves, to ensure that reserves are available to meet their original purpose

and the authority remains a going concern. Further detail behind the reserves strategy is discussed in the Medium Term Financial Strategy provided at Appendix 6 to this report.

5.1.6 The 2022/23 Services grant provides £4.23m of new funding that will be set aside to support ongoing financial pressures from Covid in 2022/23. The ongoing impact of the pandemic is unknown and in future years budget processes it is expected that this will be treated as part of normal budget process, rather than being separately addressed.

5.1.7 The updated budget position since the position reported in November includes the following changes:-

- The changes in resources announced in the provisional settlement as detailed in section 4.3.5.
- The establishment of a £3m Council Tax reduction scheme in 2022/23.
- The Collection Fund Deficit for 2021/22 and Government Grant relief compensation, with a net contribution of £1.0m to be transferred to the Equalisation Reserve to smooth future losses linked to the pandemic
- A one off £1.55m provision for Greater Manchester Business Rates Growth payments.
- An increase in Adult Social Care budgets in line with the estimated grant contributions for Social Care reform
- An increase of circa £1m per annum to remove the mandatory unpaid leave policy in Rochdale and bring local terms & conditions in line with other Greater Manchester Authorities.
- A one off £0.6m contribution towards the Councils Jobs & Investment fund, which is used to encourage Economic Growth in the Borough. The fund is used in a number of ways including discretionary business rate relief as an incentive for companies considering relocating from other areas into the borough or to local companies with growth plans both of which lead to significant numbers of new employment opportunities.
- An additional £0.6m towards the proposed increase in Adult Social Care fees for 2022/23 due to the impact of the 1.25% Ni Increase and inflationary pressures.
- A £0.5m increase in the forecast Council National Insurance contribution costs from the 1.25% increase.
- An increase in the provision for the forecast impact of energy prices on service budgets.
- An increase in the provision for service pressures including Legal Shared Services, and levy changes and future inflation.

5.1.8 A £0.25m provision has been made in the 2022/23 budget to support climate change initiatives including feasibility studies of capital projects, short term staffing requirements and to provide match funding for grant applications. This is to be funded from reserves. It is recommended that the proposed budget is delegated to the Head of Corporate, Policy & Performance in conjunction with

the Portfolio Holder for Climate Change and Sustainability, the Cabinet Member for Finance & Corporate and the Leader of the Council.

5.1.9 Table 5 shows the updated budget position for 2022/23 to 2024/25 after the application of Savings Proposals and the utilisation of Reserves.

Table 5 Updated Council Budget 2022/23 to 2024/25

| | 2022/23 | 2023/24 | 2024/25 |
|--|-----------------|-----------------|-----------------|
| | £m | £m | £m |
| Budget Gap Cabinet 23rd November | 0.000 | 10.014 | 15.467 |
| Additional Resources | | | |
| 2022/23 Service Grant | (4.230) | (2.115) | (2.115) |
| Market Sustainability and Fair Cost of Care Fund (ASC) | (0.748) | (6.465) | (9.236) |
| Social Care Grant Funding | (3.174) | (2.146) | (2.146) |
| Additional BCF | (0.360) | (0.360) | (0.360) |
| BRR/ RSG Increase | (0.534) | (0.534) | (0.534) |
| BR Under Indexation | (0.633) | (0.633) | (0.633) |
| New Homes Bonus Increase | (0.847) | 0.000 | 0.000 |
| Lower Tier Services Grant | (0.019) | (0.019) | (0.019) |
| Business Rates Retained/ Section 31 Compensation | (2.192) | (2.263) | (2.299) |
| ASC 1% Precept in 23/24 and 24/25 | 0.000 | (1.016) | (2.127) |
| | (12.737) | (15.551) | (19.469) |
| Additional Expenditure Requirements | | | |
| Market Sustainability and Fair Cost of Care Fund (ASC) | 0.748 | 6.465 | 9.236 |
| Earmarked for Ongoing Covid pressures | 4.230 | 0.000 | 0.000 |
| National Insurance 1.25% Increase - cost to services | 0.500 | 0.500 | 0.500 |
| ASC Provider Fee Increase 22/23 (Inflation pressure) | 0.600 | 0.600 | 0.600 |
| GM Business Rates Growth payments | 1.550 | 0.000 | 0.000 |
| Removal of Mandatory Unpaid Leave | 0.972 | 0.991 | 1.011 |
| Contribution to the Jobs & Investment Fund | 0.600 | 0.000 | 0.000 |
| Forecast Energy Pressures | 1.000 | 0.500 | 0.500 |
| Increase in service pressures and provision for future inflation | 0.608 | 1.070 | 1.201 |
| Reduction in use of smoothing reserve | 1.345 | 0.000 | 0.000 |
| Change in Collection Fund Deficit 2021/22 | 9.113 | 0.000 | 0.000 |
| Government Grant brought forward via Reserves re Collection Fund Deficit 2021/22 | (12.935) | 0.000 | 0.000 |
| Council Tax reduction Scheme | 3.000 | 0.000 | 0.000 |
| Transfer to Equalisation reserve for smoothing of future losses | 1.006 | 0.000 | 0.000 |
| Hardship Fund | 0.400 | 0.000 | 0.000 |
| | 12.737 | 10.126 | 13.048 |
| Updated Budget Gap | 0.000 | 4.589 | 9.046 |

5.1.10 The budget position will continue to be updated in the light of the latest available information; any further changes will be reported to Budget Council 23rd February 2022.

5.2 Health & Social Care Pooled Fund

5.2.1 The Local Authority has operated a formal pooled budget arrangement with Heywood, Middleton and Rochdale Clinical Commissioning Group (HMRCCG) since 1st April 2018 for Health and Social Care. The Pooled Fund includes the Adult Social Care, Public Health, and elements of Children's Services. The Non-Pooled Fund includes Economy, Neighbourhoods, Resources and elements of Children's Services. It is expected the pooled fund will continue into 2022/23 however there is uncertainty due to the Health reforms due to take place in 2022/23 when HMRCCG will be absorbed into the Integrated Care System (ICS) for Greater Manchester. It is unclear how this will impact on the existing relationship and future funding flows.

5.2.2 Due to the impact of the pandemic on both organisations and uncertainty in relation to the planned health reforms, it is proposed that the current risk sharing agreement continues in 2022/23, that being that each organisation is responsible for their own surpluses/deficits within the pooled fund for 2022/23.

5.2.3 Rochdale Council budgets for 2022/23 include forecast income from HMRCCG of £29.3m. This includes £19.3m of Better Care Funding and £10m contributions towards social care and support services. The £10.033m contributions are considered a risk within the current budget estimates until they are confirmed to continue under future health funding arrangements.

5.3 2023/24 – 2024/25 Provisional Estimates

5.3.1 The provisional estimates for 2023/24 to 2024/25 set out the resources the Council will receive based on the most up to date available information.

5.3.2 The Local Government Act 2003 Report identifies that the estimates for 2023/24 and 2024/25 have a high degree of risk due to uncertainties regarding the collection of income from both Council Tax and Business Rates, the ongoing impact on services of the pandemic, the integration of Health and Social Care, and the multiple reforms to local government funding expected.

5.3.3 The provisional budgets for 2023/24 and 2024/25 will be continually reviewed as further information becomes available.

5.3.4 There is no current specific allocations available on government funding for 2023/24 onwards, however some high level information regarding the 3 year settlement is available and has been used to inform future year forecasts. On this basis, and assuming an increase in Council Tax of 2.99% (including the 1% Adult Social Care precept) in both 2023/24 and 2024/25, this would generate budgeted requirements of £255.568m in 2023/24 and £264.722m in 2024/25, as shown in Table 6.

Table 6: Provisional Estimate and Council Tax 2023/24 and 2024/25

| Detail | 2022/23 Proposed Budget | 2023/24 Provisional Estimate | Variation | | 2024/25 Provisional Estimate |
|---|-------------------------------|------------------------------------|---------------|--------------|------------------------------------|
| | £'000 | £'000 | £'000 | % | £'000 |
| Budget Requirement | 248,446 | 257,831 | 9,385 | 3.78% | 267,020 |
| <u>Funded By:</u> | | | | | |
| Top-up Grant | 37,804 | 37,842 | 38 | 0.10% | 37,883 |
| General Grants | 48,837 | 48,012 | (825) | -1.69% | 50,991 |
| Business Rates Retained | 61,768 | 67,320 | 5,552 | 8.99% | 68,095 |
| Precept on Collection Fund | 100,037 | 104,657 | 4,620 | 4.62% | 110,051 |
| Council Tax Band D (District Purposes) | £1,779.01 | £1,832.20 | £53.19 | 2.99% | £1,886.98 |

5.3.5 Table 7 shows the Council's estimated Budget Requirement and Resources for 2022/23 to 2024/25, based on current assumptions.

Table 7: Estimated Budget Requirement and Resources 2022/23 to 2024/25

| | 2022/23 | 2023/24 | 2024/25 |
|--------------------------------|------------------|------------------|------------------|
| | £'000 | £'000 | £'000 |
| BUDGET REQUIREMENT | 248,446 | 262,420 | 276,067 |
| RESOURCES | | | |
| Council Tax | (100,037) | (104,657) | (110,051) |
| Business Rates Retained | (61,768) | (67,320) | (68,095) |
| General Grants | (48,837) | (48,012) | (50,991) |
| Business Rates Top-Up Grant | (37,804) | (37,842) | (37,883) |
| TOTAL RESOURCES | (248,446) | (257,831) | (267,020) |
| NET FUNDING REQUIREMENT | 0 | 4,589 | 9,047 |

5.4 Budget Carry Forward Policy

5.4.1 The Budget Carry Forward policy is a framework which services can use to apply to carry forward unspent revenue budget from one financial year to

another, and is subject to an approvals process. The full policy is available at Appendix 3 to this report.

- 5.4.2 It is proposed that the policy is amended to include Township Funds in the list of automatic budget carry forwards, on the proviso that the Council as a whole is forecast to underspend.

5.5 Reserves Policy

- 5.5.1 The Council's reserves policy sets out the procedures for establishing, monitoring, decommissioning and repurposing reserves in the short term to align to the Council's priorities.

- 5.5.2 The policy is reviewed annually to assist with budget planning and Statutory Accounts. The full policy is available at Appendix 8 to this report.

5.6 Capital Programme 2022/23 to 2025/26

- 5.6.1 The Capital Strategy will be presented to Cabinet in February and Council on 23rd February 2022. The Strategy is a requirement from Chartered Institute of Public Finance and Accountancy (CIPFA) for all local authorities to demonstrate a high level long term view of capital expenditure, financing and treasury management activity to contribute to the provision of services, an overview of risk in capital terms and the implications of capital expenditure on the future financial sustainability.

- 5.6.2 To address the CIPFA requirements the Strategy will address longer term aspirations for the borough with capital requirements and detail the short to medium term capital spend in a five year programme. The Programme aims to:
- Deliver investment in the Borough to support the Borough wide priorities, including economic benefit and gross value added to the Borough.
 - Deliver investment in Service Provision to deliver future savings.
 - Maintain and enhance the Council's assets.
 - Meet statutory provision.
 - Provide Value for Money.

- 5.6.3 The Capital Programme continues to align with the Council's priorities:
- Place Plan – aligning capital investment to support the borough's economic growth potential and continue to regenerate our town centres.
 - Corporate Plan – ensuring the borough maintains its high standard of quality building and public space.
 - Asset Strategy – aiming to hold fewer but more efficient assets, realising maximum value from the estate whilst safeguarding its staff, customers and other building users.

- 5.6.4 In light of the increasing pressures and rephasing of the programme in 2021/22 to achieve a revenue saving, additional projects to the programme have been minimal in years 2022/23 to 2023/24. Projects that have been added, subject

to approval at Council, fall into the operational or match funding category. Other schemes have been added in later years which will have an impact on the revenue budget in the longer term past the current MTFS.

5.6.5 Along with the Council's current priorities, the proposed Capital Programme has been developed for 2022/23 to 2026/27, taking into consideration the available resources. The approach for setting the 2022/23 capital budget has followed the steps below:

- Initial budget as provisionally approved at Budget Council on 3rd March 2021.
- Review of current capital programme
- Consideration of new schemes in the current financial climate
- Review sessions with the Cabinet Member for Finance & Corporate and Assistant Portfolio Holder for Finance & Corporate, the Director of Economy and Assistant Directors within the Neighbourhoods Directorate, followed by approval to progress the proposed programme by the Council's Leadership Team.

5.6.6 Table 8 shows the changes to the Capital Programme reported to Cabinet on 23rd November 2021, following consultation.

Table 8 Changes to the Capital Programme

| | 22/23 | 23/24 | 24/25 | 25/26 | 26/27 | Source of funding |
|--|--------------|--------------|--------------|--------------|--------------|--------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | |

| | | | | | | |
|---|----------------|---------------|---------------|---------------|---------------|---------------------------------|
| Capital Programme November Cabinet | 155,113 | 83,620 | 53,486 | 28,309 | 25,653 | |
| <u>Proposed amendments</u> | | | | | | |
| Whitworth Road - Rough Sleeping Accommodation Programme | 61 | 80 | | | | Grants / External Contributions |
| Changing Places (Toilets) | 199 | | | | | Grants / External Contributions |
| Cultural Development Fund | 1,973 | 3,213 | 2,413 | | | Grants / External Contributions |
| Cultural Development Fund (Match funding) | | 700 | 700 | | | Invest to Save (Match funding) |
| Heywood Cultural Hub | 146 | 940 | 539 | | | Grants / External Contributions |
| Heywood Cultural Hub (Match funding) | 212 | 453 | | | | Invest to Save (Match funding) |
| Revised Capital Programme | 157,704 | 89,006 | 57,138 | 28,309 | 25,653 | |

5.6.7 The above new schemes are to be funded from external sources which is still subject to clarification from Government and other sources and in some cases may involve bids for funds.

5.6.8 When a scheme is approved and the proposed spend is profiled across financial years, the scheme funding will be approved across these financial years and will therefore be considered as a priority in future years. Any reduction in the funding of these schemes will only be considered where contracts have not been entered into.

5.6.9 Schemes totalling £157.704m have been proposed to be included in the 2022/23 Capital Programme. Table 9 shows the total proposed Capital expenditure by service for 2022/23 to 2026/27, and how the expenditure is proposed to be funded.

Table 9 Summary of Capital Programme

| Directorate | 22/23 £'000 | 23/24 £'000 | 24/25 £'000 | 25/26 £'000 | 26/27 £'000 |
|--|------------------------|------------------------|------------------------|------------------------|------------------------|
| Adult Care | 3,987 | 2,987 | 2,987 | 2,987 | 2,987 |
| Children's Services | 30,197 | 12,453 | 7,453 | 7,453 | 7,453 |
| Economy | 81,705 | 47,568 | 28,522 | 815 | 717 |
| Neighbourhoods | 35,809 | 23,998 | 17,600 | 14,954 | 14,496 |
| Public Health | 4,006 | - | 576 | 100 | - |
| Resources | 2,000 | 2,000 | - | 2,000 | - |
| Total Requirement | 157,704 | 89,006 | 57,138 | 28,309 | 25,653 |
| Funding Source | | | | | |
| Government Grants | 49,621 | 31,686 | 18,441 | 11,594 | 11,496 |
| Other Grants | 12,972 | - | - | - | - |
| Contributions | 11,756 | 2,714 | 2,714 | 2,714 | 2,714 |
| Prudential Borrowing | 35,519 | 31,498 | 14,848 | 12,590 | 10,032 |
| Prudential Borrowing (Invest to Save) | 43,301 | 22,853 | 20,880 | 1,156 | 1,156 |
| General Capital Receipts | 4,080 | 100 | 100 | 100 | 100 |
| Revenue Contribution to Capital Outlay (RCCO) | 455 | 155 | 155 | 155 | 155 |
| Total Funding | 157,704 | 89,006 | 57,138 | 28,309 | 25,653 |

5.6.10 The Capital Programme detailed above includes all capital rephasing up to Quarter 2 as reported in the Finance Update Reports. The capital programme will be updated further once the year end rephasing is known.

5.6.11 It is recognised that capital rephasing of £11.110m will be report to Cabinet on 22nd February as part of the Quarter 3 Finance Update Report.

The table below provides details of the funding sources of the capital rephasing.

| Source of funding | Amount of rephasing £'000 |
|--------------------------|--------------------------------------|
| Government Grants | 1,036 |
| Other Grants | 970 |
| Contributions | 1,259 |
| Prudential Borrowing | 7,036 |
| Invest to Save | (610) |
| Capital Receipts | 1,369 |
| RCCO | 50 |
| Total | 11,110 |

5.6.12 As part of the Quarter 1 Finance Update Report for 2022-23 Members will be updated on the impact of the above quarter 3 rephasing and any year end rephasing on the Capital Programme and Treasury Management budgets.

5.6.13 At 25th January 2022 Cabinet Members were presented the following report Rochdale Town Hall / Town Hall Square. The report detailed the requirement to rephase £3.8m from the phase 3 scheme in 23/24 programme into the 21/22 programme to fund increased costs on the phase 2 scheme of the Town Hall. The figures above exclude this rephasing request as awaiting confirmation of funding required and the financial years impacted.

5.6.14 If Members approve the rephasing of £3.8m the Capital Programme will be updated upon confirmation of spend. If further funding is required to fund the phase 3 scheme a formal bid will be submitted during the financial year 22/23.

5.6.15 The Capital schemes are detailed in Appendix 4 and are categorised as follows:

- Annual Allocation - These schemes receive annual allocations either as a result of external funding, or because the capital investment is essential for the Council to maintain current service delivery or to meet statutory responsibilities.
- Scheme started in previous years - These schemes are multi-year schemes that commenced prior to 2022/23.
- New Bid - These are new schemes or schemes requiring additional funding for the 2022/23 capital programme.

5.6.16 As the cost of the proposed Capital programme is greater than the capital receipts and external funding available, borrowing is required to fund the difference. This has an impact on the Council's Revenue budget. Borrowing requires repayment of both the principle sum borrowed and associated interest over a given number of years. The budgeted cost of borrowing for the 2022/23 Capital Programme is circa £2.99m.

5.6.17 The Capital budget is funded from a number of sources: borrowing, capital receipts, revenue contribution to capital outlay and external funding/contributions. Borrowing has an implication for the Council's Revenue budget as the Council has to make provision to repay the cost of borrowing. The Chief Finance Officer will make use of the most cost effective sources of capital funding, before borrowing.

5.6.18 The Council is able to borrow resources for capital schemes. The revenue implications of this option are that for every £1m of capital expenditure there is approximately £61k per annum of revenue cost to repay borrowing, over a 40 year period. If borrowing is required over a shorter period, the annual cost is greater but the overall cost is less.

5.6.19 Table 10 provides details of the revenue costs to repay borrowing of £1m over different time scales.

Table 10 – Revenue Implications

| Years | Annual Costs £'000 | Total Cost £'000 |
|--------------|-------------------------------|-----------------------------|
| 6 | 203 | 1,218 |
| 8 | 161 | 1,288 |
| 11 | 127 | 1,397 |
| 20 | 86 | 1,720 |
| 40 | 61 | 2,440 |

5.6.20 Since Budget Council in March 2021, a number of new schemes have been added to the provisional 2022/23 Capital Programme which are to be funded by a mixture of external funding / contributions, borrowing; and a review of the phasing of expenditure of existing schemes has taken place, with several schemes re-profiling the expenditure into future years. The full list of schemes is included in Appendix 4.

5.7 **Pay Policy Statement**

5.7.1 The Council's updated Pay Policy Statement is included at Appendix 7 to this report. Key points covered in the policy include:-

- The method by which salaries and severance payments are determined.
- The remuneration of the Council's most senior managers i.e. posts of Chief Executive, Directors and Assistant Directors, in accordance with the requirements of the Localism Act 2011.
- The committee responsible for ensuring that the Pay Policy Statement is applied consistently, including that which has delegated powers in relation to senior manager employment;
- The detail and level of remuneration for the lowest level of post/employee.
- The ratio of pay of the top earner and that of the median earner
- Removal of Unpaid Leave for all Council staff from 1/4/2022
- The re-introduction of annual incremental progression for all Council staff from 1/4/2022.

5.8 **Housing Benefit Local Discretionary Relief Scheme (war widows)**

5.8.1 Housing Benefit is a national scheme administered by the Council on behalf of government. The Housing Benefit Regulations 2006 provide for the first £10 of any war disablement pension or war widows pension to be disregarded in the Housing Benefit calculation.

5.8.2 Section 134(8) of the Social Security Administration Act 1992 provides for the Council to modify the Housing Benefit Scheme to disregard any amount of war disablement pension and war widows' pension.

5.8.3 The war disablement pensions and war widows pensions are prescribed as:

War disablement pension: any retired pay or pension or allowance in respect of disablement under an instrument specified in Section 639(2) of the Income Tax (Earnings and Pensions Act 1993).

War widows pension: a pension payable to a widow, widower or surviving civil partner under Section 639(2) of the Income Tax (Earnings and Pensions Act 1993).

- 5.8.4 The Council has disregarded the full amount of war disablement pension or war widows' pension since 2006 and it is recommended that the Housing Benefit Local Discretionary Scheme to disregard 100% of war disablement pension and war widows' pension for both working age and pension age claimants be continued from 1 April 2022. The estimated cost of the Council of continuing to disregard the full amount of war disablement pension and war widows' pension in 2022/23 is £9.3k.

6 PART 2 COLLECTION FUND AND CALCULATION OF COUNCIL TAX AND BUSINESS RATES

6.1 Collection Fund 2022/23

- 6.1.1 As a billing authority the Council is required to maintain a separate Collection Fund. The only transactions dealt with through the Collection Fund relate to the collection of Council Tax income, Business Rates and the payment of precepts.
- 6.1.2 The amounts of Council Tax are expressed per Band D property and are shown separately for the Council, the Mayoral Police and Crime Commissioner precept and the Mayoral General precept (including Fire Services).
- 6.1.3 Under current regulations billing authorities must estimate the annual surplus or deficit on the Collection Fund. They must then notify the relevant precepting authorities of the amount calculated as their share.
- 6.1.4 The Council's share of the forecast 2021/22 Collection Fund deficit is £9.990m, of which £12.935m relates to reliefs funded by Government grant, and includes the impact of the 2020/21 Collection Fund deficit. In 2020/21 the government allowed authorities to spread their 2020/21 Collection Fund deficit over the 3 financial years 2021/22 – 2023/24; the 2022/23 and 2023/24 budgets both include a deficit of £1.748m relating to 2020/21. The £9.900m Collection Fund deficit will be repaid to the Collection Fund as follows: 2022/23 £8.152m, 2023/24 £1.748m. The Government grant contribution of £12.935m will offset the £9.113m increase in the Collection Fund Deficit impact for 2022/23 resulting in an improved position of £3.822m for 2022/23 in comparison to the November position reported.
- 6.1.5 The improved Collection Fund position of £3.822m will contribute £0.808m toward the Council Tax reduction scheme, £1m towards Energy pressures and £0.608m towards service pressures in 2022/23, with ongoing provision for the

energy and service pressures built into future year budget estimates. It is recommended that from the remaining balance £1.006m is contributed towards the Equalisation reserve to smooth the ongoing recovery of the Collection Fund and commercial income from the impact of Covid, and £0.4m is used to establish a Hardship fund to support vulnerable residents.

6.1.6 Table 11 shows the calculation of the 2022/23 Council Tax for district purposes and the amount to be precepted on the Collection Fund in relation to the Greater Manchester Mayoral Police and Crime Commissioner precept and the Mayoral General precept (including Fire Services). A comparison with 2021/22 is provided.

Table 11: Calculation of the Council Tax

| Precept | Council Tax (Band D) | | Increase | |
|---|----------------------|-----------------|--------------|--------------|
| | 2021/22 | 2022/23 | | |
| | £ | £ | £ | % |
| District Requirements | 1,727.37 | 1779.01 | 51.64 | 2.99% |
| <u>Precepts</u> | | | | |
| Mayoral Police and Crime Commissioner Precept | 218.30 | 228.30 | 10.00 | 4.58% |
| Mayoral General Precept (including Fire Services) | 90.95 | 102.95 | 12.00 | 13.19% |
| Total Precepts | 309.25 | 331.25 | 22.00 | 7.11% |
| Total | 2,036.62 | 2,110.26 | 73.64 | 3.62% |

6.1.7 The Council Tax Base takes into account changes to the number of properties, discounts and collection levels. The overall estimated collection rate assumed in the calculation has been increased to 97.5% following a reduction last year to reflect the ongoing impact of the pandemic. The Council Tax base for 2022/23 of 56,232 was approved by Council on 15th December 2021, representing the number of Band D equivalent properties that we collect Council Tax from.

6.1.8 The Mayoral precepts for 2022/23 are expected to be approved by the GMCA in early February.

The estimated Council Tax rate for 2022/23 includes the following assumptions:-

- Mayoral Police and Crime Commissioner Precept – an increase of £10.
- Mayoral General Precept (including Fire Services) – an increase of £12.

6.1.9 The overall Council Tax increase, including the final Mayoral precepts, will be reported to Budget Council on 23rd February 2022.

6.2 Recommended Council Tax

6.2.1 The Council Tax recommended for 2022/23, subject to confirmation of the Mayoral precepts is £2,110.27 for Band D properties, an increase of £73.65 (3.62%). The Council Tax for individual bands is shown in Table 12.

Table 12: Recommended Council Tax per Band

| Council Tax Levels | | | | |
|--------------------|-----------------|-----------------|--------------|--------------|
| Band | 2021/22 | 2022/23 | Increase | |
| | £ | £ | £ | % |
| Band A | 1,357.74 | 1,406.83 | 49.09 | 3.62% |
| Band B | 1,584.03 | 1,641.30 | 57.28 | 3.62% |
| Band C | 1,810.32 | 1,875.78 | 65.46 | 3.62% |
| Band D | 2,036.62 | 2,110.26 | 73.64 | 3.62% |
| Band E | 2,489.20 | 2,579.20 | 90.00 | 3.62% |
| Band F | 2,941.78 | 3,048.16 | 106.38 | 3.62% |
| Band G | 3,394.36 | 3,517.09 | 122.73 | 3.62% |
| Band H | 4,073.24 | 4,220.52 | 147.28 | 3.62% |

6.3 Collection of Business Rates

6.3.1 The Business Rates base has been updated to reflect the NNDR1 return submitted to Government 28th January 2022. The amount the Council is required to collect in Business Rates in 2022/23 is estimated to be £61.803m. The Council is required to pay 1% of the amount of Business Rates it collects from local businesses to the GM Mayor in respect of Fire Services. The remaining 99% is retained by the Council under the Greater Manchester pilot scheme, as shown in Table 13.

Table 13: Distribution of Business Rates

| | 2022/23 | |
|------------------------------|---------------|-----|
| | £m | % |
| GM Fire and Rescue Authority | 0.618 | 1% |
| Retained | 61.185 | 99% |
| Total Collection | 61.803 | |

6.3.2 Since 1st April 2013, the Council has been able to retain 100% of the income relating to eligible Renewable Energy schemes within the borough, rather than it being part of the Business Rates Retention Scheme. The Renewable Energy scheme income, estimated to be £0.583m, is transferred directly to the Council's General Fund in 2022/23.

- 6.3.3 The total estimated business rates income for the General Fund in 2022/23 is £6.768m (£61.185m retained business rates income, plus £0.583m for the renewable energy scheme).
- 6.3.4 The government has announced further Covid-19 related support through business rates relief for the retail, hospitality and Leisure sectors in 2022/23. It is expected that local authorities will be compensated for any reduction in Business Rates income via Section 31 grant.
- 6.3.5 Any growth or loss in Business Rates is managed through the Collection Fund, with any surplus or deficit on the Collection Fund being distributed to the precepting authorities in the following financial year.
- 6.3.6 In 2020/21 the ten Greater Manchester authorities were part of the GM Business Rates Pool which also incorporated Cheshire East and Cheshire West and Chester local authorities. This pool has not continued in 2021/22, and the Council will not be part of a Business Rates Pool in 2022/23. This does not impact directly on the Councils budget.

Costs and Budget Summary

- 7.1 Financial implications are considered in the main body of the report.
- 7.2 Children's Strategy
Cabinet 1st October 2019 approved the overall investment strategy for Children's Social Care. Funding for the financial implications of the Children's Strategy has been included in the budget.
- 7.3 Adult Care pressures
Since the November report a further £0.6m pressure has been identified from the Adult Care fee setting process due to the higher than budgeted inflation levels and the impact of the 1.25% NI increase due to come into place in April 2022. This increase has been funded from the additional resources identified in the provisional finance settlement.
- 7.4 Pay and Price inflation
Service budgets are based on a forecast 1.5% pay increase in 2022/23. A separate provision of is held centrally to cover any additional pay awards for staff on lower wages who are expected to receive a lump sum increase. Contractual arrangements and other significant inflation issues identified during the budget setting process have been considered on a case by case basis and addressed in the budget provision where appropriate. An allocation has been made in future year budgets for additional inflationary pressures.
- 7.5 Greater Manchester Transport Levy

The budget assumes a nil increase in the underlying Passenger Transport Levy for 2022/23, and a 1% increase in future years. The Passenger Transport Levy will be subject to consideration/agreement as a consequence of the Greater Manchester Combined Authority's budget setting process in 2022/23 and subsequent years.

7.6 Greater Manchester Waste Disposal Levy

The Waste Disposal Levy assumed for in the budget is based on the latest projections provided by Greater Manchester Combined Authority (GMCA). The Waste Disposal levy is estimated for planning purposes to increase by 0.8% in 2022/23, by 3.4% in 2023/24, and by 2.5% in 2024/25. The Waste Disposal Levy will be subject to consideration/agreement as a consequence of the Greater Manchester Combined Authority's budget setting process in 2022/23 and subsequent years.

7.7 Advance Payment of Employer Pensions Contributions

The Council paid its annual employer's contribution in advance in 2020/21 and 2021/22 and will continue for another year in a single lump sum. The Fund would expect to generate additional returns as a result of the earlier receipt so that less is needed to generate the same final outcome. The Council benefits from a reduced contribution rate depending on how far in advance the payment is made.

7.8 CIPFA Financial Management Code

CIPFA has developed a Financial Management Code (FM Code), which is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The FM Code sets the standards of financial management for local authorities. More detail on the FM is provided in the MTFS at Appendix 6.

7.9 Energy Pressure

The Council's energy contract is up for renewal from April and STAR procurement are currently reviewing supplier options. As the financial impact is not yet known, a provision of £1m has been made in 2022/23, with dropping to £0.5m in future years. Updates on the impact will be reported via the quarterly Finance Update. A review of the longer term pressure will be addressed during the 2023/24 budget setting process.

8.1 Risk Implications

8.1.1 The budget forecast has been based on a number of assumptions, known levels of expenditure and anticipated levels of resources. Any changes in these assumptions will be reported to Budget Council 23rd February 2022.

8.1.2 There are a number of areas of the Council's budget where risks to the projections contained in this report have been identified. These are discussed in more detail in the Medium Term Financial Strategy provided at Appendix 6 to this report.

8.1.3 The balanced revenue budget position outlined in section 5.2 is dependent on a number of key budget assumptions. Any variation in these assumptions could impact on the achievement of a balanced budget:

- Council Tax income – the delivery of the projected new housing within the borough.
- Business Rates income – realisation of the estimated business rates growth.
- Achievement of the estimated collection rates for Council Tax and Business Rates.
- The delivery of the approved savings proposals.
- Confirmation of estimated government funding.
- The continued delivery of the benefits generated through integration of Health and Social Care.
- Containment of service budget pressures, particularly with regard to the ongoing impact of the pandemic.
- Receipt of expected commercial investment income.

8.1.4 The Local Government Finance Settlement 2022/23 has only confirmed funding for one year. Major reforms to the local government funding system are expected to be introduced from 2023/24 onwards, although these could be further delayed by the pandemic. These include the resetting of Business Rates baselines, the Fair Funding Review and the proposed move to 75% Business Rates Retention. The provisional budgets for 2023/24 and 2024/25 currently assume that any impact of these reforms will be neutral, taking account of the potential level of funding for local government and the transitional arrangements expected to be put in place. These assumptions will be continually reviewed as further information on the proposed reforms becomes available.

8.1.5 Capital Programme

Externally funded schemes cannot start until confirmation of the required funding has been received. This is a particular risk where the scheme is reliant on external funding with the provisional budget being based on forecast income. Should the level of income not be received, the level of expenditure would need to be considered to allow the scheme to progress with a reduced budget.

8.1.6 The key assumptions are reviewed and updated throughout the year based upon latest information available.

8.2 Legal Implications

- 8.2.1 The Council Tax in England and Wales is provided for and governed by the provisions of the Local Government Finance Act 1992. Within this Act, the Council is designated as a “Billing Authority”, responsible for the billing, collection and enforcement of Council Tax. The Council is under a duty to calculate the budget in accordance with Section 32 of the Local Government Finance Act 1992 and must make three calculations namely: an estimate of the Council’s gross revenue expenditure; an estimate of anticipated income; and a calculation of the difference between the two. The amount of the budget requirement must be sufficient to meet the Council’s budget commitments and ensure a balanced budget. The amount of the budget requirement must leave the Council with adequate financial reserves. The level of budget requirement must not be unreasonable having regard to the Council’s fiduciary duty to its Council Tax payers and non-domestic rate payers.
- 8.2.2 Failure to make a lawful Council Tax by 11th March, in the financial year preceding that for which it is set, could have serious financial results for the Council and make the Council vulnerable to an Order from the Courts requiring it to make a Council Tax.
- 8.2.3 Section 151 of the Local Government Act 1972 places a general duty on local authorities to make arrangements for ‘the proper administration of their financial affairs’. Section 25 of the Local Government Act 2003 requires Chief Financial Officers to report to their authorities about the robustness of estimates and the adequacy of reserves when determining their precepts, and authorities are required to take the Chief Financial Officer’s report into account when setting the Council Tax.
- 8.2.4 Information must be published and included in the Council Tax demand notice. The Secretary of State has made regulations, which require charging authorities to issue demand notices in a form and with contents prescribed by these regulations.
- 8.2.5 There is also a duty under Section 65 of the 1992 Act to consult persons or bodies appearing to be representative of persons subject to non-domestic rates in each area about proposals for expenditure (including capital expenditure) for each financial year.
- 8.2.6 The Equality Act 2010 includes a public sector equality duty which requires Councils when exercising functions to have due regard to the need to eliminate discrimination, harassment and victimization and other conduct prohibited under the Act and to advance equality of opportunity and foster good relations between those who share a “protected characteristic and those who do not share that protected characteristic”. When a Budget proposal has implications for people covered by the Equality Act 2010, the Council must take into account of the Equality Duty and any particular impact on the protected group and an Equality Impact Assessment (EIA) is annexed to this report.
- 8.2.7 Under the Local Authorities (Functions and Responsibilities) (England) Regulations 2000 the responsibility for approving any plan or strategy for the control of local authority borrowing, investment or Capital Strategy or for determining the minimum revenue provision is a decision of the full Council. The function of the Executive is to prepare and propose the relevant strategy to the Council. The Council may require the Cabinet to reconsider, amend, modify, revise, vary, withdraw or revoke the strategy.

8.3 Equality Impact Assessment

8.3.1 An Equality Impact Assessment has been provided at Appendix 5

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| Consultation |
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9.1 Consultation on savings proposals, Capital Programme and Overall budget was undertaken with Members, stakeholder groups, staff and service users as appropriate. Consultation ended on 7 January 2022.

9.2 Corporate Overview and Scrutiny Committee and Joint Consultative and Negotiating Group have been consulted on the Capital programme.

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| Background Papers | Place of Inspection |
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List of Appendices

Appendix 1 – Revenue Budget Summary

Appendix 2 – Directorate Budgets

Appendix 3 – Budget Carry Forward Policy

Appendix 4 – Capital Programme

Appendix 5 – Equalities Impact Assessment

Appendix 6 – Medium Term Financial Strategy

Appendix 7 – Pay Policy Statement

Appendix 8 – Reserves Policy