

Agenda Item No:	7	
Committee:	Overview and Scrutiny Panel	
Date:	16 January 2023	
Report Title:	Revised General Fund Budget and Capital Programme 2022/23; Draft General Fund Budget Estimates 2023/24 and Draft Medium Term Financial Strategy (MTFS) 2023/24 to 2027/28; Capital Programme 2023 - 2026	

1 Purpose / Summary

To consider and make any appropriate recommendations to Cabinet on:-

- the Draft Medium Term Financial Strategy, Draft General Fund Budget 2023/24 and Draft Capital Programme 2023-2026 for consultation.

2 Key issues

- The draft budget proposals for 2023/24 as considered for consultation by Cabinet on 12 December 2022 are detailed in the attached report.
- Since the Cabinet meeting, the Provisional Local Government Finance Settlement for 2023/24 has been announced (on 19 December 2022) along with clarification of the Autumn Statement 2022 announcements. It's a single year settlement for 2023/24 although indications are that the 2024/25 settlement will follow similar principals. Detailed below are the main points of the provisional finance settlement and how they directly impact on this Council.
- **Core Spending Power (CSP)** for local government as whole has increased by 9.2% and for Shire Districts by 5.0%. Our increase in CSP is 4.8%. CSP is a measure of the revenue funding available for local authority services. This includes council tax; business rates; Revenue Support Grant; New Homes Bonus; adult social care grants and other grants (including the Services Grant and new one-off CSP Guarantee Grant).

These government forecasts assume that every local authority will raise their council tax by the maximum permitted without a referendum.

Assumed Council Tax increases make up 38% of the increase in CSP and Council Tax is now around 57% of the total CSP. The increased reliance on increasing council tax has been a feature of the finance settlements and CSP over the past few years.

- **Council Tax Referendum limits** have been confirmed as 3% or £5 (on a Band D property), whichever is higher, for shire districts, but no additional flexibility. Social care authorities will be able to levy an additional 2% adult social care precept. Police & Crime Commissioners can increase their precept by up to £15. Fire and Rescue authorities can increase their precept by up to £5.

- **Business Rates Baseline Funding Levels** will increase by 3.74% in 2023/24 with the business rate multiplier being frozen in 2023/24. This is as detailed in paragraph 2.2 of the attached draft budget report which also details the continuing reliefs available in 2023/24 for eligible retail, hospitality, and leisure properties. Local authorities will be compensated for the under-indexing of the multiplier and for the new reliefs by S31 grant.
- **Business Rates Revaluation** will take place with effect from 1 April 2023. There are several adjustments within the settlement to take into account the impact of the revaluation on authorities. The principle is that authorities should be no worse off as a result of the revaluation. However, the actual impact on business rates income of the revaluation will not be confirmed until the completion of the NNDR1 return in mid-January 2023.

Initial indications are that this Council could receive around **£48,449 less income** than detailed in the attached report. Until the NNDR1 return is completed however, this should be treated with caution.

- Two grants currently included in Service Accounts (Council Tax Family Annexe Grant and the Local Council Tax Support Administration Grant) have now been rolled into **Revenue Support Grant (RSG)**. The overall impact of this is **£9,424 higher** grant than included in the attached report.
- **New Homes Bonus (NHB)** payment for 2023/24 will be £369,245 for this Council, **£1,245 higher** than included in the draft budget report. The government say that they will set out the future position of the NHB ahead of the 2024/25 finance settlement. Consequently, the future of the NHB is a considerable risk to the Medium Term Strategy from 2024/25 onwards.
- The **Services Grant** continues in 2023/24 but at a much reduced level (national total reducing from £822m in 2022/23 to £464m in 2023/24) mainly as a result of the removal of funding for the National Insurance Contribution increase (now reversed). FDC's allocation is £143,800 which is **£49,200 lower** than included in the draft budget.
- **The Lower Tier Services Grant** has been abolished from 2023-24 onwards. There was £169,351 included for this in the draft budget. However, there is a new **3% Funding Guarantee** which ensures that no authority has a Core Spending Power increase of less than 3% without having to increase their Band D council tax. FDC's allocation is £606,877. The net impact is **£437,526 higher** than included in the draft budget.
- In summary and based on the analysis above, the provisional settlement has provided a total of **£350,546** of additional resources compared with what was included in the draft budget report. **However, until the final confirmation of the business rates income, following completion of the NNDR1 return in mid-January 2023, this figure should be treated with caution.** The business rates income will undoubtedly change for the final budget report.
- Whilst the provisional settlement is good news for 2023/24, we still have to incorporate into the final budget report the impact of various risks highlighted in paragraph 7.9 of the attached draft budget.
- The final allocations for 2023/24 may also change following the consultation period and the publication of the Final Settlement in late January/early February 2023.
- Although the settlement is for one year only, indications are that the 2024/25 settlement will follow similar principles. There are however still some uncertainties for 2024/25. We do not know the future of NHB and we do not know the level of inflation next September, which determines the business rates increases.

- **It is also important to reiterate that there remains an underlying structural deficit over the medium term for the Council to address.**
- The Government has clarified that the Review of Relative Needs and Resources (the Fair Funding Review) and a reset of accumulated business growth will not be implemented before 2025/26 at the earliest.
- Any changes resulting from the Fair Funding Review or resets of the Business Rates Retention system is a significant risk to FDC from 2025/26 onwards. FDC retain considerable business rates income (around £1.2m) above its Baseline Funding Level (determined in the Settlement) and for Renewable Energy (around £1m). These amounts are at considerable risk following any reset of the system in 2025/26.
- The attached report has not been updated with any of the above announcements. The final budget report to Cabinet and Council on 20 February 2023 will incorporate the above together with any further announcements.
- The Cambridgeshire Authorities Business Rates Pooling arrangement (which includes the District Councils of Fenland, East Cambs. and South Cambs., County Council, Peterborough City Council and the Fire Authority) has been confirmed for 2023/24. £350,000 has been included in the attached draft budget report as FDC's share of the pool benefit. As a result of the business rates revaluation mentioned above, this figure will not be confirmed until after the NNDR1 returns in mid-January 2023 and will almost certainly change.

3 Recommendations

- It is recommended that Members consider and make any appropriate recommendations to Cabinet on:-
 - (i) the draft budget proposals for 2023/24 outlined in this report;
 - (ii) the updated capital programme.

Wards Affected	All
Portfolio Holder(s)	Cllr Chris Boden, Leader and Portfolio Holder, Finance
Report Originator(s)	Peter Catchpole, Corporate Director and Chief Finance Officer Mark Saunders, Chief Accountant
Contact Officer(s)	Paul Medd, Chief Executive Peter Catchpole, Corporate Director and Chief Finance Officer (S.151 Officer) Mark Saunders, Chief Accountant
Background Paper(s)	Provisional Finance Settlement 2023/24 – Department for Levelling Up, Housing & Communities (DLUHC). Autumn Statement 2022 (HM Treasury) Medium Term Financial Strategy working papers. Government announcements since February 2022.

Agenda Item No:	6	
Committee:	Cabinet	
Date:	12 December 2022	
Report Title:	Revised General Fund Budget and Capital Programme 2022/23; Draft General Fund Budget Estimates 2023/24 and Draft Medium Term Financial Strategy (MTFS) 2023/24 to 2027/28; Capital Programme 2023 - 2026	

1 Purpose / Summary

To consider and approve:

- the revised General Fund Budget and Capital Programme for 2022/23;
- the Draft General Fund Budget Estimates 2023/24 and the Draft Medium Term Financial Strategy 2023/24 to 2027/28 for consultation;
- Capital Programme 2023-2026.

2 Key issues

- The Provisional Local Government Finance Settlement announcement is expected week commencing 19 December 2022. **Consequently, until the details of the Finance Settlement have been received, the figures detailed in this report should be treated as being provisional.**
- In accordance with the motion adopted by Council in July 2019, a 0% Council Tax increase has been included in the MTFS for 2023/24 and over the medium term.
- Council Tax Referendum limits for 2023/24 will be set at an increase of 3% or £5 whichever is the higher.
- Current forecasts for 2023/24 show a shortfall of £459k based on the assumptions detailed in Appendix C. This shortfall increases year on year, reaching £2.044m in 2027/28.
- At this time, more detailed work is required on a number of issues which could potentially both increase funding and increase costs (as detailed in paragraph 7.9 of the report). Further information is expected over the next few weeks and this will be incorporated where possible, into the final budget report in February 2023.
- Although there are currently many uncertainties regarding the budget for 2023/24 and the MTFS, there remains a significant structural deficit which the Council will need to address.
- The final deficits for 2022/23 and 2023/24 will have to be funded from Council reserves (current balances shown in Appendix E). At this stage, due to the many uncertainties around the potential deficits, there is no requirement to formally approve any amounts to be funded from reserves.
- An updated Capital Programme for 2022/23 and for the medium term 2023-26 is proposed.

3 Recommendations

- It is recommended that:-
 - (i) the draft budget proposals for 2023/24 outlined in this report be approved for consultation;
 - (ii) the revised General Fund Budget and revised Capital Programme for 2022/23 be approved;
 - (iii) the proposed Capital Programme for 2023-2026 be approved.

Wards Affected	All
Portfolio Holder(s)	Cllr Chris Boden, Leader and Portfolio Holder, Finance
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Contact Officer(s)	Paul Medd, Chief Executive Peter Catchpole, Corporate Director and Chief Finance Officer (S.151 Officer) Mark Saunders, Chief Accountant
Background Paper(s)	Provisional Finance settlement – Department for Levelling Up, Housing & Communities (DLUHC). Autumn Statement 2022 (HM Treasury) Medium Term Financial Strategy working papers. Government announcements since February 2022.

Report:

1 INTRODUCTION

- 1.1 This report sets out the financial implications of the council's priorities described in the draft Business Plan 2023/24. Revenue budget estimates are draft at this stage and along with the draft Business Plan will be subject to public and stakeholder consultation prior to final budget and council tax setting for 2023/24 in February 2023.
- 1.2 Much of the financial information provided is necessarily based on a number of assumptions which are wholly or partly influenced by external factors. Some of these factors, such as the outcome of the Local Government Finance Settlement, the impact of Business Rates Retention arrangements incorporating the effect of the Business Rates revaluation and the level of Government set fees, will not be known until later in the process and any amendments will be reported to Cabinet and Council at the February 2023 budget setting meeting.

2 AUTUMN STATEMENT 2022

- 2.1 On 17 November 2022, the Chancellor delivered his Autumn Statement and confirming the Government's spending plans for the next two years, 2023-24 and 2024-25.
- 2.2 The relevant points for this Council from these announcements are as follows:

Council Tax

- A proposed Council Tax referendum limit of 3% (or £5 whichever is the higher), together with an additional 2% increase for authorities with responsibilities for Adult Social Care;

Business Rates

- The 2023 Revaluation will go ahead as planned and the following measures are designed to help off-set the impact of the revaluation as well as other financial pressures on businesses;
- **Transitional relief scheme** (government funded) for 2023 Revaluation (£1.2bn in 2023-24). This has no effect on billing authorities, it simply makes the transitional scheme more generous;
- **Retail, Hospitality and Leisure Relief (RHL)** will continue in 2023-24 with the level of relief increasing from 50% to 75% with a maximum of £110,000 per business. Local authorities will be compensated in the usual way through S31 grants;
- **3-year support for small businesses** (scheme for properties losing Small Business Rates Relief or Rural Rates Relief), Again, local authorities will be fully compensated;
- **The business rates multiplier in 2023/24 will be frozen** (normally this would increase in line with inflation as determined by the CPI rate as at September 2022, ie.10.1%). Local authorities will be fully compensated for the decision to freeze the multiplier;
- Local authorities' business rate baseline funding levels will be amended as a result of the impact of the revaluation. This could potentially have either a positive or negative impact on the Council's overall business rates income;

Core Spending Power and Other Announcements

- There will be cash-terms growth in Core Spending Power (CSP) in 2023-24 and 2024-25 because of the increases in social care funding and Band D thresholds. Growth is likely to be less than inflation, however.
 - No change in the allocations from SR21 means that the Settlement Funding Assessment should remain unchanged in 2023-24 and 2024-25. Looking further ahead, unprotected services are likely to reduce by 0.7% in real terms after 2025.
 - Funding provided in 2022-23 for the 1.25% increase in National Insurance Contributions (now reversed) is being clawed back from the additional grant funding provided to Councils, by approximately £200m in 2023-24 and 2024-25. Consequently, we have assumed a reduction in our Services Grant allocation.
 - Full details of the allocation of funding within CSP will be announced later this month in the 2023-24 Finance Settlement. There are still a number of issues remaining to be resolved, even though there is no change in the overall allocations. Decisions will have to be made about Lower Tier Services Grant (LTSG), 2022-23 Services Grant and the New Homes Bonus.
 - Local government funding reforms (Fair Funding Review and business rates retention changes) have been pushed back to at least 2025/26;
 - There has been no further announcement on the future of the New Homes Bonus (NHB). It is expected that the amount of NHB will reduce although there is likely to be some form of housing growth incentive;
- 2.3 Details of how this will be converted into specific funding allocations for individual local authorities will be announced as part of the provisional local government finance settlement which is expected week commencing 19 December 2022.

3 LOCAL GOVERNMENT FINANCE SETTLEMENT

- 3.1 The Provisional Finance Settlement for 2023/24 is expected to be announced during the week commencing 19 December 2022. Consequently, the figures included in this report are estimates based on the funding announcements detailed in section 2 above. It is therefore, almost certain that the figures announced in the Provisional Settlement will be different from those detailed in this report. An update on any changes will be given to members as soon as they are available.
- 3.2 For the purposes of this report, it has been assumed that the Council's Settlement Funding Assessment for 2023/24 (Business Rates Baseline and Tariff Payments) will remain the same as 2022-23 as a result of the decision to freeze the business rates multiplier. The figure included in the draft budget is detailed below.

Table 1 – Settlement Funding Assessment (Core Funding) – Estimate prior to provisional settlement

	Actual 2022/23 £000	Estimate 2023/24 £000	2023/24 % Increase
Settlement Funding Assessment			
Business Rates income	9,729	9,729	
Tariff Payment to government	-6,027	-6,027	
Business Rates Baseline Funding	3,072	3,072	0.0%

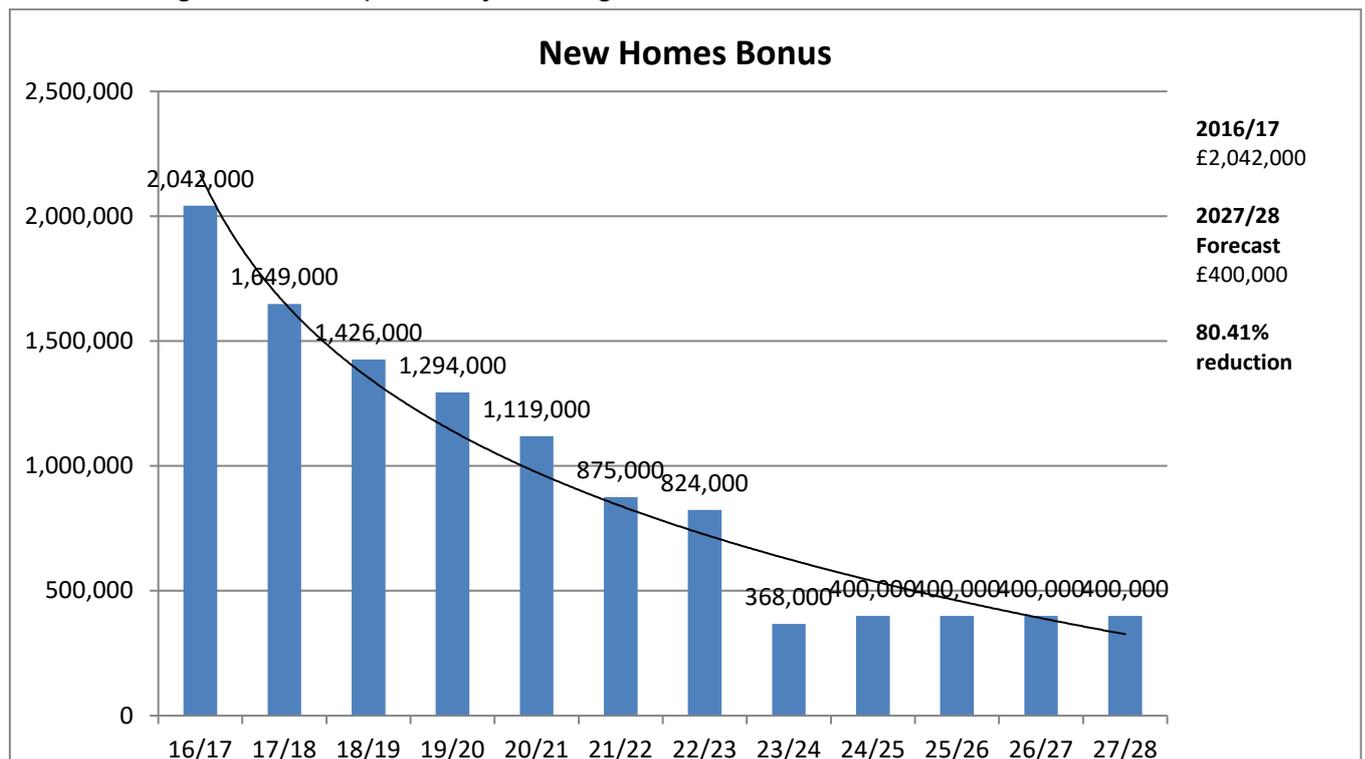
- 3.3 Business Rates Baseline Finding levels for 2023/24 will be updated to take into account the revaluation. At this time, it is not possible to determine what impact this will have on the Council's overall Business Rates income.
- 3.4 The Medium Term forecasts detailed in Appendix B have assumed a continuation of the current policy of increasing business rates baselines by CPI inflation from 2024/25 onwards, based on current Treasury forecasts over the medium term.

Fair Funding Review

- 3.5 Local government funding reforms (Fair Funding Review or business rates retention changes) have been pushed back to at least 2025/26.

4 NEW HOMES BONUS

- 4.1 In 2017/18, reforms to the allocation methodology of the New Homes Bonus (NHB) were made which significantly reduced this Council's allocation. In addition, from 2017/18, a national baseline for housing growth of 0.4% was introduced, below which New Homes Bonus is not paid, reflecting a percentage of housing that would have been built anyway.
- 4.2 Actual NHB received in 2020/21 was £1.119m, in 2021/22 it was £875k and in 2022/23 it is £824k. No announcement was made on the future of the New Homes Bonus in the Autumn Statement 2022 and for the purposes of this report, it has been assumed that only the in year amount (calculation based on dwelling numbers at October 2021 – October 2022) will be received in 2023-24 and over the medium term, with no further legacy payments due.
- 4.3 This produces a New Homes Bonus allocation of £368k in 2023/24, rounded to £400k per annum over the medium term forecasts. This assumes no additional allocations from whatever system is introduced to replace the NHB.
- 4.4 The graph below shows how the amount received from NHB has significantly changed over the past six years together with forecasts over the medium term.



- 4.5 We wait to see what the Provisional Finance Settlement includes (if anything) for New Homes Bonus allocations for 2023/24.
- 4.6 The Future of the New Homes Bonus is very uncertain. The current national total of £556m allocated by way of NHB may also change in future spending reviews. There is however expected to be some form of housing growth incentive scheme. The impact on this Council's funding could be significant. We have included £400k of NHB funding in the MTFS from 2024/25 onwards. These could be replaced by allocations we receive from whatever the new Housing Incentive system will look like.
- 4.7 The lack of clarity around the future of the NHB is a significant risk to the MTFS.**

5 BUSINESS RATES

- 5.1 Members will be aware that the Business Rates Retention system was introduced in April 2013. Under this system, authorities would benefit if their actual Business Rates income collected in a year was higher than the baseline funding determined by government.
- 5.2 There has been real business rates growth in Fenland over the last six years, however how this impacts on the resources available to this Council is complex, due to the rules and the operation of the current 50% Business Rates Retention system. The complexity of the system has been exacerbated by the number of business rates relief schemes and multiplier caps and freezes implemented by the government over the last few years.

Business Rates Pooling Arrangement – 2023/24

- 5.3 The Council has joined with the County Council, Peterborough City Council, Fire Authority, East Cambridgeshire and South Cambridgeshire to become part of a pooling arrangement for business rates for 2020/21, 2021/22 and 2022/23. Unlike the Business Rates Pilot schemes, this is not a bidding process against other pools but is part of the existing system whereby authorities can choose to apply to become a pool with the agreement of the constituent authorities.
- 5.4 The benefit of being in a pool is that authorities will not be liable to levy payments on their business rates growth, which is then shared amongst the pooled authorities by a mutually agreed method. This will be based on where the growth has originated from with an appropriate share allocated to the County Council and Fire Authority.
- 5.5 Depending on actual business rates received in 2022/23, the net effect of the pooling arrangement could be considerable for the authorities in the pool. Current forecasts indicate that this Council could receive up to £300k additional income according to the sharing methodology agreed between the pooled authorities.
- 5.6 The members of the current pooling arrangement have notified MHCLG of their intention to remain as a pool for 2023/24 as there is still expected to be a net benefit to each authority. For the purposes of the 2023/24 estimates, an amount of £350k has been included as this Council's share of the potential benefit. These figures will be firmed up over the coming weeks as all authorities in the pool complete the annual statutory business rates estimate, the NNDR1 form, due to be returned to MHCLG by the end of January 2023. This Council's estimated share of any

additional resources will then be calculated and included in the final budget report in February 2023.

- 5.7 Following announcements in the SR2021 and subsequently in the Autumn Statement 2022, it is now unlikely that there will be any major changes to the rates retention system until 2025/26. Consequently, assuming the current pooling arrangements continue, an amount of £350k per annum has been included in the MTFs as a pooling benefit to this Council.

Business Rates Reform – 2025/26 onwards

- 5.8 As stated earlier, no major changes will take place until 2025/26 at least. At that time, it is likely that the Baseline Funding Level of all Councils will be reset with all 'growth' income being taken into account nationally and redistributed in the new system. In the estimate for 2023/24 and the medium term forecasts, around £1.2m of business rates above the Council's Baseline Funding Level is being retained. Under a baseline reset, this would mean that initially the additional £1.2m business rates income would be removed and redistributed. What remains unclear, is how much of this £1.2m will be returned to the Council as part of its recalculated Baseline Funding Level.
- 5.9 In theory therefore, the Council could lose all of this additional £1.2m in the absolute worst case scenario. However, this is unlikely and would create significant volatility within future funding allocations nationally, which the government does not wish to see. There will also undoubtedly be some kind of transitional arrangements which would also limit the extent of any gains and losses in funding arising from the new system.
- 5.10 Although it is extremely difficult to exemplify the impact of this redistribution, in broad terms, if the Council were to lose 50% of its growth income then this would add a further £600k per annum from 2025/26 to the current forecast MTFs shortfalls. A 20% loss of growth income would add a further £240k per annum to the current shortfalls.
- 5.11 In addition, the current system of retaining 100% of business rates from businesses generating Renewable Energy (estimated £1.478m in 2023/24) and the benefits from current pooling arrangements (estimated £350k in 2023/24) could also be reviewed and amended.
- 5.12 **At the time of writing, the Fair Funding Review, the implementation of Business Rates Reform and the changes to the New Homes Bonus are all major risk areas for this Council over the medium term.**

6 FORECAST OUTTURN 2022/23

- 6.1 The approved budget set by Council in February 2022, showed a shortfall of £203k which was to be funded from the Budget Equalisation Reserve to the extent that it was needed at the end of 2022/23.
- 6.2 The latest projected outturn for 2022/23 is set out at Appendix A and show the likelihood of a shortfall in the region of £197k by the end of this financial year.
- 6.3 There have been numerous significant variations during this year to date which have contributed to the projected shortfall remaining close to the budgeted position. The main additional cost variations include for the pay award for 2022/23 (£1,925 flat rate increase recently agreed compared to a budgeted 2% increase). This has increased our salary costs by £450k. In addition, the budgeted vacancy factor of £181k has not materialised in this year.
- 6.4 Other cost pressures include an additional net cost of £220k from housing benefit subsidy not recoverable from homelessness benefit payments. Officers are progressing a number of initiatives to minimise this additional cost in future years. There have also been higher costs relating to Repairs and Maintenance (£92k), Diesel fuel (£110k), other Vehicle costs (40k) and additional Leisure Contract support (£130k). In addition there has been a significant reduction in Marine Services income (£157k) due to Port Sutton Bridge ceasing operations in March 2022 and with the new operator not yet started.
- 6.5 To off-set these additional cost increases, there has been a number of higher income variances including Planning Fees (£130k), Investment Income (£344k from higher cash balances and higher investment interest rates) and Retained Renewable Energy Rates (£985k). Further savings of £118k in financing costs and Minimum Revenue Provision have been achieved as a result of reprofiling of the capital programme.
- 6.6 There are still many uncertainties around the potential shortfall for 2022/23 and there is no requirement at this time to formally approve an amount to be funded from reserves. At the present time, Corporate Management Team, Senior Managers and the Accountancy Team are managing and monitoring the position carefully and will continue to review spending levels to ensure where possible, the amount to be funded from reserves at the year-end is minimised.
- 6.7 Use of reserves to fund any potential shortfall in 2022/23 will have a consequential impact on the Council's ability to fund the shortfall in 2023/24 from reserves. Details of the Council's reserves are at Section 10 and Appendix E.

7 DRAFT BUDGET ESTIMATES 2023/24 AND MTFS

- 7.1 The Council's MTFS has to ensure that the commitments made in the Business Plan are funded not only in the year for which formal approval of the budget is required (2023/24) but for forecast years as well, within a reasonable level of tolerance.
- 7.2 The impact of the issues identified in Section 6 above on the Council finances in 2022/23 will largely continue into 2023/24 and the medium term. The impact of the Provisional Local Government Finance Settlement (expected to be announced during week commencing 19 December 2022) will also need to be clarified and the figures in this report make no assumptions about any potential changes to government funding.

7.3 The Council's medium term forecasts are shown at Appendix B and summarised in Table 2 below. The table includes a 0% Council Tax increase in 2023/24 and the medium term.

Table 2 - MTF5 - 0% increase in 2023/24 onwards

Summary Medium Term Financial Plan					
	Estimate	Forecast	Forecast	Forecast	Forecast
	2023/24	2024/25	2025/26	2026/27	2027/28
	£000	£000	£000	£000	£000
Expenditure					
Net Service Expenditure	15,104	15,450	15,738	16,261	16,603
Corporate Items	932	1,138	1,097	1,098	1,440
Contribution from Earmarked Reserves	-22	-191	-54	-54	-54
Contribution from Business Rates Reserve	-748	0	0	0	0
Net Expenditure (before use of balances)	15,266	16,397	16,781	17,305	17,989
Funding					
Business Rates Funding <i>(detailed in Appendix B)</i>	-7,409	-7,391	-7,526	-7,664	-7,415
Business Rates Collection Fund Deficit	748	0	0	0	0
Council Tax Collection Fund Surplus(-)	-56	-50	-50	-50	-50
Council Tax <i>(increases of 0% in 23/24 onwards)</i>	-8,090	-8,187	-8,285	-8,383	-8,480
Total Funding	-14,807	-15,628	-15,861	-16,097	-15,945
Shortfall(+) before use of balances	+459	+769	+920	+1,208	+2,044
Contribution from General Fund Balance	0	0	0	0	0
Shortfall(+) after use of balances	+459	+769	+920	+1,208	+2,044

7.4 Government support for 2023/24 will be announced as part of the provisional finance settlement. This Council currently only receives retained business rates from the finance settlement. The projections for 2023/24 onwards are based on the best estimates and information available and are consistent with the announcements on business rates in the Spending Round 2021 and the Autumn Statement 2022. However, subject to further clarity on the detailed implementation of the announcements and the impact of the revaluation, there remains significant uncertainty in these projections.

7.5 The net budget requirement for 2023/24 is currently estimated at **£15.266m** after all identified savings, contingencies and reserve transfers are included. This includes the assumptions detailed at Appendix C. With the provisional funding assumptions and a 0% increase in Council Tax a shortfall of £459k is currently forecast for 2023/24.

7.6 The development of the Commercial and Investment Strategy has the potential to generate additional significant returns over the MTF5. Currently, recharges to Fenland Future Ltd (FFL) for officer time and loan interest receipts have been included in the forecasts at Appendix A and B. These are based on the current business plan of FFL over the next three years. Additional returns may also be realised depending on the type and timing of investment opportunities. Consequently, no allowance for these further potential returns (over and above the

recharges and loan interest to FFL) have been included in the MTFS at the current time.

- 7.7 No allowance has been made for any additional savings associated with the My Fenland transformation programme. It is envisaged that a transformation programme to reflect how the Council wishes to deliver services in the future and to address the forecast deficits in the MTFS will be initiated during the course of 2023/24 with an expectation that the associated savings will be delivered over the current MTFS.
- 7.8 Taking into account the proposals in the Table 2 above, the estimated net budget requirement in 2023/24 is detailed in Appendix A. The level of forecast resources available to the Council and the estimated levels of expenditure over the medium term are set out in detail in Appendix B. These show a funding gap of £2.044m by the end of 2027/28.
- 7.9 There is still considerable uncertainty around the estimates for 2023/24 and the forecasts for the medium term. Currently there are a number of 'unknowns' which could both positively and negatively impact on the forecasts including:

Risks associated with the MTFS forecasts:

- Potential impact of the Provisional Finance Settlement (announcement in mid-December 2022) on 2023/24 and the medium term;
- Impact of potential changes to the New Home Bonus methodology and allocations from April 2023;
- Impact of the business rates revaluation from April 2023 and longer-term changes to the Business Rates Retention system from April 2025;
- Impact of potential additional costs and income in 2024/25 from the Extended Producer Responsibility scheme for managing packaging waste;
- Impact on income streams being greater than anticipated due to external factors such as Port Income (sale of Port Sutton Bridge);
- Continuing impact of homelessness temporary accommodation costs in 2023/24 and the medium term and the impact on recovery of housing benefit subsidy;
- Potential for additional support for the Leisure Management contractor in 2023/24 as a result of the energy costs crisis. A full year's Management Fee income from the Leisure Contractor has currently been included in the 2023/24 estimates and each subsequent year of the MTFS;
- Impact of increases in Fees and Charges (where feasible) on the 2023/24 estimates and MTFS;
- Impact of service developments eg. Car Parking Enforcement (CPE);
- Revenue impact of funding new capital schemes not currently included in the capital programme;
- Potential impact of the Council's future transformation programme with associated savings. Further detailed work is required to quantify the scope of this programme and associated savings;

- Review of the recharge of staff time to the LATCO (Fenland Future Ltd) to quantify potential revenue savings. Currently recharges of £125k in 2022/23 onwards have been assumed in the MTFS;
 - Potential net benefits from FFL of loan interest and dividends from future developments over and above already included in the MTFS generating revenue income;
 - Commercial and Investment Strategy and future potential positive returns to the Council;
 - Review of the General Fund Balance and Earmarked Reserves to ensure they align with the future requirements of the Council;
 - Potential positive impact over the MTFS of implementing the outcomes from the Accommodation Strategy.
- 7.10 Further details relating to several of the above issues should become clearer with the publication of the Provisional Finance Settlement expected to be announced in mid-December 2022.
- 7.11 Between now and the final budget report in February 2023 further analysis will be carried out on the impact of the issues detailed above, as and when further information becomes available. Consequently, the estimate for 2023/24 could change significantly from that detailed at Appendix A.
- 7.12 Whatever impact the above issues may have however, there will remain a significant structural deficit for the Council to address over the medium term.**
- 7.13 The forecasts for the years 2024/25 – 2027/28 are provisional at this stage and should be considered with extreme caution. The Provisional Finance Settlement announcements regarding local government funding are imminent and therefore, the figures could be different to those included in the forecast. Future announcements and consultation outcomes will also determine government policy and therefore the funding in the future years. In addition, the forecasts are dependent on permanently maintaining the savings identified through the My Fenland transformation initiative.
- 7.14 As detailed earlier in this report, Business Rates Retention Reform, Fair Funding Review and changes to the New Homes Bonus could have a significant impact on the Council's forecast resources over term of the MTFS. Further to the risks associated with these externally determined funding streams the Council should also ensure that income budgets are achieved and new income streams considered and implemented for medium to long term sustainability in combination with any operational and transformational benefits that the Council realises. The use of general reserves to support revenue expenditure adds to the overall risks to the Council as such reserves can only be used once but the cumulative impact of such use will continue to be felt into the future.

Other Risks

Capital Programme – Future Funding

- 7.15 The Council is increasingly relying on borrowing (Internal and Prudential) to fund its future programme as the amount of capital receipts and the level of reserves available to fund the capital programme are reducing considerably over the next two years. Consequently, any new capital schemes (which do not generate a return to repay borrowing costs) will have to be funded through borrowing which will result in revenue costs and therefore will impact on the MTFS and future shortfalls.

- 7.16 For example, a £1m scheme with a 20 year life, funded by prudential borrowing, would result in around an additional £90,000 per annum in interest (4%) and repayment costs.
- 7.17 Consequently, a review of the current capital programme and its ongoing revenue cost impact will be undertaken to ensure the programme is sustainable within the context of the Council's Medium Term Financial Strategy.
- 7.18 To exemplify the effect on the MTFs of potential additional costs arising from the above risks, Table 3 below details a scenario whereby the Council loses 50% of its business rates growth income following the reforms in 2025/26.

Table 3: MTFs Potential Impact of Major Risks – for illustrative purposes only

	Estimate	Forecast	Forecast	Forecast	Forecast
	2023/24	2024/25	2025/26	2026/27	2027/28
	£000	£000	£000	£000	£000
MTFS Shortfall - Appendix B	459	769	920	1,208	2,044
<i>(0% CT increase in 2023/24 onwards)</i>					
50% loss of NNDR growth income			600	600	600
Increasing NHB threshold by 0.1%			100	150	200
Revised Shortfall	459	769	1,620	1,958	2,844

- 7.19 As stated earlier, it is important to note that the figures detailed in the above table are purely illustrative as no decisions have yet been made regarding changes to these funding streams and the potential impact on this Council.

8 FEES AND CHARGES

- 8.1 The Overview and Scrutiny Panel will consider all fees and charges for 2023/24 at its meeting on 16 January 2023 and recommend the Schedule of Fees and Charges to Cabinet at its meeting on 30 January 2023.
- 8.2 For the purposes of this report, no increase in fees over and above what has already been agreed (eg. Garden Waste Subscriptions) has been included in the estimates for 2023/24 and the medium term. Income forecasts within the figures in this report are based on current fees and projected activity levels.
- 8.3 Members will be aware that several of our fees and charges are set by government (eg. Planning Fees) and we have no discretion to amend these. The number of fees and charges which we have discretion to amend and the extent to which any increases significantly impact the Medium Term Forecasts detailed in this report are limited.

9 COUNCIL TAX – 2023/24

- 9.1 As part of the Autumn Statement 2022, the government has set the referendum limit at 3% or £5, whichever is higher for 2023/24 for District Councils. A 3% increase on the Band D Council Tax equates to £7.74 per annum (a 2.97% increase due to roundings).
- 9.2 Social care authorities, such as Cambridgeshire County Council can also increase their element of council tax by a further 2% (5% in total which would equate to £73.44 on the County Council's Band D Council Tax if increase taken in full).

- 9.3 Council at its meeting on 18 July 2019, agreed to re-position the MTFs to show 0% Council Tax increases through to 2023/24. This report extends the MTFs period and 0% increases to 2027/28. The motion agreed by Council emphasised that 0% increases in Council Tax throughout the MTFs period is an ambition and it was recognised that the Council continues to face significant financial challenges and uncertainties that may not allow this ambition to be met. These challenges and uncertainties have been exacerbated by Covid-19.
- 9.4 The motion also stated that Members of the Council need to act responsibly each year when setting the precept to balance the ambition of achieving a 0% Council Tax rise with the legal need to balance the budget. It was agreed that raising Council Tax in any of the next four years will be a last resort in order to minimise the financial effects of Council Tax on all of Fenland's households.
- 9.5 For information, an additional 1% increase in Council Tax in 2023/24 would generate in the region of £81,000 of revenue per annum to the Council. Even with this additional revenue included, the estimates for future years show a significant and increasing shortfall (see Table 4 below).

Council Taxbase

- 9.6 The amount of Council Tax income recognised in the estimates is determined by the Council Taxbase (Band D equivalents) and the level of Band D Council Tax. For 2023/24, the Council Taxbase has been calculated using the number of dwellings (as notified by the Valuation Office Agency), the impact of exemptions and discounts (eg. Single Person discount) and the amount of Council Tax Support awarded as reported in the Council Tax Base return submitted to DLUHC in October 2022.
- 9.7 In addition, an allowance for growth and for non-collection is included to produce the estimated taxbase. For 2023/24, the draft taxbase has been calculated as 31,059 (Band D equivalents), an increase of 395 (1.29%) on 2022/23.
- 9.8 The number of dwellings included on the VOA valuation list will be kept under review together with further analysis of growth within the district to ensure the final taxbase calculation reflects the latest position.
- 9.9 After the estimates of expenditure and income have been prepared, and the Final Settlement has been received, the next step is to set the council tax for 2023/24 for Fenland District Council. This is the final piece of the "jigsaw" that identifies the balance of the total resources required to fund the Council's services.
- 9.10 In line with the motion agreed by Council on 19 July 2019, assumed Council Tax increases of 0% have been included for 2023/24 and over the period of the MTFs.
- 9.11 At this level of Council Tax, there will be a significant deficit to fund over the period of the MTFs. Consequently, the Council will need to continually consider its strategy to meet the estimated shortfalls shown at Table 2 and in Appendix B.
- 9.12 The implications of not increasing Council Tax over the MTFs is that the Council will be reducing its financial base permanently as it would not be able to recover potential revenue foregone due to the cumulative year on year impact. The consequences of continually setting zero Council Tax levels and not achieving the necessary savings/additional income have been clearly demonstrated by the events at other Councils. The ability to achieve significant year on year savings (without increasing existing and/or introducing new revenue streams together with transformational change) to balance the budget becomes progressively difficult without eventually impacting on front-line services and delivery.

- 9.13 Council can of course agree to a higher increase (up to the referendum limit of 3%) and a 1% increase in Council Tax raises around £81,000 revenue per annum. Table 4 shows the implications of increasing the Council Tax in 2023/24 by 2.97% per annum and thereafter compared to freezing the Council Tax in 2023/24 and throughout the MTFs period.

Table 4: MTFs Deficits at Differing Council Tax increases in 2023/24 onwards

Deficits based on different % increases	2023/24	2024/25	2025/26	2026/27	2027/28
	£'000	£'000	£'000	£'000	£'000
Deficits at 0% increase <i>(as shown in Table 2/Appendix B)</i>	+458	+769	+920	+1,208	+2,044
Additional CT with 2.97% increase p.a. from 2023/24	-240	-493	-759	-1,041	-1,338
Deficits at 2.97% increase	+218	+276	+161	+167	+706

10 REVIEW OF GENERAL FUND BALANCE AND EARMARKED RESERVES

- 10.1 An important part of any budget strategy is the review and consideration of reserves. Earmarked Reserves are typically held and used in a planned way to deal with issues where it is foreseen that resources need to be set aside to meet a specific need but the exact amount and timing is not known. General Reserves are held to cushion the impact of an event or events that cannot be foreseen whilst maintaining these resources at a consistent and reasonable level over the medium term.
- 10.2 Sufficient levels of reserves are necessary to provide for various contingent and unplanned items that could include:-
- significant increased costs of providing statutory services
 - significant increased contractual costs
 - an unexpected and/or significant event or disaster, e.g. civil emergency
 - an unexpected major liability in law
 - the need to make significant payments in relation to prior year adjustments under the direction of the external auditor
- 10.3 The Council's current uncommitted General Fund Balance is £2m. It is good practice to keep the balance on this reserve under review alongside ensuring that the purposes for which other earmarked reserves were allocated remain consistent with and relevant to the Council's Medium Term Financial Strategy.
- 10.4 Consequently, a review of the level of the General Fund Balance and the number and purpose of the earmarked reserves will be undertaken and any amendments will be presented to Cabinet and Council in the final budget report in February 2023. It is envisaged that the level of the General Fund Balance could be reduced and a Transformation Reserve be created from merging several existing earmarked reserves.
- 10.5 The Budget Equalisation Reserve was established in 2019/20 to provide a smoothing mechanism between financial years which could provide resources to help achieve balanced budgets in future years. The current balance on this reserve is £1.067m and is available to meet potential budget shortfalls for 2022/23 and 2023/24.

- 10.6 The analysis of reserves at Appendix E details the projected General Fund and earmarked reserves position as at 31 March 2023 and 31 March 2024 before any use of these reserves to fund the potential shortfalls detailed at Appendix A. The final budget report to be considered by Cabinet and Council on 20 February 2023 will consider the use of these reserves.

11 CAPITAL PROGRAMME

- 11.1 Capital Expenditure and Income plans have been prepared through the Council's service and financial planning cycle. The Council's capital resources are dependent on government funding, external grants or through the ongoing disposal of assets.
- 11.2 In July 2022, Cabinet approved the updated capital programme and resources statement incorporating any changes since the programme was agreed in February 2022.
- 11.3 Members have continued to receive regular updates on several high profile schemes including Wisbech High Street and the Future High Street Fund, March.
- 11.4 An updated Capital Programme for 2022-26 is presented at Appendix D for approval. The programme has been updated to ensure it adequately reflects the cost and anticipated timing of schemes previously approved. At this stage, no further capital schemes over and above those already approved have been included in the updated programme.
- 11.5 No allowance has yet been made for the following developments which will significantly impact the Council's capital programme.

Accommodation Strategy

Currently members and officers are working closely with the Council's professional advisors to produce an Accommodation Strategy. The decisions taken will inform the level of work required at Fenland Hall and The Base over the life of the capital programme. When decisions are taken regarding members' preferred option/s the capital programme will be adjusted accordingly. On this basis no commitments relating to Fenland Hall and the Base have been included in the current programme.

Structural Works – Wisbech Port

- 11.6 Major capital works commenced in the 2020/21 financial year to address health and safety risks identified following a survey of Crab Marsh quay. These works completed within budget in the 2021/22 financial year. During the 2021/22 financial year a further survey was commissioned covering the remaining stretch of operational quay at the Port of Wisbech. Officers are working with external consultants to determine the cost of rectifying the structural deficiencies identified. A separate report will be brought to Cabinet when further information is available.

Commercial and Investment Strategy Schemes

- 11.7 From February 2020 the programme has reflected the Council's decision to allocate £25m to take forward schemes in accordance with the Council's Commercial and Investment Strategy. The remaining allocation has been profiled to reflect the anticipating timing of future projects, including those due to be delivered by Fenland Future Limited. However, the Investment Board retains the discretion to vary when the available funds are utilised over the life of the programme.

- 11.8 Should resources from external funding and/or capital receipts not generate the level of receipts forecast, or there is a delay in disposal of assets, then the capital programme will need re-visiting to ensure funding is sufficient to meet proposed expenditure including through borrowing. Reviews of the programme and resources available are carried out regularly during the year.
- 11.9 The Council's Borrowing Strategy which is incorporated into the Council's Treasury Management Strategy Statement, recognises that some prudential borrowing will be required over the life of the capital programme. The projected additional annual revenue costs for the Council are reflected in the medium term forecasts at Appendix B.
- 11.10 As stated earlier, a review of the current capital programme and its ongoing revenue cost impact will be undertaken to ensure the programme is sustainable within the context of the Council's Medium Term Financial Strategy.

12 RISK ASSESSMENT

- 12.1 There is an element of risk inherent in any process that looks into the future to make forecasts, particularly in the current economic climate and other national and international events now or in the future that may impact on the Council either directly or indirectly. The Council has a strong track record in good financial management as recognised in the recent Annual Audit Letter. This risk is further minimised by adopting the following methodology when preparing the estimates:-
- Service managers and the Accountancy Team working together to define likely service income/expenditure patterns matched with service delivery plans;
 - Maintaining "earmarked" reserves for expenditure that it is known will occur but the exact amount and timing of the expenditure is not known;
 - Maintaining an adequate level of general reserves to meet sudden and or unforeseen expenditure;
 - Adopting clear guidelines and control systems (robust revenue and capital budget management and monitoring procedures, Financial Regulations and Contract Procedure Rules etc.) to alert service managers, and members before variances reach tolerance levels;
 - Using professional and expert advice and economic forecasts where these are available, e.g. treasury management, interest rates;
 - Maintaining a rolling review of forecast estimates beyond the current year.
- 12.2 These assumptions are made with all available information but are necessarily calculated based on broad assumptions. In the current economic climate, some of these assumptions are particularly volatile. The MTFs will be prepared annually on a rolling basis so that as information becomes more certain the figures will be updated and early consideration can be given to any action or changes in direction that may be required.

FENLAND DISTRICT COUNCIL

Summary of Revenue Estimates

	Current Approved Estimate 2022/23 £	Projected Outturn 2022/23 £	Estimate 2023/24 £
Service Summary			
Growth & Infrastructure	1,074,930	1,393,994	1,036,204
Communities, Environment, Leisure & Planning	4,020,860	4,506,914	4,767,720
Resources & Customer Services	7,885,550	8,511,540	9,278,650
Pay Award 2022/23 : £1,925 flat rate increase	0	700,000	0
NET COST OF GENERAL FUND SERVICES	12,981,340	15,112,448	15,082,574
Corporate Items			
Drainage Board Levies	1,721,530	1,707,950	1,759,200
Contributions to/ (from) Earmarked Reserves	-101,020	-760,410	-221,920
Contributions to/(from) Business Rates Reserve	-1,415,206	-760,789	-748,052
RTB/VAT Sharing Income	-70,000	-70,000	-20,000
Financing Charges - <i>Interest/Minimum Revenue Provision</i>	1,063,314	945,035	1,141,715
Investment Income and Property Funds Income	-286,000	-630,000	-800,000
New Homes Bonus	-823,959	-823,959	-368,000
Vacancy Factor (1.5%)	0	0	-197,000
Lower Tier Services Grant	-169,351	-169,351	-169,351
Services Grant	-255,198	-255,198	-193,000
Corporate Items	-335,890	-816,722	183,592
Net Expenditure	12,645,450	14,295,726	15,266,166
Contribution from General Fund Balance/Reserves	0	0	0
NET EXPENDITURE after use of balances	12,645,450	14,295,726	15,266,166
Core Funding			
Revenue Support Grant	-589	-589	0
Business Rates			
Business Rates Funding	-9,319,912	-9,319,912	-9,157,348
Tariff Payment to Government	6,027,242	6,027,242	6,027,242
Renewable Energy Rates Retained	-969,602	-1,954,839	-1,478,151
Business Rates Pool - FDC Share of Benefit	-350,000	-300,000	-350,000
Business Rates S31 Grants due in year	-2,290,722	-2,860,614	-3,094,346
Business Rates Levy due in year	656,303	505,355	643,114
Business Rates Collection Fund Deficit(+)	1,835,529	1,835,529	748,052
	-4,411,162	-6,067,239	-6,661,437
Council Tax Collection Fund Deficit(+)/Surplus(-)	-43,760	-43,760	-56,458
Council Tax	-7,986,741	-7,986,741	-8,089,623
Business Rates and Council Tax Funding	-12,442,252	-14,098,329	-14,807,518
Surplus(-)/Shortfall(+)	203,198	197,397	458,648

APPENDIX B
(0% Council Tax increase)

Medium Term Financial Strategy	Projected 2022/23 £000	Estimate 2023/24 £000	Forecast 2024/25 £000	Forecast 2025/26 £000	Forecast 2026/27 £000	Forecast 2027/28 £000
Expenditure						
Service Expenditure/Income						
Gross Service Expenditure	26,194	25,360	25,701	25,985	26,502	26,889
Gross Service Income	-11,085	-10,278	-10,251	-10,247	-10,241	-10,286
Total Net Service Expenditure	15,109	15,082	15,450	15,738	16,261	16,603
Corporate Items						
Corporate Expenditure/Savings						
Drainage Board Levies	1,708	1,759	1,812	1,866	1,922	1,980
Financing Charges - Interest on External Borrowing	528	632	710	710	710	710
Financing Charges - Current Capital Programme - MRP	420	510	600	620	630	630
Vacancy Factor (1.5%)	0	-197	-202	-207	-212	-217
	2,656	2,704	2,920	2,989	3,050	3,102
Corporate Income Items						
Contribution to(+)/from(-) Earmarked Reserves	-760	-222	-191	-54	-54	-54
Contribution to(+)/from(-) Business Rates Reserve	-761	-748	0	0	0	0
RTB/VAT Sharing Income	-70	-20	-20	-20	-20	-20
Investment and Property Fund Income	-630	-800	-1,000	-1,110	-1,170	-880
New Homes Bonus	-824	-368	-400	-400	-400	-400
Lower Tier Services Grant	-169	-169	-169	-169	-169	-169
Services Grant	-255	-193	-193	-193	-193	-193
	-3,470	-2,520	-1,973	-1,946	-2,006	-1,716
Total Corporate Items	-814	184	947	1,043	1,044	1,386
Gross Service/Corporate Expenditure	28,850	28,064	28,621	28,974	29,552	29,991
Gross Service/Corporate Income	-14,555	-12,798	-12,224	-12,193	-12,247	-12,003
Net Budget Requirement	14,295	15,266	16,397	16,781	17,305	17,989
Funding - Business Rates/Council Tax						
Business Rates						
Business Rates Baseline Funding	-9,320	-9,157	-10,317	-10,426	-10,536	-10,748
Tariff Payment to Government	6,027	6,027	6,329	6,392	6,456	6,566
Renewable Energy Rates Retained	-1,955	-1,478	-1,193	-1,256	-1,321	-1,014
Business Rates Pool - FDC Share of Benefit	-300	-350	-350	-350	-350	-350
Business Rates S31 Grants due in year	-2,861	-3,094	-2,534	-2,570	-2,607	-2,590
Business Rates Levy due in year	505	643	675	684	694	721
Business Rates Collection Fund Deficit	1,836	748	0	0	0	0
Total Business Rates Funding	-6,067	-6,661	-7,391	-7,526	-7,664	-7,415
Council Tax						
Council Tax Collection Fund Surplus(-)/Deficit	-44	-56	-50	-50	-50	-50
Council Tax (increases of 0% in 23/24 onwards)	-7,987	-8,090	-8,187	-8,285	-8,383	-8,480
Total Council Tax Funding	-8,031	-8,146	-8,237	-8,335	-8,433	-8,530
Total Funding - Business Rates/Council Tax	-14,098	-14,807	-15,628	-15,861	-16,097	-15,945
Surplus(-)/Shortfall(+)	+197	+459	+769	+920	+1,208	+2,044

Assumptions built into Budget and Medium Term Financial Strategy (MTFS)

Within the forecasts are a number of assumptions which are necessary to produce the overall budget strategy. However, there is an element of risk associated with this process although the aim is to mitigate these risks as detailed in section 12 of the main report.

The main assumptions are as follows:

- 0% Council Tax increase for 2023/24 and thereafter (1% increase generates around £81k of resources and 2.97% around £240k of resources).
- 1.29% increase in Council Tax base in 2023/2024 (Tax-base 31,059) and 1.20% thereafter (increase of 375 Band D equivalent properties per annum).
- Inflation increases in Retained Business Rates income from 2024/25 onwards. Future net benefits from Business Rates will be dependent upon the impact of any potential system re-set and other changes from April 2025 onwards.
- Inclusion of this Council's share (£350k) of the potential benefit arising from the continuation of the Cambridgeshire Business Rates Pool in 2023/24 onwards. Potential benefit from the Pool in future years will be dependent on any changes to the Business Rates Retention System from April 2025.
- Continuation of the Lower Tier Services Grant (£169k received in 2022/23) and Services Grant (£255k received in 2022/23) in 2023/24 onwards albeit at a slightly lower level to adjust for removal of funding for Social Care ERS NI. Although the national totals of these grants will remain in the Local Government sector in future years, they may be allocated differently.
- The New Homes Bonus has been included at £368k for 2023/24 and at £400k per annum from 2024/25 onwards as detailed in Section 4 of the report. Future allocations will be dependent upon the scheme design and national totals of any replacement Housing Growth initiative.
- 4% pay award in 2023/24 (£460k cost) and 2% thereafter together with an allowance for pay increments of around 1% p.a. (£115k cost) reflecting the continuing impact of the pay grades re-modelling following the national pay award agreement effective from April 2019.
- Employer's Pension Contributions – following the triennial valuation as at 31.03.2022, the contribution rate for 2023/24 – 2025/26 is to increase slightly to 17.6% of salary (17.4% in 2022/23) with an additional past deficit lump sum payment of £950k for 2023/24, £910k for 2024/25 and £870k for 2025/26 representing an overall increase of 1% p.a. in total contributions.
- Inclusion of a vacancy factor for 2023/24 onwards, equivalent to a reduction in staff costs of 1.5% (£197,000 in 2023/24).
- Specific allowance for inflation where required eg: employee costs (as detailed above), business rates, external contracts, energy and water, fuel costs, drainage board levies etc. Otherwise, no allowance for inflation has been included.
- Investment interest rates are forecast to increase to a peak of 4.5% in Q2, 2023 before subsequently decreasing back to 2.5% in Q3, 2025 (£550k estimated income in 2023/24).

- Investment income includes the £4m investment in property funds in March 2022 (£150k p.a. income net of costs in 2023/24).
- Assumptions regarding forecast income levels from increases in fees and charges have not yet been included in 2023/24 and the medium term. There are only a limited number of these which we have discretion over setting. These will be reviewed by Overview & Scrutiny Panel and Cabinet in January 2023 for inclusion in the final budget report in February 2023. Income levels are currently included in the forecasts at current levels taking into account projected activity levels.
- For 2023/24 onwards, a full years' worth of Management Fee being received from the Leisure Management contractor has been assumed. This follows two years of significant additional Council support for the Leisure Management contract in 2020/21 and 2021/22 as a result of Covid-19, through deferral of the management fee and also cash support. Further support has been agreed in 2022/23 to mitigate the significant impact of rising energy costs. It is highly likely that further support will be sought in 2023/24 but at this stage no allowance has been made in the estimates.
- For 2022/23 onwards, additional provision has been included for a continuation of the high demand for bed and breakfast and temporary accommodation for the homelessness and rough sleeper's service. Further work is being carried out to determine the level and type of ongoing support required.
- Recharges to Fenland Future Limited to reflect the use of FDC officer time on the company's behalf has been included (£125k in 2022/23 and future years). This amount could vary depending on the amount of time and types of activities being carried out for the company.
- Potential net benefits from Fenland Future Ltd of loan interest and dividends from future developments have been included. These amounts could vary depending on the timing and profitability of developments being carried out by the company.
- No potential additional income (or costs) from the Extended Producer Responsibility scheme for managing packaging waste (effective from 2024/25) has been included as there are currently no indications of the level of this income.
- No allowance has been included for further potential savings from the My Fenland transformation programme. It is envisaged that a new transformation programme will be initiated in 2023/24 with an expectation that associated savings will be achieved over the current MTFS period.

CAPITAL PROGRAMME AND FUNDING 2022 - 2026

	2022/23	2023/24	2024/25	2025/26
	£000	£000	£000	£000
Capital Programme (excluding Commercial and Investment Strategy Schemes)	12,203	16,125	2,029	1,250
Commercial and Investment Strategy Schemes	1,000	8,500	9,500	1,977
CURRENT FORECAST EXPENDITURE	13,203	24,625	11,529	3,227

FORECAST RESOURCES AVAILABLE

Capital Grants	8,445	10,205	950	950
Usable Capital Receipts - In Year	265	100	100	100
Reserves used in year to fund Capital Section 106s and Other Contributions	255	0	0	0
Borrowing (Internal and Prudential)	196	46	0	0
	4,042	14,274	10,479	2,177
Total Forecast Resources	13,203	24,625	11,529	3,227

CAPITAL PROGRAMME SUMMARY 2022/23 - 2025/26

	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	Total Cost £000	FDC Funding £000	External Funding £000	External Funders and FDC Reserves/S106
Leisure Centres								
1 Condition Survey Improvements	821	1,266	464		2,551	2,551		
Regeneration Programmes								
2 Fenland Renaissance and Place Shaping	16				16	16		
3 Heritage Lottery Fund - Non-FDC Properties	135				135	81	54	£54k HLF Grant.
4 Heritage Lottery Fund - 24 High Street, Wisbech	200	2,800			3,000	2,762	238	£238k HLF Grant.
5 Railway Station Master-Planning	350				350	73	277	£277k CPCA Grant, £40k S106
6 Future High Street Fund, March	750	7,622			8,372	197	8,175	£2,000k CPCA, £6,122k DLUHC Future High Streets, £53k DLUHC 'Changing Places' Grant
7 Growing Fenland - Capital Grants	33				33		33	£33k CPCA Grant
Cemeteries								
8 Cemetery Chapels Condition Survey Works	315				315	315		
9 Remedial Works in Closed Cemeteries	130	240	50		420	420		
Highways								
10 Category 2 Street Lights - FDC Lights	174				174	174		
11 Street Name Plates/District Facilities Signage	18				18	18		
12 Street Light Improvements - Parishes (Contribution to Cat 2 Replacements)	6				6	6		£6k Capital Contribution Reserve
13 Growing Fenland - Civil Parking Enforcement	100	252			352		352	£352k CPCA Grant
14 Huntingdon Road Improvements, Chatteris	90				90	90		
Environment								
15 Replacement and Grant-Funded Additional Litter Bins	53				53	53		
Port								
16 Boat/Vessels - Replacement Deck, Hull and Engines	47				47	47		
Sub Total	3,238	12,180	514	0	15,932	6,803	9,129	

	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	Total Cost £000	FDC Funding £000	External Funding £000	External Funders and FDC Reserves/S106
Brought Forward	3,238	12,180	514	0	15,932	6,803	9,129	
Parks and Open Spaces								
17 Parks, Play Areas and Open Space - Chatteris	40				40	40		£6k S106 money
18 Parks, Play Areas and Open Space - Doddington	75				75	75		£21k S106 money
19 Parks, Play Areas and Open Space - Guyhirn	50				50	50		£48k S106 money
20 Parks, Play Areas and Open Space - Wisbech	20	20	15		55	55		£25k S106 money
21 Parks, Plays Areas and Open Space - Whittlesey	46				46	46		
22 Wisbech Water Park	245				245	95	150	£148K CPCA Grant, £2K Wisbech Town Council, £41k S106
23 Wisbech Park Pavillion	200	440			640	41	599	£240K Cambs CC Capital Communities Fund Grant, £299K CPCA Grant, £60K DLUHC Changing Places Grant, £41k S106
24 Wisbech Park - Tree Works and Play Park Refurbishment	87				87	20	67	£67k DLUHC Levelling Up Parks Fund, £20k S106
Vehicles and Plant								
25 Vehicles	364	80	200	200	844	844		
ICT System Replacement Programme & Upgrades								
26 Replacement & Upgrade Programme	348	200	100	100	748	748		£249k Management of Change Reserve
Improvement of Assets								
27 Sewage Treatment Works Refurbishment	507	250	250		1,007	1,007		
28 Birch Fen Silt Removal and Outfall Maintenance	19				19	19		
29 March Moorings Renewals		24			24	24		
30 Lattersley Nature Reserve - Capping Layer		40			40	40		
31 Energy Efficiency Improvements to Clarion Properties	5,203				5,203		5,203	£5,203k BEIS 'Wave 1' Funding
32 Nene Waterfront Infrastructure Improvements	100	100			200		200	£200k Brownfield Land Release Fund
Car Parks								
33 Eastwood, Chatteris	100				100	100		
Economic Estates								
34 Replacement of AV Equipment at Business Centres	50				50	50		
35 South Fens Business Park Expansion	100	1,841			1,941	1,000	941	£941k CPCA 'Business Space' Funding
Private Sector Housing Support								
36 Private Sector Renewal Grants	240	40	40	40	360		360	£360k Govt Grant
37 Disabled Facilities Grants	1,171	910	910	910	3,901		3,901	£3,901k Govt Grant
Total - Approved Programme	12,203	16,125	2,029	1,250	31,607	11,057	20,550	

Capital Grants	8,445	10,205	950	950	20,550
Usable Capital Receipts - In Year	265	100	100	100	565
Reserves used in year to fund Capital	255	0	0	0	255
Section 106s and Other Contributions	196	46	0	0	242
Borrowing (Internal and Prudential)	3,042	5,774	979	200	9,995

12,203 16,125 2,029 1,250 31,607

EARMARKED AND GENERAL RESERVES - Revised 2022/23 and Estimated 2023/24

APPENDIX E

Reserve Name	Balance 01.04.22 £	Capital Funding £	Revenue Contributions to(+)/from(-) 2022/23 £	Revised Balance 31.03.23 £	Capital Funding £	Revenue Contributions to(+)/from(-) 2023/24 £	Estimated Balance 31.03.24 £	Comments / Conditions of Use
Travellers Sites	388,244		31,400	419,644		46,220	465,864	Can only be used for specific future maintenance liabilities.
CCTV - Plant & Equipment	31,128		10,000	41,128		10,000	51,128	Available for future CCTV maintenance & replacement liabilities.
Station Road, Whittlesey - Maintenance	7,600		2,800	10,400		2,800	13,200	Required for future road maintenance.
Management of Change	494,600	-249,000		245,600			245,600	Available for the effective management of any organisational changes required to meet the Council's future priorities.
Business Rates Equalisation Reserve	2,016,333		-760,789	1,255,544		-748,052	507,492	Available to assist the Council in smoothing out volatility in the business rates retention system.
Capital Contribution Reserve	134,794	-6,000		128,794			128,794	Available to fund specific spending commitments in future years.
Port - Buoy Maintenance	146,999		-19,000	127,999			127,999	Available for future buoy maintenance to service windfarms.
Repairs and Maintenance	544,706			544,706			544,706	Available to provide funding for one-off schemes, not covered by the normal Repairs and Maintenance revenue budgets.
Heritage Lottery Fund (HLF) - Wisbech	51,682		-11,310	40,372			40,372	To manage the Heritage Lottery Funded scheme in Wisbech.
Highways Street Lighting	46,675		19,230	65,905		19,230	85,135	Available to fund future repairs and maintenance relating to street lighting.
Solid Wall Remediation	100,000			100,000			100,000	Available to fund potential costs linked to solid wall installations in the District.
Investment Strategy Reserve	1,340,168			1,340,168			1,340,168	Established to provide future funding for Commercial and Investment Strategy projects.
Budget Equalisation Reserve	1,066,644			1,066,644			1,066,644	Year-end surpluses are transferred to this reserve. If a deficit is forecast this reserve can be used to offset the expected shortfall.
Planning Reserve	283,117		-100,000	183,117		-100,000	83,117	Available to fund additional planning costs not reflected in the annual budget, including the development of the Local Plan.
Elections Reserve	60,000		30,000	90,000		30,000	120,000	Available to fund four-yearly District-wide elections. Transfers are made to this reserve each year to fund the cost of the next District-wide election.
Port - Pilots Staff Development Training	24,000			24,000			24,000	Available to fund the training of maritime pilots to fulfill the authority's statutory functions.
Cambridgeshire Horizons - A14 Contribution	1,008,000			1,008,000		-42,000	966,000	Monies received from Cambridgeshire Horizons specifically for contribution to A14 improvements. To be paid over 25 years at £42k per annum.
Cambridgeshire Horizons	2,691,679		-162,940	2,528,739		-120,200	2,408,539	Available for the Council's future use in accordance with the conditions attached to the receipt.
Specific Government Grants (received in previous years)	1,902,720		-560,590	1,342,130		-67,970	1,274,160	Available to fund specific spending commitments in future years.
TOTAL EARMARKED RESERVES	12,339,086	-255,000	-1,521,199	10,562,887	0	-969,972	9,592,915	
General Fund Balance	2,000,000			2,000,000			2,000,000	Unallocated general reserve required for various and unplanned for contingencies, to mitigate risks associated with future financial planning as well as for general day to day cash flow needs.
TOTAL RESERVES	14,339,086	-255,000	-1,521,199	12,562,887	0	-969,972	11,592,915	

NB: In accordance with the Council's Financial Rules and Scheme of Financial Delegation (Part 4, Rule 6 of the Constitution), paragraphs B57 - B60 delegates authority to the Chief Finance Officer to approve expenditure from these reserves in accordance with their approved use as detailed above.