

## APPENDIX 3

**RESOURCES ALLOCATION – GENERAL FUND REVENUE BUDGET  
2023/24**1. Summary of Proposals

The Overview and Scrutiny Committee has considered the revised budgets for 2022/23 and the base budgets for 2023/24 for each corporate priority and the support services areas. Any changes arising from this process are set out below along with a summary of the proposed General Fund budget for 2023/24.

2. Key Assumptions and Other Changes

During the consideration of the revised estimates for 2022/23 and the base budgets for 2023/24 by the Overview and Scrutiny Committee, there has been a continuing focus on delivering the Council's vision in its Corporate Plan 2020 - 2024 for "a greener, safer, healthier Broxtowe where everyone prospers" and the corporate priorities.

The outcome of the latest budget consultation exercise that took place during October and November 2022 was noted by Cabinet on 17 January 2023. The web-based survey, which was publicised through social media, generated 1,210 responses which was significantly higher than previous years. The Council has responded to its residents with the following proposals being included in budgets:

- Community Safety is a big priority for our residents, which is highlighted in the investment in surveillance cameras and the continuation of safer streets funding.
- Greater investment in climate change and environmental services with the Climate Change and Green Futures Delivery Programme, including the employment of new Climate Change Officer and a contribution towards a local area energy planning study, and continued investment in parks and open spaces.
- Large investment in Economic Development and Business Growth is also important for local residents, and the budgets includes the successful Stapleford Towns Fund bid (£21m investment plan), allocations from the UK Shared Prosperity Fund. Further budget proposals on the recent successful Levelling Up Fund bid for Kimberley will be submitted to Cabinet in due course. There is also further regeneration and development associated with Beeston Square with the Phase 2 development generating additional rental income streams.

- Extra investment in Housing (considered within the Housing Revenue Accounts at appendix 2), including the existing housing stock through Capital Works and Housing Repairs services and the Housing Delivery Plan new housebuilding programme, which will also lever in grant funding from Homes England bids in addition to investing the Council's own funds.
- Continued support of the community and voluntary sector, including the Citizens Advice Broxtowe.
- Revenue developments, including £181k for the Borough Elections in May 2023 (funded by an earmarked reserve) and a one-off £10k budget to fund a variety of events in celebration of the King's Coronation in 2023.

The base budgets for 2023/24 include estimates for inflation on certain headings such as utilities, fuel and energy costs and other contractual commitments. The pay budget includes an anticipated rise in Pension Fund primary contributions, a reversal of the earlier increase in the rate of employers' national insurance contributions (offset by reduced grant), increments and job evaluation regrades, market supplements for posts that have been difficult to recruit and an estimated 5% pay award for 2023/24.

Under the Prudential Framework for Capital Finance, prudential borrowing has to be considered in overall terms and taking account of the effect on revenue budgets and general affordability in the short and medium term. Appendix 5 to this report proposes additional prudential borrowing of £7.941m in 2023/24 in relation to the Housing Revenue Account (HRA) and borrowing of £1.669m in relation to the General Fund. Based on external borrowing rates, an estimate for additional borrowing costs has been included in the base budget for 2023/24.

It is prudent to provide a sum of money within the budget to cover unforeseen items of expenditure which may arise during the year. As in previous years, a General Fund Contingency of £25,000 has been established for 2023/24.

All known revenue developments have been incorporated into base budgets. No further revenue developments are expected but other items may be brought forward to Cabinet during the course of the year as and when need arises.

Any proposed staffing changes during 2023/24, above delegated limits, will be reported to Cabinet for consideration and, if approved, incorporated within the revised 2023/24 budgets.

The Non Domestic Rates income is primarily based on a calculation taking into account the local non-domestic rates tax base and the Government's calculations of each authority's spending requirements. For budgeting purposes the Council completes an assessment at the beginning of each year and uses this to determine the amount of rates to be collected (the 'NNDR1'). The budget is then set on the basis of this assessment. For 2023/24 the non-domestic rates budget based on the NNDR1 for the year has been set at £3.796m, which includes estimates for losses on appeals and the recovery of deficits arising from prior year transactions on the Collection Fund. Any difference between budgeted income and actual income receivable will be recovered in the following year. Non

domestic rates income is also affected by Section 31 grants received from Central Government (estimated at £2.815m) and by payments to or receipts from the Nottinghamshire Business Rates Pool.

The provisional Local Government Finance Settlement for 2023/24 was announced by the Secretary of State for Department for Levelling Up, Housing and Communities (DLUHC) on 19 December 2022. This included details of the Council's Settlement Funding Assessment (SFA) for 2023/24 and the Central Government grant funding to be received as part of the settlement.

Grant funding includes £120k Revenue Support Grant (£nil in 2022/23) and Services Grant of £113k (£200k in 2022/23). Whilst the methodology for the Services Grant distribution remains unchanged through the SFA formula, the grant has been reduced due to the cancellation of the earlier increase in National Insurance contributions.

The settlement also included details of the New Homes Bonus (NHB) allocations to Councils. The overall 2023/24 allocation for NHB has reduced significantly due to the scheme now being a single year retrospective allocation which does not include any prior year legacy payments. The provisional NHB allocation to Broxtowe for 2023/24 has reduced to £132k (£352k in 2022/23).

The Lower Tier Services Grant, worth £130k to Broxtowe, has been abolished and replaced by the Minimum Funding Guarantee of 3% for 2023/24. This new grant is intended to provide a funding floor for all local authorities, so that no local authority would see an increase in Core Spending Power (CSP) that is lower than 3% (before assumptions on council tax rate increases). The provisional allocation to Broxtowe in 2023/24 is £367k.

As set out in section 3 below, the recommendations are based upon withdrawing £758k from the General Fund Reserve in 2022/23 (a total of £1.681m including earmarked reserves) and withdrawing £938k from General Fund Reserves in 2023/24 (£1.191m including earmarked reserves).

The General Fund Reserve is expected to reduce by £785k in 2022/23 from £7.425m at 1 April 2022 to £6.640m at 31 March 2023. A further withdrawal of £938k from balances in 2023/24 will see the projected General Fund Reserve at 31 March 2024 to be £5.702m.

### 3. Collection Fund Income

Income received from Council Tax and Business Rates goes into the Collection Fund. This will then have implications for the General Fund but the exact timing is dependent upon the Collection Fund accounting regulations. There were a number of specific actions taken by the Government in response to the COVID-19 pandemic concerning Council Tax and Business Rates income that continue to have an impact upon Collection Fund accounting and hence upon the General Fund for 2022/23 and subsequent years. Further details are set out below:

(i) Expanded Retail Discount and Nursery Relief

In January 2022 the Government announced an extension to the retail, hospitality and leisure relief that eligible businesses receive towards their business rates bills would be expanded and cover 2022/23. This meant that the Net Rates Receivable by local authorities for 2022/23 as set out on their NNDR1 2022/23 returns would not be collected.

Broxtowe's NNDR1 for 2022/23 indicated that business rates of more than £30m would be collected in the year. However, the expanded rental, hospitality and leisure relief granted by the Council amounted to in excess of £6m.

In order that local authorities should not lose out financially as a result of the expanded retail discount, nursery relief and related schemes, the Government have provided compensation through Section 31 grants. However, these grants must, in accordance with the regulations, be paid into the General Fund as opposed to the Collection Fund.

(ii) Collection Fund Deficits

One of the key features of the Collection Fund accounting arrangement is that an attempt to recover a projected deficit on either Council Tax and Business Rates in a particular year needs to be made when setting the budget for the following year. The Government recognised that 2020/21 was an extraordinary year due to the COVID-19 pandemic and allowed deficits in 2020/21 due to the pandemic to be recovered from the precepting bodies over the three years from 2021/22 to 2023/24 rather than solely in 2021/22.

The Council also received significant Section 31 grants into its General Fund in 2021/22 relating to Business Rates. These grants were due to the exceptional circumstances and the additional reliefs awarded during and beyond the pandemic. In order to address the timing issue, a Collection Fund Equalisation Reserve was established to meet the cost of anticipated NNDR deficits and to ensure that the impact of this issue does not distort the position on the General Fund Reserve.

This earmarked reserve will be used to meet the projected NNDR Collection Fund net deficit position for the General Fund in 2022/23, after the expected clawback of overestimated Section 31 grants required in year for the extended Retail, Hospitality and Leisure Reliefs. The remaining balance on the Collection Fund Equalisation Reserve will be reconciled again at outturn, following completion of the NNDR3 return, and will be cleared at an appropriate time.

(iii) Nottinghamshire Business Rates Pool

There are positive benefits of the Council being a collective part of the Nottinghamshire Business Rates Pool. Broxtowe are committed to remaining within the Pool, along with the County Council and all the other Nottinghamshire districts. Having declared this commitment, the Secretary of State has retained the Nottinghamshire Business Rates Pool for 2023/24.

The Councils in Nottingham and Nottinghamshire are exploring the potential of a devolution deal and greater joint working. The ambition is to deliver better services and make a demonstrable difference to the lives of local residents. The City of Nottingham and Nottinghamshire Economic Prosperity Committee (of which Broxtowe Borough Council is represented) recently agreed to support local economic regeneration with a budget to include costs associated with a devolution bid. This bid, if confirmed by government, will result in additional funding which will benefit the Borough of Broxtowe in various ways.

The cost of the resourcing requirements needed to deliver at pace on this programme of work the programme is around £450k. Whilst this cost is to be funded by all authorities, including Broxtowe, the first year cost is expected to be picked up within a Volatility Fund established as part of the Nottinghamshire Business Rates Pool. A request for a further £450k allocation in 2023/24 to fund the team and a small programme budget, would be shared across the Council's with districts picking up 60% split (circa £38k for Broxtowe) via the Business Rates Pool.

4. General Fund Revenue Budget

The table below shows the 2022/23 revised budget for each corporate priority along with the base budget figures for 2023/24. It also shows the impact that this would have upon the Council's available balances.

	Revised Estimate 2022/23 £	Base Budget 2023/24 £
<b><u>Corporate Priority / Committee</u></b>		
Community Safety	1,473,520	1,667,500
Environment and Climate Change	4,880,320	5,783,880
Finance and Resources	3,484,753	3,778,760
Housing – General Fund	501,950	661,500
Business Growth (Jobs and Economy)	1,234,140	1,101,250
Health (Leisure and Health)	1,528,730	1,336,150
<b>Sub-Total</b>	<b>13,103,413</b>	<b>14,329,040</b>
Add: Beeston Special Expenses	25,000	25,300
<b>Total Net Expenditure</b>	<b>13,128,413</b>	<b>14,354,340</b>
<b><u>Funding</u></b>		
Revenue Support Grant	-	(120,545)
Lower Tier Services Grant	(129,972)	-
Services Grant	(199,745)	(112,553)
New Homes Bonus	(351,950)	(131,500)
Core Spending Power Funding Guarantee	-	(367,129)
NNDR (Business Rates after Tariff)	(1,846,975)	(3,796,308)
NNDR (Surplus)/Deficit (*Note)	(12,850)	-*
Est. Safety Net/Levy Payment to/(from) Pool	886,183	1,302,963
Estimated S31 Grant (per NNDR1)	(4,265,012)	(2,814,768)
Returned Funding from Business Rates Pool	(300,000)	(800,000)
Council Tax	(6,106,631)	(6,346,950)
Council Tax (Surplus)/Deficit	(21,190)	48,492
Precept – Beeston Special Expenses	(25,000)	(25,300)
<b>Total Funding</b>	<b>(12,373,142)</b>	<b>(13,163,598)</b>
Allocation to/from Earmarked Reserves (below)	30,000	(252,561)
<b>Withdrawal from General Fund balances</b>	<b>785,272</b>	<b>938,181</b>

\*Note: NNDR Collection Fund Surplus/Deficit

	2023/24 £'000
Projected NNDR Surplus 2022/23 (NNDR1 Revised Estimate)	(1,340)
Overestimated position in respect of Section 31 Grants required for extended Retail, Hospitality and Leisure Reliefs expected to be clawed back after final outturn (NNDR3)	2,200
Allocation from remaining balance of exceptional Section 31 Grants to compensate for additional reliefs awarded in year (Collection Fund NNDR Equalisation Reserve).	(860)
NNDR (surplus)/deficit after additional S31 grant	-

The budget increase for total net expenditure in 2022/23 between the original budget and revised estimate is a consequence of the following items:

Revenue Budget 2022/23	£'000
<b>Opening estimated withdrawal from balances in 2022/23</b>	<b>351</b>
Add: General Fund Revenue items carried forward from 2021/22 approved by Cabinet on 19 July 2022	268
Add: General Fund Revenue Budget Amendments approved by Finance and Resources Committee on 10 February 2022 (Freeman/Alderman Civic Event)	5
Add: General Fund Revenue Budget Amendments approved by Council on 2 March 2022 (Members Allowances)	6
Add: General Fund Revenue Budget Amendments approved by Cabinet on 24 May 2022 (Decarbonisation of Fleet £42k and Levelling Up Fund Bid Consultancy £48k)	90
Add: General Fund Revenue Budget Amendments approved by Cabinet on 21 June 2022 (Leisure Centre Feasibility Study)	10
Add: General Fund Revenue Budget Amendments approved by Cabinet on 4 October 2022 (Discretionary Housing Payments)	36
Add: Net other budget changes	19
<b>Current estimated withdrawal from balances in 2022/23</b>	<b>785*</b>

The increase for total net expenditure in the 2023/24 base budget compared with the 2022/23 revised estimate is primarily a consequence of the following items:

<b>Revenue Budget 2023/24</b>	<b>£'000</b>
Employee Related Expenses – A net increase in pay related costs including the following: <ul style="list-style-type: none"> <li>• The impact of pay awards for 2022/23 (fixed uplift of £1,925 across all pay points, averaging over 6%) and 2023/24 currently estimated at 5%;</li> <li>• An increase of 1% in Pension Fund primary contributions to 19.0%, partially offset by a reduction in secondary back-funding contributions.</li> <li>• A reversal of the increase in employers' National Insurance contributions rate, which is offset by a reduction in the Services Grant received from Central Government;</li> <li>• The full-year effect of agreed market supplements (where necessary to recruit and retain key staff), job evaluation grade changes, minor structural changes and other due increments within pay scales.</li> </ul>	1,445
A net increase in Premises Related Expenses and Transport costs due to the impact of inflation with higher prices for fuel and energy, materials and external contractor fees.	558
Additional minimum revenue provision (MRP)	96
Removal of 2021/22 Budgets Carried Forward to 2022/23	(268)
Net reduction in Leisure Management Fee as per Business Strategy – in addition to the reduction to reflect the cost of the transfer of the Arts and Events service and D H Lawrence Museum from Liberty Leisure Limited back to the Council.	(100)
Other net changes in expenditure and income across the various budget across the General Fund.	62
Increase in Planning Fee Income	(50)
Increase in Garden Waste Income (from 2022/23 original)	(30)
Increase in Trade Waste Income (from 2022/23 original)	(37)
Increase in Beeston Square Phase 2 Income	(100)
Increase in Investment Income	(115)
Increase in the value of employee costs that are to be recharged to the Capital Programme (i.e. capital salaries), particularly within the Economic Development and Capital Works teams.	(235)
<b>Total Increase in Net Expenditure</b>	<b>1,226</b>



The increase in funding of £790k from the 2022/23 revised estimate to the base budget 2023/24 figure is mainly due to the following:

<b>Financing 2022/23 to 2023/24</b>	£'000
Increase in Revenue Support Grant	(121)
Reduction in Lower Tier Services Grant	130
Reduction in Services Grant	87
Reduction in New Homes Bonus	220
New CSP Funding Guarantee Grant	(367)
Net increase in Business Rates including return funding from Pool	(569)
Increase in Council Tax Income	(240)
Reduction in Council Tax Surplus/Deficit	70
<b>Total Increase</b>	<b>(790)</b>

The anticipated withdrawals from balances in 2022/23 and 2023/24 shown above would affect the Council's reserves as follows:

<b>Change in Balances 2022/23</b>	Actual Balance at 1 April 2022 £	Projected Withdrawal / (Addition) £	Estimated Balance at 31 March 2023 £
General Fund Reserve	(7,425,182)	785,271	(6,639,911)
Elections Reserve	(200,920)	(30,000)	(230,920)
Homelessness Grant Reserve	(212,064)	-	(212,064)
Stapleford Town Fund Reserve	(71,561)	-	(71,561)
Planning Reserve	(31,071)	-	(31,071)
Noise Monitoring Equipment Res	(15,000)	-	(15,000)
Council Tax Equalisation Reserve	(65,610)	65,610	0
NNDR Equalisation Reserve	(2,976,000)	860,000	(2,116,000)
<b>Total Balances</b>	<b>(10,997,408)</b>	<b>1,680,881</b>	<b>(9,316,527)</b>

The Collection Fund Equalisation Reserve comprises the remaining balance of exceptional Section 31 grants received in 2021/22 for additional reliefs awarded during and beyond the pandemic. This reserve will be used to meet the projected NNDR net deficit position, with the expected clawback of over-estimated Section 31 grants required for extended Retail, Hospitality and Leisure Reliefs in 2022/23. The remaining balance on the Collection Fund Equalisation Reserve will be reconciled again at outturn following completion of the NNDR3 return and cleared when appropriate.

<b>Change in Balances 2023/24</b>	<b>Actual Balance at 1 April 2023 £</b>	<b>Projected Withdrawal / (Addition) £</b>	<b>Estimated Balance at 31 March 2024 £</b>
General Fund Reserve	(6,639,911)	938,181	(5,701,730)
Elections Reserve	(230,920)	181,000	(49,920)
Homelessness Grant Reserve	(212,064)	0	(212,064)
Stapleford Town Fund Reserve	(71,561)	71,561	0
Planning Reserve	(31,071)	0	(31,071)
Noise Monitoring Equipment Res	(15,000)	0	(15,000)
Council Tax Equalisation Reserve	0	0	0
NNDR Equalisation Reserve	(2,116,000)	0	(2,116,000)
<b>Total Balances</b>	<b>(9,316,527)</b>	<b>1,190,742</b>	<b>(8,125,785)</b>

The recommendations are based on withdrawing £938k from the General Fund reserve in 2023/24; withdrawing £181k from the Elections Earmarked Reserve to meet the cost of the Borough Council elections in May 2023; and withdrawing £72k from the Stapleford Town Fund Earmarked Reserve, linked to initial funding received from the Towns Fund, to support Economic Development activity.

No legislative restriction applies as to how the Council's reserves may be used. The minimum acceptable total of General Fund Reserves to meet revenue expenditure and capital financing commitments is considered to be £1.5 million.

#### 5. Business Strategy and Budget Savings

A range of potential efficiencies and additional income has been identified and included in the Business Strategy agreed by Cabinet on 4 October 2022 at <https://democracy.broxtowe.gov.uk/documents/s19563/3.0%20MTFS%20and%20Business%20Strategy%204%20Oct%202022%20v3.pdf>.

Savings and additional income totalling £675k have been built into the 2023/24 base budget, as follows:

<b>Proposal and Business Impact</b>	<b>Financial Impact on Budgets</b>
Growth in Business Rates – A reasonable target based on the information available to date, although income growth is impacted by the pace of the economic growth.	£170k additional funding from Business Rates included in budget
Council Tax increase – A change to the government's referendum limits provides the ability to increase Council Tax by up to 3%, compared to the current MTFS which included a 2% rise for 2023/24.	£60k additional funding income over MTFS assumptions included in budget

<b>Proposal and Business Impact</b>	<b>Financial Impact on Budgets</b>
Staffing efficiencies in leveraging new technology, taking advantage of vacancies to restructure to save money, manage vacancies and reduce administration.	£140k increase in the Employee Savings Target included
Garden Waste income with expected increase in subscriptions (both volume and price) in 2023/24.	£30k additional income included in budget
Beeston Phase 2 development income to include new operators.	£100k additional income included in budget
Planning Income – Additional income expected following the approval of the Local Plan Part 2.	£50k additional income included in budget
Housing Lifeline Income – Slight increase in sales volume from the additional marketing of the scheme.	£5k additional income included in budget
Lower Mileage Costs from agile working has resulted in lower employee mileage claims around 35%.	£10k savings included in budget
Surveillance – Rationalise and ensure cameras are targeted effectively – with greater use of mobile cameras and potential revenue cost savings.	£10k income from shared service arrangements (one-year) included in budget
Reshaping the Leisure offer following the outcome of strategic reviews of leisure facilities and efficiency reviews of leisure services.	£100k reduction in the Management Fee included in budget

It is proposed to set an employee savings target of £500k in 2023/24 to be met from vacancies, flexible retirements and redundancies. The Business Strategy included a proposal to increase this target in view of the inflationary increases in the overall salaries budget. Any further approvals by Cabinet of voluntary redundancy/flexible retirement requests will help to achieve this saving.

The budgets have been prepared with the best information available at the time of production. It is fair and reasonable to highlight potential developments, not sufficiently certain at present to include in the estimates, but matters which may reduce the proposed draw on the Council's General Fund Reserve in both 2022/23 and 2023/24. This will include the recent amendment in the law to allow public sector organisations within the scope of businesses entitled to receive energy grant support, which will support with the rising cost of energy in the Council's premises.

Furthermore, there is no historical evidence of the Council overspending against its service budgets, with recent year-end balances providing an underspend which can then be returned to general balances.

Given the ongoing financial impact of developing economic circumstances and the medium term financial position, a further refresh of the Business Strategy will be required in the Summer 2023 to identify other potential efficiencies. This work will be led by the General Management Team and a updated and refreshed Business Strategy will be presented to Cabinet in October 2023 for approval.

6. Beeston Special Expenses

Beeston and its surrounding area is a special expense area purely in relation to the cost of maintaining allotments. It is anticipated that, assuming no unforeseen and significant events occur, then sufficient monies will remain on the account such that a precept of £25,300 per annum should be capable of being maintained for 2023/24.

In the Beeston Special Expenses Area, it is proposed to maintain the precept at £25,300 and hence the Council Tax charge. In reality this would mean that, within the Beeston Special Expenses Area, the combined effect of the two Council Tax elements would produce an increase of 2.94% per band D dwelling as per the other parts of the Borough.

7. Council Tax

The Local Authorities (Conduct of Referendums) (Council Tax Increases) (England) Regulations 2012, provide that any shire district or borough council proposing an increase of 2% (or more than 2%) and more than £5 their Council Tax will need to provide the opportunity for local people to approve or veto the increase in a referendum.

The Policy Statement accompanying the 2023/24 provisional local government finance settlement announcement, confirms that for Council Tax, shire district councils will have a referendum principle of 3% or £5, whichever is higher.

The Leader of the Council, the Deputy Leader and the Portfolio Holder for Resources and Personnel Policy have been consulted, and it is proposed that the basic Council Tax amount for a band D equivalent property be increased by 2.94% from £176.85 in 2022/23 to £182.06 in 2023/24.

The authority's share of the estimated deficit on the Council Tax element of the Collection Fund at 31 March 2023 is £48,482. After taking this into account, and the increase in the Council Tax Base for 2023/24 as approved by Cabinet on 20 December 2022, then a 2.94% increase in the basic Council Tax (for a Band D property) amount equates to a Council Tax requirement (excluding the special expenses area) of £6,346,950 in 2023/24 and would require an overall withdrawal from balances totalling £1,190,742 (including the contributions from Earmarked Reserves).