

**Extract from Unconfirmed Minutes of Scrutiny Committee 19 January 2023
Item 7 - Draft General Fund Budget and Council Tax Report 2023/24**

<p>Unconfirmed</p>



Minutes of a Meeting of the **Scrutiny Committee** held in the Conference Room, Riverside, on **Thursday, 19 January 2023 at 6.30pm**

Members of the Committee present:

Councillor David Beavan, Councillor Stuart Bird, Councillor Linda Coulam, Councillor Tony Goldson, Councillor Louise Gooch, Councillor Tracey Green, Councillor Colin Hedgley, Councillor Geoff Lynch, Councillor Caroline Topping

Other Members present:

Councillor Maurice Cook, Councillor Mick Richardson

Officers present: Chris Bally (Chief Executive), Ben Bix (Democratic Services Officer), Andy Jarvis (Strategic Director), Brian Mew (Chief Finance Officer & Section 151 Officer), Lorraine Rogers (Deputy Chief Finance Officer), Isobel Rolfe (Political Group Support Officer (GLI)), Julian Sturman (Specialist Accountant – Capital and Treasury Management), Heather Tucker (Head of Housing), Amber Welham (Finance Business Partner – Housing), Nicola Wotton (Deputy Democratic Services Manager)

7 Draft General Fund Budget and Council Tax Report 2023/24

The Cabinet Member with responsibility for Resources, Councillor Cook introduced report **ES/1421** which provided an update on the draft Medium Term Financial Strategy (MTFS) as presented to Cabinet on 3 January and presented an initial draft of the Council's General Fund Budget for 2023/24. The MTFS provided a baseline forecast of income and expenditure in the context of the overall financial climate, including public finances and the local government financial environment.

Councillor Cook reported a change to the 2023/24 budget due to an update in Government funding following the Provisional Local Government Finance Settlement in December. Due to the new Funding Guarantee Allocation the Government funding to East Suffolk Council would increase by £1.1m next year. The budget gaps for the current year and next year had consequently changed since the report to Cabinet on 3 January:

- The 2022/23 budget gap had changed from £0.786m to £0.904m, an increase of £0.118m. The change was due to the ongoing review of the budget updates processed
- The 2023/24 budget gap had changed from £2.629m to £1.347m, a decrease of £1.282m. The change was due to the new Funding Guarantee Allocation along with further review of the updated budgets.

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The proposal to use the In-Year Savings Reserve to fund those gaps remained appropriate, and a balanced budget continued to be presented in the report for both years. Councillor Cook explained that the 2023/24 referendum limit for Council Tax had been increased from 2% to 3%, but the £5 threshold for Shire Districts in two-tier areas remained the same. The report therefore proposed a Band D Council Tax for East Suffolk of £181.17 for 2023/24, an increase of £4.95 or 2.81%.

Reserves were projected at around £29m by the end of the MTFS, but that did not include the use of reserves beyond 2023/24 to fund future projected budget gaps. In addition to the exhaustion of the Covid-19 reserve, there were other reserves that were forecast to be fully or substantially utilised over the plan period, and not be replenished. Those reserves included: the In-Year Savings reserve, the New Homes Bonus reserve, the Transformation reserve, the Capital reserve and the Port Health reserve.

Councillor Cook drew the Committee's attention to prospective activities not yet factored into the MTFS, which had the potential to ease the budget gap toward the end of the MTFS period. Those activities included the Council Tax Premium on second homes and expected efficiencies from East Suffolk Services Ltd. However, despite those factors, and the uncertainty due to local government finance reforms, the range and scale of expenditure and income pressures indicated that a combination of actions would be needed to ensure a longer-term sustainable position including a phased use of reserves, maximisation of income, and the achievement of significant levels of savings.

Councillor Lynch referenced page 71 of the report and asked whether the 100% premium on second homes was the maximum premium and queried the criteria by which the Council would determine whether a property was a second home, and whether owners could avoid the premium. The Cabinet Member confirmed that the Council already knew which homes were second homes in the district, a heat-map visualisation was available, and a full report would be made to Full Council on 25 January. There were mechanisms in place to prevent the premium being avoided, including tightening of the criteria under which a second home could be registered for business rates rather than council tax. The Chief Finance Officer confirmed that 100% was the maximum premium and that further detail would be set out in the forthcoming report to Full Council.

Councillor Goldson sought three clarifications:

1. The type of properties that had been or would be transferred by the Council
2. In what circumstances would the Council invest in land
3. Whether the ambition of carbon neutrality was achievable

In response to Councillor Goldson, the Strategic Director, Chief Finance Officer and the Cabinet Member responded accordingly:

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1. The Chief Finance Officer explained that the Council's land and property holdings were continually reviewed and that there were circumstances where disposal of the asset was the most appropriate business decision. Additionally, there was an ongoing community asset transfer programme to Parish and Town Councils.
2. The Council had invested in land for economic development including the Enterprise Hubs and the PowerPark. The Council had previously decided to constrain its land investments to land within the district and would continue to bring forward opportunities to invest where suitable property had been identified. Investment in suitable housing land would be made in accordance with the Housing Strategy.
3. The Strategic Director was confident that the forthcoming decarbonisation report to Cabinet would set out how the Council would achieve around a 70% reduction in Carbon emissions in future years and offset the remaining 30%.

In response to further questions from Councillors Gooch, Topping and Lynch, the Cabinet Member and Officers explained that:

- The feedback from residents' surveys were used to inform the existing and future Council priorities
- Due to inflationary cost increases, there had been an increase in the green waste subscription charge and the quantity of green waste collected had not yet returned to pre-Covid-19 levels
- There had been a reduction in parking income and a district-wide review of parking was underway which would establish options for Cabinet to consider
- A reserve with annual contributions had been built up for the forthcoming election, however the means of funding new Voter Authority Certificate Identification requirements would be reported back to the next ordinary meeting of the Committee as a Matter Arising
- The introduction of the second homes premium would not countermand extant long term empty homes premiums of up to 300%.

Councillor Beavan referred to the response to his advance question regarding agency costs and queried the rationale for the reduction to the budget and questioned where agency staff had been or would be replaced with salaried staff, whether that had been captured with an increase in salary budgets elsewhere. The Deputy Chief Finance Officer responded that some agency roles were highly specialised consultancy roles that were utilised for specific matters and would not then become salaried roles in the future. The reduction shown in the budget was in anticipation of more general agency roles no longer being required as the roles had been absorbed within budgeted establishment costs. The Chief Finance Officer further clarified that the budget was subject to flux and it was desirable to budget appropriately according to business need.

Councillor Gooch sought clarification of how earmarked reserves were set out in the report and considered that it would be clearer to delineate between those reserves that were earmarked for statutory services and those that were earmarked for discretionary projects. The Deputy Chief Finance Officer further described the

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categorisation of reserves as shown in Appendix A7. This is to assist with identifying reserve balances that are not earmarked for specific purposes and assured Members that reserves not ringfenced for specific purposes are challenged if they have not been used for some time.

The Chairman noted that the Cabinet had chosen to increase housing rents by 6% rather than the 7% ceiling set by the Government and queried whether a full analysis of the consequence on the level of Council Tax of not increasing rents by the ceiling amount had been undertaken. The Cabinet Member countered that there was a cost-of-living crisis and that the Cabinet had made the decision not to levy the maximum rent increase to its most vulnerable residents. Similarly, Cabinet had for the same reason, and having received a greater than anticipated Government settlement, chosen to increase Council Tax by less than the referendum threshold of 3%. The Cabinet was cognisant of the volatile financial landscape and inflation, and it would not have been prudent to not increase Council Tax in those circumstances.

The Chairman called upon Members to debate the recommendations. There being no debate, the Chairman moved the recommendations duly seconded by Councillor Coulam, a vote was taken and it was by a majority

RESOLVED to RECOMMEND to Cabinet

1. To approve the 2023/24 General Fund Revenue Budget as set out in the report and summarised in Appendix A5 and notes the budget forecast for 2024/25 and beyond;
2. To approve the reserves and balances movements as presented in Appendix A7; and
3. To approve a proposed Band D Council Tax for East Suffolk Council of £181.17 for 2023/24, an increase of £4.95 or 2.81%.