

**APPENDIX A**

**RESOURCES AND SERVICES OVERVIEW AND SCRUTINY COMMITTEE**  
**10 JANUARY 2024**

**BUDGET SCRUTINY MEETING**

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**CABINET**

**15 DECEMBER 2023**

**REPORT OF THE PORTFOLIO HOLDER FOR CORPORATE FINANCE AND GOVERNANCE**

**A.4 UPDATED GENERAL FUND FINANCIAL FORECAST / BUDGET 2024/25**

**PART 1 – KEY INFORMATION**

**PURPOSE OF THE REPORT**

To enable Cabinet to consider the updated financial forecast and budget proposals for 2024/25 for consultation with the Overview and Scrutiny Committees.

**EXECUTIVE SUMMARY**

- A 'live' forecast is maintained and reported to Members throughout the year. The most up to date position in December each year is translated into the detailed budget for the following year for consultation with the Overview and Scrutiny Committees.
- As part of maintaining a 'live' forecast, this report 'builds' on the last position that was presented to Cabinet on 10 November 2023.
- Despite the challenging financial and economic environment, confidence in the long term approach to the forecast remains, which is supported by the forecast risk fund.
- The Council has maintained a prudent and sustainable approach to its long term plan, which provides the 'platform' against which it can consider its financial position in response to the very challenging economic outlook it continues to face.
- Further changes to the forecast have been made since 10 November 2023, with a revised position set out in **Appendix A (i)**.
- The changes required broadly reflect updates to cost pressures and savings.
- Cost pressures included to date reflect unavoidable items. Work remains on-going in consultation with Services and it is likely that additional cost pressures will need to be included in later iterations of the forecast before final budget proposals are recommended for presenting to Council in February 2024.
- In terms of the savings identified to date, these can be considered as 'secured' and not projections, given the nature of the budgets they relate to. Although the income from treasury activities will be subject to various changes during 2024/25 the estimated

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saving included is based on a prudent approach and assumptions on likely cash balances and projected interest rates.

- Taking the above into account and in comparison with the position reported to Cabinet on 10 November 2023, the net overall position reflects a forecasted annual deficit of **£2.674m** (an increase from £2.422m).
- An annual review of reserves has also been undertaken, which highlights the need to continue to maintain a number of reserves to support key actions / activities as part of the Council's overall prudent and sustainable approach to managing its finances.
- At the time of finalising this report, the Local Government Finance Settlement for 2024/25 had yet to be announced. It is understood that the announcement will not be made until after the date of this meeting. Therefore, any changes emerging from the settlement will be reflected in the forecast that will be reported to Cabinet in January when it considers its final budget proposals for recommending to Full Council in February.
- The budget includes a Council Tax levy increase of 3%, with this level of increase expected to be confirmed as part of the Government's wider finance settlement announcements.
- Once the final position for 2024/25 is determined, the remaining years of the forecast will also be revised along with the consideration of extending the forecast period, which will be reported to members later in the budget setting process.
- Both **Appendix B and C** include related in-year adjustments for 2023/24. These will be subject to further review before being finalised for inclusion in the Quarter 3 Financial Performance Report that will be presented to Cabinet later in the financial year.

### RECOMMENDATION(S)

*It is recommended that Cabinet:*

- a) **approves the updated Financial Forecast and proposed budget position for 2024/25 as set out in this report and its appendices; and**
- b) **requests the Overview and Scrutiny Committees' comments on this latest financial forecast and proposed budget position for 2024/25.**

### REASON(S) FOR THE RECOMMENDATION(S)

To set out the latest financial forecast as part of the process of developing the budget proposals for 2024/25.

### ALTERNATIVE OPTIONS CONSIDERED

This is broadly covered in the main body of this report.

**PART 2 – IMPLICATIONS OF THE DECISION**

<b>DELIVERING PRIORITIES</b>			
<p>A revised Corporate Plan and Vision was approved by Full Council at its meeting on 28 November 2023. One of the 6 included themes is Financial Sustainability and Openness, with a commitment to continue to deliver effective services and get things done whilst looking after the public purse; that means carefully planning what we do, managing capacity, and prioritising what we focus our time, money and assets on. Tough decisions will not be shied away from, but will be taken transparently, be well-informed, and based upon engagement with our residents.</p> <p>The forecasting and budget setting process will have direct implications for the Council's ability to deliver on its objectives and priorities. The current 10-year approach to the forecast seeks to establish a sound and sustainable budget year on year through maximising income whilst limiting reductions in services provided to residents, business and visitors. The approach set out in this report continues to be set against this wider context.</p>			
<b>OUTCOME OF CONSULTATION AND ENGAGEMENT</b>			
<p>Internal consultation is carried out via the Council's approach to developing the budget as set out within the Constitution. External consultation also forms part of developing the budget, and is carried out early in the year as part of finalising the position for reporting to Full Council in February.</p>			
<b>LEGAL REQUIREMENTS (including legislation &amp; constitutional powers)</b>			
<p><b>Is the recommendation a Key Decision (see the criteria stated here)</b></p>	<p><b>Yes</b></p>	<p><b>If Yes, indicate which by which criteria it is a Key Decision</b></p>	<p><input type="checkbox"/> Significant effect on two or more wards</p> <p><input checked="" type="checkbox"/> Involves £100,000 expenditure/income</p> <p><input type="checkbox"/> Is otherwise significant for the service budget</p>
		<p><b>And when was the proposed decision published in the Notice of forthcoming decisions for the Council (must be 28 days at the latest prior to the meeting date)</b></p>	<p>This item has been included within the Forward Plan for a period in excess of 28 days.</p>
<p>The arrangements for setting and agreeing a budget and for the setting and collection of council tax are defined in the Local Government Finance Act 1992. The previous legislation defining the arrangements for charging, collecting and pooling of Business Rates was contained within the Local Government Finance Act 1988. These have both been amended as appropriate to reflect the introduction of the Local Government Finance Act 2012.</p> <p>The Local Government Finance Act 2012 provided the legislative framework for the introduction of the Rates Retention Scheme and the Localisation of Council Tax Support.</p> <p>The Calculation of Council Tax Base Regulations 2012 set out arrangements for calculation of the council tax base following implementation of the Local Council Tax Support Scheme. These</p>			

arrangements mean that there are lower tax bases for the district council, major preceptors and town and parish councils.

The Localism Act 2012 introduced legislation providing the right of veto for residents on excessive council tax increases.

Under Section 25 of the Local Government Act 2003, the Chief Finance Officer (S151 Officer) must report to Council, as part of the budget process, on the robustness of estimates and adequacy of reserves. The proposed approach can deliver this requirement if actively managed and will be an issue that remains ‘live’ over the course of the forecast period and will be revisited in future reports to members as the budget develops.

In addition to the above, further amending legislation has been introduced since the Local Government Finance Act 1992 that relates to the setting of council tax premiums and discounts, with the latest being the Levelling Up and Regeneration Act 2023.

The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 set out the requirements of a Minimum Revenue Provision (MRP) Policy Statement which must be approved by Council each year. In calculating a prudent MRP provision, local authorities are required to have regard to guidance issued by the Secretary of State. The latest guidance, issued under section 21(1A) of the Local Government Act 2003, is applicable from 1 April 2019 which the proposed MRP policy reflects.

In respect of special expenses that form part of the budget setting process, expenditure is classed as a Special Expense if it satisfies the requirements of the Local Government Finance Act 1992, Section 35. The only category relevant to this Council is contained within Section 35(2)(d) relating to concurrent functions with Parish and Town Councils. Under the Local Government Finance Act 1992, the Council must identify as its Special Expense, proposed expenditure on those functions which the Council performs in part of the district but which Parish or Town Councils perform elsewhere in the District. If, in the Council’s view, a special expense should properly be charged over the whole of the district’s area, the Council may pass an express resolution to this effect (known as a **contrary resolution**).

In order for expenditure to be a Special Expense, there are two conditions that must be fulfilled:

1. Expenditure is estimated to be incurred by the District Council in the whole or part of its area on the provision of a function;
2. Expenditure on the provision of the same function is to be incurred by at least one parish/town council elsewhere in the district.

The proposals set out in this report are in accordance with the Council’s budget and policy framework.

<b>Yes</b>	<b>The Monitoring Officer confirms they have been made aware of the above and any additional comments from them are below:</b>
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The Best Value Duty relates to the statutory requirement for local authorities and other public bodies defined as best value authorities in Part 1 of the Local Government Act 1999 (“the 1999 Act”) to “make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness”. In

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practice, this covers issues such as how authorities exercise their functions to deliver a balanced budget (Part 1 of the Local Government Finance Act 1992), provide statutory services and secure value for money in all spending decisions.

Best value authorities must demonstrate good governance, including a positive organisational culture, across all their functions and effective risk management. They are also required, pursuant to section 3 of the 1999 Act, to consult on the purpose of deciding how to fulfil the Best Value Duty.

Government have recently consulted on revised Statutory Guidance on the Best Value Duty issued to local authorities in England under section 26 of the 1999 Act, which best value authorities are required to have regard to. To provide greater clarity to the sector on how to fulfil the Best Value Duty, the draft statutory guidance sets out seven overlapping themes of good practice for running an authority that meets and delivers best value. These seven best value themes build on the lessons learned from past interventions, including those which the Government published in June 2020, and reflect what most local authorities already do or are striving to achieve. While these themes are all interdependent, strong governance, culture, and leadership underpin effective partnerships and community engagement, service delivery, and the use of resources, continuous improvement is the outcome of all the themes working well together. A detailed description of these themes, including characteristics of a well-functioning local authority and indicators used to identify challenges that could indicate failure, is set out within the draft guidance and financial management and sustainability is a reoccurring expectation throughout the themes and indicators.

### FINANCE AND OTHER RESOURCE IMPLICATIONS

The financial implications are set out in the body of the report.

Although the availability of financial resources is a key component in the delivery of services there will also need to be appropriate input of other resources such as staffing, assets and IT.

The long term approach to the forecast set out in this report has been discussed with the Council's new External Auditor, albeit informally. There were no major concerns raised but they will undertake their own independent and detailed review as part of their commentary on the Council's use of resources.

<b>Yes</b>	<b>The Section 151 Officer confirms they have been made aware of the above and any additional comments from them are below:</b>
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The Section 151 Officer is the author of this report.

### USE OF RESOURCES AND VALUE FOR MONEY

The following are submitted in respect of the indicated use of resources and value for money indicators:

<p>A) Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;</p> <p>B) Governance: how the body ensures that it makes informed decisions and properly manages its risks, including; and</p>	<p>This is addressed in the body of the report.</p> <p>In terms of an independent view, the Council's previous External Auditor has unfortunately yet to complete their work on the Council's Statement of Accounts for 2020/21 and</p>
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<p>C) Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.</p>	<p>2021/22, or started the necessary work on the 2022/23 statements. At the present time it is not known when they will be able to provide their own commentary on the Council's use of resources.</p>
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### MILESTONES AND DELIVERY

This report forms part of the Council's wider budget setting processes. Additional update reports will therefore be presented to Cabinet in January as part of developing the detailed estimates that will be presented to Full Council in February 2024.

### ASSOCIATED RISKS AND MITIGATION

There are significant risks associated with forecasting such as cost pressures, inflation and changes to other assumptions that form part of the financial planning process. The Council's response is set out in the body of this report and will continue to be addressed as part of the future financial update reports highlighted earlier.

As highlighted earlier, it is likely that further cost pressures will need to be included as part of further iterations of the forecast. As highlighted later in this report, money has been set aside in an associated reserve to help mitigate cost pressures associated with the repair and maintenance of Council assets. When they arise, they are usually significant and the approach taken aims to 'protect' the underlying revenue budget from such items as far as possible.

It is also worth highlighting emerging risks associated with the establishment of the Office for Local Government (OFLOG), which will undoubtedly have a significant financial impact on Local Authorities, either directly or where increased capacity may be required to respond to any emerging requirements. This will be considered further as part of the on-going development of the forecast.

As set out in **Appendix A (i)**, based on the latest position forecast, the Forecast Risk Fund is estimated to be depleted over the remaining years of the forecast period, which adds further financial risks and challenges which may require increased savings to be identified to deliver a sustainable financial position.

However, it is important to note that the Council still prudently maintains reserves to respond to significant / specific risks in the forecast such as **£1.758m** (NDR Resilience Reserve) and **£1.000m** (Benefits Reserve), which can be taken into account during the period of the forecast if necessary. The Council also holds **£4.000m** in uncommitted reserves, which reflects a best practice / risk based approach to support its core financial position.

### EQUALITY IMPLICATIONS

There are no direct implications that significantly impact on the financial forecast at this stage. However, the ability of the Council to appropriately address such issues will be strongly linked to its ability to fund relevant schemes and projects and determination of the breadth and standard of service delivery to enable a balanced budget to be agreed.

An impact assessment will be undertaken as part of any separate budget decisions such as those that will be required to deliver savings.

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Special expenses are based on the principle of ensuring there is equality across the district in levying council tax to residents based on services and facilities provided by Town and Parish Councils in specific areas that are also provided by the District Council.

### SOCIAL VALUE CONSIDERATIONS

There are no direct implications that significantly impact on the financial forecast at this stage.

However, such issue will be considered as part of separate elements of developing the budget as necessary.

### IMPLICATIONS FOR THE COUNCIL'S AIM TO BE NET ZERO BY 2030

There are no direct implications that significantly impact on the financial forecast at this stage.

However, such issue will be considered as part of separate elements of developing the budget as necessary.

### OTHER RELEVANT CONSIDERATIONS OR IMPLICATIONS

Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.

<b>Crime and Disorder</b>	Please see comments above
<b>Health Inequalities</b>	
<b>Area or Ward affected</b>	

## PART 3 – SUPPORTING INFORMATION

### UPDATED FINANCIAL FORECAST 2024/25

The long term forecast is updated on an on-going basis, which is reported to Members quarterly, with the most recent position (at the end of September 2023) being reported to Cabinet at its 10 November 2023 meeting. The format of the forecast has been subject to an important albeit relatively minor change to show the annual deficit position before the annual savings 'targets' rather than it being an inclusive figure. This better demonstrates the Council's underlying forecasted deficit position, which is important for a range of potential audiences not least the Government and other representative bodies.

**Appendix A (i)** sets out an updated forecast for 2024/25 that reflects changes since Cabinet considered the earlier position at its 10 November 2023 meeting. The changes required reflect a slightly worse position – an increased annual deficit of **£0.252m** (from **£2.422m** to **£2.674m**) after taking account of savings.

Work remains on-going as part of the continuing development of the budget, which will need to react to a number of issues such as any announcements from the Government as part of the annual local government financial settlement process. Any changes will be reported to Members as they arise throughout the remainder of the budget setting process and will be included in the final budget proposals to be considered by Cabinet in January before recommendations are made to Full Council in February.

The following table provides a commentary on the changes to the initial forecast set out in **Appendix A (i)** (excludes items where there has been no significant change to the relevant line of the forecast considered by Cabinet on 10 November 2023):

Item in the Forecast	Change since forecast was considered on 10 November 2023	Comments
<b>Underlying Funding Growth in the Budget</b>		
<p><b>Lines 4 and 6 –</b> Growth in Council Tax – general property / tax base growth, and  Collection Fund Surpluses b/fwd - Ctax</p>	<p>Net increased income of <b>£0.030m</b></p>	<p>These two changes reflect the final council tax base calculations for 2024/25 where the estimated property growth was slightly lower than originally estimated but offset by an increased collection fund surplus position.</p>
<b>Net Cost of Services and Other Adjustments</b>		
<p><b>Lines 14 and 23 –</b> On-going savings identified / achieved, and  On-going savings required</p>	<p>Total savings identified of £1.242m <b>(£0.742m</b> more than the <b>£0.500m</b> 'target' included in earlier forecasts.</p>	<p>Savings have been 'moved up' to Line 14 of the forecast from Line 23 to reflect that they have now been identified / secured rather than remaining a 'target'. As the total amount achieved is greater than the target of <b>£0.500m</b>, Line 23 has been reduced to nil.</p> <p><b>Appendix B</b> sets out in more detail the savings identified / achieved, with some further commentary included immediately below this table.</p>
<p><b>Line 18 –</b> Inflation – Employee Costs</p>	<p>Additional costs of <b>£0.255m</b>.</p>	<p>As highlighted at Cabinet on 10 November 2023, the cost of the staff pay award pay for 2023/24 has had the knock-on impact of increasing the on-going base employee costs over and above the original estimated position.</p>



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<b>Line 19</b> – Inflation – Other	Reduction of <b>£0.218m</b> in estimated costs.	This broadly reflects on-going inflationary forecast updates.
<b>Line 20</b> – Unavoidable Cost Pressures	Increase of <b>£0.987m</b> in estimated costs.	<b>Appendix C</b> sets out a number of items identified to date. As highlighted earlier in the report, work remains on-going in consultation with Services and it is likely that additional cost pressures will need to be included in later iterations of the forecast before final budget proposals are recommended for presenting to Council in February 2024.

*The above position excludes changes to indirect costs such as internal recharges within the General Fund and technical accounting adjustments that do not have an overall net impact on the budget. However, the full detailed budget, reflecting the above changes, will be presented to Cabinet at its January 2024 meeting.*

In terms of the savings set out in **Appendix A (i)**, it is very important to highlight that a number of items are one-off or are expected to reduce over time and therefore cannot be seen as on-going in terms of the later years of the forecast. When taking into account the one-off or time limited nature of some items (e.g. treasury income is expected to reduce over the next 24 months in line with the expected reduction in the Bank of England base rate) the on-going savings achieved total **£0.400m**. This therefore places an increased focus on savings required in the later years of the forecast to ensure the necessary on-going savings are achieved over the corresponding time period.

It was expected to be able to include a further on-going saving in excess of **£0.250m** relating to the recent leisure centre VAT court judgement that found in favour of Local Authorities rather than HMRC. However, some conflicting guidance has recently been published by HMRC that introduces enough doubt about the treatment of VAT within leisure centres that it was felt prudent to not include it at this stage. Further work remains on-going and an update will be provided to the next meeting of Cabinet in January.

As set out in earlier reports, developing ‘a savings framework’ against the context of the Corporate Plan remains a key activity over the coming months. Senior Managers will continue to work alongside Portfolio Holders to bring this information together so that it can be considered against the context of the recently agreed Corporate Plan. The level of time and resources required to not only develop the above framework but to also deliver the required savings should not be underestimated. Set against the ongoing delivery of existing projects such as the Levelling Up Scheme and Freeports, there needs to be a clear focus on the timely development of the plan whilst managing competing resources over the coming months.

In terms of cost pressures included within the forecast, their mitigation continues to form an important element of the long-term financial plan. The cost pressures identified for inclusion in the budget largely reflect unavoidable items at this stage, including the on-going impact of items identified as part of earlier financial performance reports. Similarly to savings, a number of items are expected to be one-off or time limited along with being subject to further decision making / review e.g. Careline.

As experienced by Local Authorities across the country, homelessness costs continue to be a significant challenge, with some Councils citing this as likely being one of the primary reasons for potentially having to issue S114 notices if it continues at current levels. Along with energy

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costs, this presents a significant on-going risk to the Council. In respect of energy costs, it is likely that the overall impact on the budget will reduce over time but the scale and speed is impossible to accurately forecast. With this in mind, the current cost pressure included is on an on-going basis at this stage but it is acknowledged that opportunities to reduce this figure are expected to arise in the future.

In the Autumn Statement, the Government committed to increasing Local Housing Allowances along with the providing additional grant funding. Although this is welcomed, increased demand for homelessness accommodation is likely to remain in the immediate term, which has been reflected in the scale of the cost pressure currently included.

As set out in **Appendix A (i)**, taking the above adjustments into account, there is now a forecast deficit for 2024/25 of **£2.674m**, compared with the forecasted deficit of **£2.422m** considered by Cabinet at its 10 November 2023 meeting. Even after identifying savings in excess of the original 'target' of **£0.500m** for 2024/25, such a favourable position has been more than offset by a worsening cost pressure position and estimated inflationary pressures.

The outcome from risk management reviews are reported as part of the quarterly financial performance reports throughout the year (the latest one being reported to Cabinet on 10 November 2023). It is important to highlight that there are no new / significant adverse issues that have arisen in terms of the annual forecast risk fund surpluses since the last position was reported. The associated risk management appendix has therefore not been repeated as part of this report. However, it will continue to form part of the regular reporting of the financial forecast going forward.

As set out in earlier reports, the Council's long-term plan and Forecast Risk Fund provide flexibility and support against which the above can be considered. Extending the current financial forecast period will also be considered as part of developing the forecast over the remainder of the financial year that may provide further financial flexibility and support along with further opportunities to respond to the structural annual budget deficit that is still estimated to remain at the end of 2026/27.

As previously discussed, it is recognised that the use of reserves and one-off amounts to balance the budget is not sustainable in the long term. However, by balancing the use of existing reserves and potentially one-off funding in the short to medium term, it provides additional flexibility to develop the framework in which to identify the required savings from 2024/25.

As indicated in recent S114 notices issued by some Local Authorities, a major issue faced by Councils is not having the necessary practical and pragmatic plans in place to identify the savings required to balance their budgets. Such issues need to be factored into the development of the framework against which savings are delivered as highlighted above.

The current approach to the forecast does enable the flexibility and time to consider the longer-term plan and the further savings that will be required in an informed way and in light of the recently agreed updated Corporate Plan.

### **Sensitivity Testing**

Work remains in progress to update associated sensitivity testing of the forecast, with the outcome planned to be presented in reports later in the year as part of the on-going development of the budget for consideration by Full Council in February 2024.

**Reserves**

As part of the budget setting process, it is also timely to review the appropriateness of the level of reserves at this stage in the budget cycle.

Following the associated review this year, a summary of the reserves held (excluding revenue and capital commitments reserves) and their purpose is set out in the following table:

<b>Reserve</b>	<b>Purpose of the Reserve</b>	<b>Estimated Balance</b>	<b>Status</b>
Asset Refurbishment/Replacement Reserve	To meet the cost of the maintenance of the Council's assets, including those associated with the Council's commitment to carbon neutrality. This reserve 'protects' the underlying revenue budget from significant one-off expenditure items with expenditure against this reserve being considered as part of the wider management / response to emerging cost pressures.	£1.019m	Review as part of the on-going development of the forecast / cost pressures.
Benefit Reserve	To meet any potential costs arising from the obligation to pay benefits and to support future changes to the Welfare Regime. The future remains uncertain given the on-going extension to the roll-out of universal credit.	£1.000m	Continue to retain this reserve  (but will remain under review as part of future welfare reforms and the development of the forecast)
Business Rates Resilience Reserve	To support the Council in reacting to potential future changes in Business Rate appeals and income, especially in light of the	£1.758m	Continue to retain this reserve

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	potential for changes to the business rate reforms and associated 'resets'.		(use of this reserve will continue to be considered as part of the development of the long term plan)
Commuted Sums Reserve	Established from commuted sums paid to the Council to cover such items as maintenance costs of Open Spaces and CCTV, in line with the associated agreements.	£0.453m	Continue to retain this reserve to support the commitments established as part of the associated agreements
Election Reserve	To finance future costs associated with holding District Elections on a four yearly cycle.	£0.000m (the reserve was fully spent in 2023/24 to meet the cost of the May 2023 elections)	Continue to retain this reserve to meet the associated cost when due. (supported by a proposed cost pressure from 2024/25 – see Appendix C)
Haven Gateway Partnership Reserve	To support the costs associated with the Haven Gateway Partnership e.g. costs that may be incurred on termination / withdrawal from the current arrangements.	£0.075m	Subject to review against associated risk as this reserve may be able to be removed.
Leisure Capital Projects Reserve	This reserve has been established to fund ongoing investment in Leisure Facilities and will form an important element of supporting the	£0.080m	Continue to retain this reserve

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	delivery of the upcoming Sports and Activity Strategy.		
Planning Inquiries and Enforcement Reserve	To meet associated costs relating to planning services.	£0.019m	This reserve is expected to be depleted in 2024/25 with any associated activities having to be met from within existing budgets going forward.
Section 106 Agreements Reserve	This reserve holds income received from developers under Section 106 of the Town and Country Planning Act 1990 to be spent on specific projects over a number of years in accordance with the terms of the agreements.	£2.968m	Continue to retain this reserve (this is released as part of separate decisions made during the year)
Forecast Risk Fund	As set out in earlier reports and elsewhere within this report, this reserve continues to be held to support planned annual budget deficits as part of the Long Term Financial Sustainability Plan.	£6.142m (before adjustments from 2024/25 onwards)	Continue to retain this reserve  (use of this reserve will continue to be considered as part of the development of the long term plan)
Uncommitted Reserve	General Reserve held to respond to key financial risks such as inflation, income loss, additional burdens etc. which is subject to a risk based assessment on a regular basis.	£4.000m	Continue to retain this reserve

*The revenue and capital commitments reserves have not been included above as they broadly reflect the cash flow impact relating to the timing / programming of the delivery of associated projects and initiatives etc.*

Although a more detailed statement will be made by the S151 Officer that will be included in the report to Full Council in February, the current level of reserves based on the review above remains adequate, although this position will be subject to on-going review given the risks to the financial forecast highlighted earlier in this report.

### **Local Government Finance Settlement and Government's Spending Review**

As set out in earlier financial performance reports, until it is confirmed or otherwise in the Local Government Finance Settlement no Revenue Support Grant income is usually included in the forecast. However, given the current economic climate and the significant financial challenges faced by Councils, especially in light of the potential increase in Local Authorities issuing S114 notices, it is likely that the Government will provide on-going support, at least in the short to medium term. A level of financial support therefore continues to be included within the forecast. Based on this revised approach, a total of approximately **£0.700m** in general revenue support grant funding has been included from 2024/25.

In a departure from previous years where the Council has historically refrained from using one-off money to support the underlying budget, estimated income from the New Homes Bonus Grant (and from the Council's continued membership of the Essex Business Rates Pool) are now included. This change was introduced within the Financial Performance report for Q1 2023/24 that was considered by Cabinet on 6 October 2023. Although there are no long term guarantees around such sources of funding, it is expected that they will continue in the short term, which reduces the risk over the remaining years of the forecast. This revised approach will continue to be reviewed on an on-going basis and if any information comes to light that indicates an increased risk to this approach, then the forecast will be updated and reported to Members as soon as practicable. Based on this revised approach, income of **£0.500m** and **£0.400m** relating to the New Homes Bonus and Essex Business Rates Pool respectively has been included in the forecast, which will be confirmed or otherwise when the final budget proposals are presented to Cabinet in January 2024.

Both of the Revenue Support Grant and New Homes Bonus will be confirmed within the Local Government Financial Settlement that is currently expected to be announced by the Government shortly. In terms of business rates, further details are set out later on in this report.

Although it is always difficult to translate the more detailed financial impact from the Government's Autumn Statements, it is worth highlighting two key policy announcements included in the most recent statement. The first relates to homelessness which was discussed in more detail earlier in this report. The second was in connection with business rates with the following commitments being made by the Government:

- For 2024/25, the small business multiplier in England will be frozen for a fourth consecutive year at 49.9p, while the standard multiplier will be updated by September CPI to 54.6p
- The current 75% relief for eligible Retail, Hospitality and Leisure (RHL) properties is being extended for 2024/25. Around 230,000 RHL properties in England will be eligible to receive support up to a cash cap of £110,000 per business.

- Local Authorities will be fully compensated for the loss of income as a result of these business rates measures and will receive new burdens funding for administrative and IT costs.

As discussed in earlier financial performance reports, although the forecast does not reflect the Government's intended comprehensive spending review, they have stated that *'their ambitions for Levelling Up the country require us to assess our commitments to update local government funding. The government had previously committed to carry out a Review of Relative Needs and Resources and a reset of accumulated business rates growth. Whilst we can confirm that these will not be implemented in this Spending Review period, the government remains committed to improving the local government finance landscape in the next Parliament.'*

The Government have also confirmed that the core settlement will continue in a similar manner for 2024/25, with the major grants continuing as set out for 2023/24. Although the actual position for 2024/25 remains subject to the Annual Local Government Financial Settlement that the Government will announce shortly, their commitment is viewed positively, which may result in additional funding being receivable in 2024/25. However, based on the Government's statement above, the longer term position is much more unclear and will be subject to a future Government in the next parliamentary period. Therefore any additional funding that may be receivable in 2024/25 should be seen as potentially being on a one-off basis at the present time, with the forecast subject to revision based on future Government announcements.

#### **ADDITIONAL INFORMATION**

##### **Council Tax Levy 2024/25**

Based on a proposed 3% increase, the Council Tax for a band D property will be **£193.75** in 2024/25. The updated property base is **51,866**, an increase of just over **1.5%** over the 2023/24 figure of **51,050**.

The Government have already confirmed their commitment to allow District Councils to increase their share of the council tax by 3%, although future potential increases still remain subject to further Government announcements.

As set out in the Financial Report to Cabinet on 6 October 2022, the Council will continue to opt-in to the Council Tax Sharing Agreement with ECC if it remains financially advantageous to do so. This scheme has continued to provide a financial benefit to the Council over recent years and is expected to continue to do so heading into 2024/25.

##### **Locally Retained Business Rates**

The detailed business rates calculations remain on-going alongside the Government's associated deadlines for finalising and reporting the necessary figures, including estimated collection fund balances.

This remains a very complex area of local government financing and includes not only the continued transitional arrangements associated with the cyclical national property revaluation exercise from last year but also the changes announced in the recent Autumn Statement highlighted earlier along with potential changes emerging from the introduction of Freeports.

The impact of the above on the Council's own financial position along with the estimated benefit of the Council's continued membership of the Essex Business Rates Pool will be determined and reported as part of finalising the detailed budget for 2024/25 that will be presented to Cabinet in January 2024.

**Fees and Charges**

Fees and charges are subject to separate Officer decisions made in consultation with the relevant Portfolio Holder(s) and are reviewed within the framework of the financial forecast and therefore they will be considered against the relevant 'charging power' and where relevant the following key principles:

- general inflationary increases where possible or lower where appropriate / justified
- amounts rounded for ease of application, which may result in a slightly above inflation increase.
- on a cost recovery basis as necessary
- reflect statutory requirements.
- increases where market conditions allow
- to meet specific priorities or service delivery aims / objectives

As set out in this report, the Council continues to face a number of significant financial challenges in 2024/25 and beyond. It is therefore important that fees and charges are considered against this context and to maximise income opportunities where possible, albeit whilst balancing the various issues highlighted above.

Any changes to income will be considered alongside the financial forecast. No changes to the budget are proposed at the present time.

Although agreed separately, a full schedule of fees and charges will be provided to members ahead of the Full Council budget meeting in February 2024.

**GENERAL FUND CAPITAL PROGRAMME 2024/25**

As has been the case in prior years, only a very limited number of schemes are included 'automatically' in the base budget on a recurring basis and these relate to the on-going cost of replacing the Council's core IT infrastructure along with disabled facilities grants. Estimates of **£0.070m** and **£0.757m** will therefore be included within the 2024/25 Capital Programme respectively, although the latter item is likely to change once confirmation of the actual level of external grant support is received next year.

The investment in IT core infrastructure is funded by a direct revenue contribution, with disabled facilities grants funded by the Government via ECC.

The full multi-year Capital Programme incorporating the above will be included within the final budget proposals that will be considered by Cabinet in January before being presented to Full Council in February and will include cost pressures proposed as part of developing the budget accordingly.

**SPECIAL EXPENSES 2024/25**

Special expenses amounts cannot be finalised until the budget for the year has been completed and the associated technical adjustments reflected in the budget. Therefore, at this stage of the budget process it is more practical to review the principles against which the special expenses will be calculated rather than the specific amounts themselves, which are subject to change as the budget develops.



## APPENDIX A

It is not proposed to make any changes to the principles behind the calculation of special expenses with the key principles remaining the same as in 2023/24 as set out below:

- A de minimus amount of **£0.025m** is applied to determine which expenses are excluded from the special expenses calculations;
- Any allocation to specific areas less than **£0.001m** is excluded for the purposes of determining special expenses.

Although subject to the final budget calculations, expenses to be allocated as special expenses are likely to remain as in 2023/24 and apply to open space and recreation area costs.

For completeness, the underlying technical background to the calculation of special expenses is set out below:

*Certain expenditure referred to as 'Special Expenses' is regarded as being chargeable to only certain parts of the district. The rest of the Council's expenditure is regarded as being chargeable over the whole district and is referred to as 'General Expenses'. Local authorities have the power to pass a resolution in respect of any particular Special Expense to the effect that the amount of that expense should be charged across the whole district. This is referred to as the contrary resolution.*

*In exercising this power, the Council also has to consider how the burden of Special Expenses will be charged to the taxpayers of the district.*

### **Information from parish/town councils**

*Each year parish councils complete a return to identify changes to the services they undertake*

### **Consideration of Determining the Contrary Resolution**

*In judging whether the contrary resolution should be passed in respect of any special expenses, the following matters are relevant:*

- i) Whether in respect of this Council's expenditure the function is to be provided generally for the whole district or is to be restricted to a part or parts of the district?*
- ii) To what extent, if any, are restrictions placed on any part of the district as to the accessibility of the function?*
- iii) The use of the facility/activity to which the Special Expense relates.*

*These matters must each be considered and a view taken as to whether it would be appropriate to pass the contrary resolution in respect of some of the budgeted expenditure on Special Expenses.*

*In determining how the burden of special items should be charged to the taxpayer of the district, the following matters need to be considered.*

- i) Where is the facility situated?*
- ii) Who uses it?*

## APPENDIX A

iii) *How much expenditure is to be spent in the various parts of the district?*

*Wherever possible the Council aims to charge the cost incurred in performing a function in a part of the district, to the taxpayers of that part. In assessing the area of benefit to which a function identified as a special expense relates, parish boundaries have been treated as the appropriate areas.*

*The tax base for apportioning Special Expenses to each parish and the unparished area is that used to determine the Council's overall Council Tax base.*

### OTHER CONSIDERATIONS

Although this report has focused on the updated financial position for 2024/25, **Appendices B and C** also set out the impact of the various items discussed above on the in-year budget position for 2023/24.

These will be kept under review and formally reported to Cabinet as part of the Q3 Financial Performance Report 2023/24 in February / March 2024.

As highlighted within the Q2 Financial Report 2023/24 presented to Cabinet on 10 November 2023, although there are a number of adverse issues emerging, it is still expected that such issues will be more than offset by favourable variances and so they will be able to be accommodated within the overall net in-year financial position of the Council, especially as the income from treasury activity is expected to remain very positive over the remainder of the year.

### ANNUAL MINIMUM REVENUE PROVISION POLICY STATEMENT

Where relevant, figures included in the 2024/25 budget are based on the following policy statement that was agreed by Full Council on 28 November 2023.

**In accordance with the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008, the Council's policy for the calculation of MRP for 2024/25 shall be the Capital Financing Requirement Method for supported borrowing and the Asset Life (equal instalment) Method for prudential borrowing.**

### PREVIOUS RELEVANT DECISIONS

Financial Performance Report 2023/24 – General Update at the end of July 2023 – Item A.5  
Cabinet 6 October 2023

Financial Performance Report 2023/24 – General Update at the end of September 2023 – Item  
A.3 Cabinet 10 November 2023

### BACKGROUND PAPERS AND PUBLISHED REFERENCE MATERIAL

None

### APPENDICES

**Appendix A (i)** Updated Financial Forecast 2024/25

**Appendix B** Net Savings Summary

**Appendix C** Cost Pressure Summary

**APPENDIX A**

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