

CABINET

26 JANUARY 2024

REPORT OF THE PORTFOLIO HOLDER FOR FINANCE AND GOVERNANCE

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

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To seek Cabinet's approval of:

- The latest financial forecast / budget proposals and council tax amount for 2024/25 for recommending to Full Council; and
- a delegation to the Portfolio Holder for Finance and Governance to agree the detailed budget proposals and formal draft resolutions / 'technical' appendices required for Full Council on 13 February 2024.

EXECUTIVE SUMMARY

- At its meeting on the 15 December 2023, Cabinet considered the updated financial forecast / budget 2024/25.
- The Updated Financial Forecast was subject to consultation with the Resources and Services Overview and Scrutiny Committee, which met on the 10 January 2024, and their comments are considered elsewhere on the agenda.
- Since the Cabinet's meeting on 15 December 2023, additional changes have been required, primarily as a result of new or revised information becoming available which includes the Government's Financial Settlement announcements.
- The changes required result in a reduced deficit for 2024/25 of **£1.715m**, a change of **£0.960m** compared to the **£2.674m** deficit presented to Cabinet in December. **Appendix A**, along with comments set out later on in this report, provide further details across the various lines of the forecast, with the most significant change being the receipt of the revenue support grant and other associated funding from the Government.
- The most up to date savings schedule and cost pressure summary are set out in **Appendices B and C** respectively.
- To enable the detailed estimates along with the various resolutions / 'technical' appendices required for Full Council in February to be finalised, a delegation to the Portfolio Holder for Finance and Governance is included below. A further delegation is also included to enable a business rate relief policy, associated with the continuation of a mandatory Government relief scheme in 2024/25, to be finalised in advance of bills being printed and sent out before the start of the financial year.
- The budget position set out in this report will change as further adjustments are required as part of finalising the budget for presenting to Council on 13 February 2024, with a

further delegation included in the recommendations to reflect this.

- Based on the final proposed budget for 2024/25, the Council Tax requirement is **£10.048m**, which is based on a 2.99% (**£5.62**) increase for this Council's services, with an annual Band D council tax of **£193.73**. These figures will remain unchanged and therefore will be reflected in the various budget resolutions / 'technical' appendices proposed to be delegated to the Portfolio Holder for Finance and Governance.
- The Council's annual budget and the district and parish elements of the council tax will be considered by Full Council on 13 February 2024 with approval of the 'full' council tax levy for the year being considered by the Human Resources and Council Tax Committee later in February 2024.
- As set out in earlier reports, 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 continue to consider its financial position in response to the very challenging economic outlook it faces.
- As highlighted in the Cabinet's December report, 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 Q3 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 set out in Appendix A, along with the savings and cost pressures set out in Appendix B and C respectively that form the firm proposals for the 2024/25 budget and *recommends to Full Council:***

 - (i) A Band D Council Tax for district services of £193.73 for 2024/25 (a £2.99% increase), along with the associated council tax requirement of £10.048m.**

- b) approves a delegation to the Portfolio Holder for Finance and Governance, to agree the 'technical' appendices and resolutions for the budget proposals for recommending to Full Council on 13 February 2024;**
- (c) approves, subject to b) above and in consultation with the Finance and Governance Portfolio Holder, the Chief Executive reports directly to Council in respect of the formal resolutions necessary to implement the Executive's budget proposals including any further amendments emerging from additional information becoming available and/or notifications received from the Government; and**
- (d) approves a delegation to the Portfolio Holder for Finance and Governance, to agree / adopt a Retail, Hospitality and Leisure mandatory business rate relief scheme 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 for recommending to Full Council in February 2024.

ALTERNATIVE OPTIONS CONSIDERED

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

PART 2 – IMPLICATIONS OF THE DECISION**DELIVERING PRIORITIES**

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.

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, managing liabilities and cost pressures whilst limiting reductions in services provided to residents, business and visitors where possible. The approach set out in this report continues to be set against this wider context.

OUTCOME OF CONSULTATION AND ENGAGEMENT

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.

The Resources and Services Overview and Scrutiny were consulted on the budget proposals with their response that was agreed at their meeting on 10 January 2024, set out elsewhere on the agenda.

LEGAL REQUIREMENTS (including legislation & constitutional powers)

Is the recommendation a Key Decision (see the criteria stated here)	Yes	If Yes, indicate which by which criteria it is a Key Decision	<input type="checkbox"/> Significant effect on two or more wards <input checked="" type="checkbox"/> Involves £100,000 expenditure/income <input type="checkbox"/> Is otherwise significant for the service budget
		And when was the proposed decision published in the Notice of forthcoming decisions for the Council (must be 28 days at the latest	This item has been included within the Forward Plan for a period in excess of 28 days.

		prior to the meeting date)	
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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.

A local authority must budget so as to give a reasonable degree of certainty as to the maintenance of its services. In particular local authorities are required by section 31A(2)(b) and (c) of the Local Government Finance Act 1992 to calculate as part of their overall budget what amounts are appropriate for contingencies and reserves.

Essentially the budget decision meeting of Full Council for the approval of the budget and council tax requirement, is setting the council tax, following a recommendation from Cabinet. Individual amounts are set for expenditure, these are added up and that's how much money the Council requires. Then the Council works out how much money it is likely to get from other sources (charges, grants, investment, the gap after the calculation = council tax).

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.

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.

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

Subject to Government guidance, Business Rate Reliefs may be provided using powers under S47 of the Local Government Finance Act 1988, which require a local scheme to be developed and approved. Where reimbursed by the Government, this is done via S31 of the Local Government Act 2003.

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, has been 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.

Yes	The Monitoring Officer confirms they have been made aware of the above and any additional comments from them are below:
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The Council's budget makes provision on the basis of Council services which are under consideration will be delivered. The budget does not itself authorise any changes to services and does not assume that changes will be made. Any changes to services will need to be the subject of appropriate consideration by the Cabinet Member or the Cabinet following, where appropriate, consultation and a full report setting out options for change, the impact of the proposed changes on service users, including in particular the impact on different equality groups. Where a decision is made not to implement any changes then budgetary adjustments may need to be made, however no savings to Council services are currently identified.

The obligation to make a lawful budget each year is shared equally by each individual Member, at Full Council following recommendations from the Cabinet. In discharging that obligation, Members owe a fiduciary duty to the Council Taxpayer. The budget must not include expenditure on items which would fall outside the Council's powers. Expenditure on lawful items must be prudent, and any forecasts or assumptions such as rates of interest or inflation must themselves be rational. Power to spend money must be exercised bona fide for the purpose for which they were conferred and any ulterior motives risk a finding of illegality. In determining the Council's overall budget requirement, Members are bound to have regard to the level of Council Tax necessary to sustain it. Essentially the interests of the Council Taxpayer must be balanced against those of the various service recipients.

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 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, which is expected to be reported to the Council early in 2024/25.

Yes **The Section 151 Officer confirms they have been made aware of the above and any additional comments from them are below:**

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:

A) Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;	This is addressed in the body of the report.
B) Governance: how the body ensures that it makes informed decisions and properly manages its risks, including; and	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 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.
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.	

MILESTONES AND DELIVERY

This report forms part of the Council's wider budget setting processes, with budget proposals being set out in this report for recommending to Full Council on 13 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 has been set out in earlier reports and reflected within this report and will continue to be addressed as part of the future financial update reports.

As highlighted in Cabinet's December report, further cost pressures have been included as part of further iterations of the forecast. As set out elsewhere 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. An initial associated cost pressure has now been included with further details set out within **Appendix C**.

As set out in **Appendix A**, the Forecast Risk Fund remains a key element of the long-term plan approach. 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. A review of this latter reserve has been undertaken during the year and updated based on broadly increasing risks faced by the Local Councils. When taken together with the Forecast Risk Fund, which supports overlapping risks, this level of reserves remains adequate.

The forecast will remain 'live' and be responsive to changing circumstances and it will be revised on an on-going basis. If unfavourable issues arise, that cannot be mitigated via other changes within the forecast then the forecast will be adjusted and mitigating actions taken, which could include increasing the current savings 'targets' within the forecast. Actions to respond will therefore need to be considered but can be taken over a period of more than one year. In respect of this latter point, it is important to also highlight that like many other Councils, this Council has had to rely on the use of reserves to balance its budget, albeit in a planned way via the Forecast Risk Fund. It is essential that the Council continues to work towards delivering in-year balanced budgets as soon as possible rather than continue to rely on reserves, which is not sustainable in the longer term.

In a change from the earlier iteration of the forecast where the Forecast Risk fund was estimated to be fully depleted at the end of 2026/27, the revised forecast set out in this report now includes a positive balance on the Forecast Risk Fund at the end of current forecast period. This therefore provides some additional flexibility in the context of the paragraph immediately above, but is also set against the fact that a structural annual budget deficit still remains at the end of 2026/27.

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 necessary.

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.

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.

Crime and Disorder	Please see comments above
Health Inequalities	
Area or Ward affected	

PART 3 – SUPPORTING INFORMATION

BACKGROUND

On 15 December 2023 Cabinet considered the Updated Financial Forecast / Budget 2024/25 for consultation with the Resources and Services Overview and Scrutiny Committee. The report set out an estimated deficit of **£2.674m** in 2024/25, which was being met from the Forecast Risk Reserve.

The development of the forecast / budget has continued since the above Cabinet meeting with

changes required to reflect the latest information, such as the outcome of the Provisional Local Government Finance Settlement. The most up to date position is set out in **Appendix A**, which highlights a reduced deficit position for 2024/25 of **£1.715m**, which will continue to be met from the Forecast Risk Fund.

The most up to date forecast, savings schedule and cost pressure summary are set out in this report. However, at the time of finalising this report, a number of budget adjustments had yet to be finalised. A further delegation is therefore included in the recommendations above to enable these budget adjustments to be included in the final budget proposals that will be presented to Full Council in February and for completeness includes:

- The final employee cost estimates for the year
- Recharges between the GF and HRA
- Income from Business Rates
- Any changes emerging from the Final Local Government Finance Settlement and / or other grants / funding
- Any impact from proposed fees and charges

Any net changes emerging from the above will be adjusted against the Forecast Risk Fund.

Once the final budget adjustments are reflected in the forecast, the detailed / technical information that is required to be reported to Full Council in February will be finalised and an associated delegation to the Portfolio Holder for Finance and Governance is included in the recommendations to reflect this. For completeness these 'technical' appendices include the following:

- *Detailed General Fund revenue estimates, capital programme and reserves 2024/25*
- *Special Expenses 2024/25*
- *Requisite Budget Calculations 2024/25*
- *District Council Taxes for All Areas 2024/25*
- *Precepts on the Collection Fund – District Amounts 2024/25*
- *District Council Tax Amounts 2024/25 (excluding County, Fire and Police services)*
- *Calculation of Estimated Surplus on the Collection Funds for 2024/25*
- *Prudential Indicators 2024/25*

The formal approval of the 'full' council tax levy for the year including the District amount approved by Full Council in February along with the Essex County Council and Police / Fire precepts will be considered by the Human Resources and Council Tax Committee later in February 2024.

LATEST FINANCIAL FORECAST AND BUDGET PROPOSALS 2024/25

As highlighted earlier in this report, the forecast considered by Cabinet at its 15 December 2023

meeting set out a deficit of **£2.674m**. This deficit has subsequently been revised downwards to **£1.715m**, a change of **£0.959m** highlighted in **Appendix A**, which, as set out below, is largely due to the favourable Provisional Local Government Finance Settlement.

The following table provides a commentary on the changes to the initial forecast set out in **Appendix A** (excludes items where there has been no significant change to the relevant line of the forecast considered by Cabinet on 15 December 2023):

Item in the Forecast	Change since forecast was considered on 15 December 2023	Comments
<i>Underlying Funding Growth in the Budget</i>		
<i>Line 2a</i> – Council Tax Increase	Increased reduced by £0.001m	Earlier forecasts reflected a 3% increase. However this has been revised down to 2.99% to reflect the final referendum principles confirmed in the recently announced Provisional Local Government Finance Settlement.
<i>Net Cost of Services and Other Adjustments</i>		
<i>Line 8</i> – Change in RSG	Additional funding of £1.133m is now receivable	<p>Additional funding was included in the Provisional Local Government Finance Settlement announced in December.</p> <p>A cautious figure of £0.711m was originally included in earlier iterations of the forecast, but the Government have committed to provide similar levels of support provided to Local Councils in 2023/24, which has resulted in £1.845m being receivable in total.</p> <p>The longer term position remains 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 subject to reductions in future, with the forecast being revised on this basis.</p>
<i>Line 11</i> – LCTS Grant to Parish Councils	Additional costs of £0.006m .	In-line with previous commitments to ‘pass on’ any increase its own revenue support funding receivable from the Government, an additional level of grant funding to Town and Parish Councils is proposed based on the Council’s own position highlighted above.

Line 19 – Inflation – Other	Reduction of £0.062m in estimated costs.	This broadly reflects on-going inflationary forecast updates.
Line 20 – Unavoidable Cost Pressures	Increase of £0.229m in estimated costs.	Appendix C sets out a number of additional items over and above those included in the December report to Cabinet and continue to broadly reflect unavoidable items. The mitigation of cost pressures continues to form an important element of the long-term financial plan, with some further commentary set out later in the report relating to the wider position.

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 Full Council at its February 2024 meeting in-line with the proposed recommendations highlighted earlier in this report.

There have been no changes to the savings line of the forecast, with **Appendix B** remaining unchanged compared to the position reported to Cabinet in December. As set out in the December report to Cabinet, 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 level of on-going savings are achieved over the corresponding time period.

As highlighted in earlier reports, it was originally 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. Work remains on-going to seek clarity around conflicting guidance issued by HMRC and so no favourable adjustment to the budget has been made at this stage. This will remain under review with updates reported to Members as necessary later in the year.

Within the Provisional Local Government Finance Settlement, the Government also confirmed the provisional New Homes Bonus Grant due to the Council - a total of **£0.848m** will be receivable in 2024/25, which is **£0.348m** more than the initial sum of **£0.500m** currently included in the budget. However, it is not proposed to increase the amount of **£0.500m** currently included, but instead hold the additional funding of **£0.348m** alongside other one-off money to support potential further cost pressures. Further commentary is set out later on in the report which sets out more details behind this proposed approach.

As highlighted earlier, work still remains on-going across a range of budget items such as employee costs, business rates, recharges between the GF and HRA. These will be finalised and included in the final budget proposals to be considered by Full Council on 13 February 2024.

Sensitivity Testing

Work remains in progress to update associated sensitivity testing of the forecast, with the outcome planned to be presented 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, a timely review of the appropriateness of the level of reserves was undertaken, with the outcome reported to Cabinet at its December meeting.

As highlighted in the December report to Cabinet, there remains 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.

No changes over and above those set out elsewhere in this report are proposed. 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 remains adequate and will remain under review as part of updating the 'live' forecast and in light of any emerging or changing risk environment.

Potential Cost Pressures Not Currently Funded

As set out above, the cost pressures included within the budget to date broadly reflect unavoidable items. There are therefore many potential additional financial demands that have not yet been funded, for example:

- Those relating to 'business as usual' e.g. repairs and maintenance of property and other assets;
- 'spend to save' initiatives to support the delivery of savings and efficiencies to meet the savings 'targets' set out in the forecast; and
- items to support the delivery of the corporate priorities and objectives such as the Highlight Priorities for 2024/25 and beyond.

With the above in mind, and similar to previous years, it is proposed to review these items using a risk based approach, but outside of the annual 'base' budget setting cycle, with any associated decisions subject to separate reports or included within other key financial reports during the year. This links in with a discussion at the recent Resources and Services Overview and Scrutiny Committee where a list of all potential future cost pressures would continue to be maintained and reported on a timely basis throughout the financial year.

In terms of identifying funding to support a prioritised list of potential cost pressures emerging from the above review, it is proposed that this would come from existing one-off budgets, such as the reserve set aside to invest in the Council's assets (£1.019m), the balance of the 2024/25 new homes bonus discussed earlier (£0.348m) and the favourable outturn variance from 2022/23 (£3.112m). These amounts are separate to the money held in the Forecast Risk Fund.

Any potential on-going items emerging from the above review will need to be considered alongside the on-going development of the financial forecast during 2024/25.

ADDITIONAL INFORMATION

Council Tax Levy 2024/25

Based on a proposed 2.99% increase, the council tax for a band D property will be **£193.73** 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 confirmed their commitment to allow District Councils to increase their share of the council tax by 2.99%, although future potential increases still remain subject to further Government announcements.

As set out in the Financial Report to Cabinet on 6 October 2023, 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 will continue to do so heading into 2024/25, with the associated figures included in the proposed budget.

Locally Retained Business Rates

No changes over and above those set out in the report to Cabinet on 15 December 2023 have been reflected in the updated forecast at this stage.

The Council remains a member of the Essex Business Rates Pool, with its continuing membership proposed for 2024/25. Unless a Local Authority withdraws from the Essex business rates pool, the pool will continue in 2024/25. As set out in earlier reports, in a change from previous years, the benefit from remaining a member of the Essex Business Rates Pool has now been reflected in the base budget for 2024/25.

As part of providing financial support to businesses, the Government have announced the continuation of the Retail, Hospitality and Leisure Business Rate Relief Scheme that was introduced last year. Although limited by a 'cash cap' of £110,000, the scheme enables business rate relief of up to 75% to continue to be awarded in 2024/25 to those businesses who operate within the retail, hospitality and leisure sectors. As was the case last year, the Council is required to agree / adopt a local scheme to enable relief to be granted to qualifying businesses. As the scheme is in affect a mandatory scheme prescribed by the Government with no local discretions applicable, the adoption of a scheme is therefore primarily a governance issue. With this in mind, a delegation is included within the recommendations above to enable an associated scheme to be agreed / adopted before the bills for 2024/25 are sent to businesses during February / March. The Government will fully reimburse the cost of providing these reliefs via associated grant funding.

In terms of the rating multipliers, the Government have confirmed that the 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 uprated by September CPI to 54.6p. The Government will reimburse the Council for the loss of income that results from this announcement.

Work remains on-going to finalise the budgets relating to business rates, which will be completed via a separate decision of the Portfolio Holder for Finance and Governance for inclusion in the final budget proposals that will be presented to Full Council on 13 February 2024.

Capital Programme

No changes to the forecast have been required at this stage. The full multi-year Capital Programme, including any cost pressures proposed, will be included within the final budget proposals that will be presented to Full Council in February.

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 are considered alongside the financial forecast process. No changes to the budget are proposed at the present time, but any changes required to reflect the separate decisions made will be included within the final budget proposals presented to Full Council in February.

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.

Special Expenses

No changes are proposed over and above those described in the report to Cabinet on 15 December 2023, with the underlying principles remaining the same as 2023/24.

Annual Minimum Revenue Provision Policy Statement

As set out in the report to Cabinet on 15 December 2023, 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.

UPDATES TO THE FORECAST FOR THE PERIOD 2025/26 AND 2026/27

Taking the most up to date position set out in this report, the forecast for 2025/26 and 2026/27 has been revised with the high level impact on the Forecast Risk Fund set out towards the end of **Appendix A**, which is summarised as follows:

Year	Net Budget Position (including adjusting for prior year use of reserves etc. to balance the budget)	Forecast Risk Fund - Estimated Surplus Balance at the end of the year
2025/26	£1.926m deficit	£3.001m
2026/27	£2.192m deficit	£1.058m

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.

As highlighted earlier in this report, the forecast will remain 'live' and be responsive to changing circumstances and it will be revised on an on-going basis. It is also important to repeat a point made earlier in this report about the fact that like many other Council's, this Council has had to rely on the use of reserves to balance the budget, albeit in a planned way via the Forecast Risk Fund. It is essential that the Council continues to work towards delivering in-year balanced budgets as soon as possible over the forecast period rather than continue to rely on reserves, which is not sustainable in the longer term.

Notwithstanding the above, the Council's long-term plan and Forecast Risk Fund provide flexibility and support against which future forecasts can be considered. Extending the current financial forecast period will also be considered as part of developing the forecast over the coming months once the final position for 2024/25 is confirmed and presented to Full Council in February 2024.

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 Quarter 3 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.

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.

The Local Council Tax Support Scheme, Discretionary Council Tax Exemptions/ Discounts/ Premiums for 2024/25 and Annual Minimum Revenue Provision Policy Statement 2024/25 – Item A.3 Full Council 28 November 2023.

Updated General Fund Financial Forecast / Budget 2024/25 – Item A.4 Cabinet 15 December 2023.

BACKGROUND PAPERS AND PUBLISHED REFERENCE MATERIAL

None

APPENDICES**Appendix A** Updated Financial Forecast 2024/25**Appendix B** Net Savings Summary**Appendix C** Cost Pressure Summary**REPORT CONTACT OFFICER(S)****Name**

Richard Barrett

Job Title

Assistant Director (Finance and IT)

Email/Telephonerbarrett@tendringdc.gov.uk
(01255) 686521