

COUNCIL

13 FEBRUARY 2024

REPORT OF CABINET

A.1 EXECUTIVE'S PROPOSALS – GENERAL FUND BUDGET AND COUNCIL TAX – 2024/25

(Report prepared by Richard Barrett)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To present to Council the Executive's General Fund budget proposals for 2024/25.

EXECUTIVE SUMMARY

- The information and recommendations set out in this report reflect the financial forecast considered by Cabinet on 26 January 2024, along with a limited number of subsequent changes.
- As highlighted in the report to Cabinet on 26 January 2024, the following adjustments were outstanding at that time, which have now been reviewed / finalised for inclusion within the final budget proposals:
 1. The final employee cost estimates for the year
 2. Recharges between the GF and HRA
 3. Income from Business Rates
 4. Any changes emerging from the Final Local Government Finance Settlement and / or other grants / funding
 5. Any impact from proposed fees and charges
- The updated forecast for 2024/25, including the changes above, is set out in **Appendix A**. The forecast deficit for 2024/25 has reduced from **£1.715m**, that was reported to Cabinet in January, to **£0.449m**. This change is largely due to the final figures associated with income from business rates. This has reduced the use of the Forecast Risk Fund by a corresponding amount.
- It is important however to highlight that in taking a cautionary approach, the above favourable outcome relating to business rates should be treated on a one-off basis given the uncertainty around this complex area of the budget in future years. Further updates will be considered during the year as the longer term forecast develops.
- **Appendices B and C** set out the Net Savings and Cost Pressures respectively. These remain unchanged from the same appendices considered by Cabinet on 26 January 2024.
- As recommended by Cabinet on 26 January 2024, the Executive's budget proposals set out a Band D Council Tax of **£193.73** in 2024/25, an increase of 2.99% (£5.62), with a Council Tax requirement of **£10.048m**.

- Taking into account the changes to the budget required since Cabinet met on 26 January 2024, the total net General Fund revenue budget for 2024/25 is **£15.123m**, along with a General Fund capital programme totalling **£0.827m**.
- The original savings targets of **£1.000m** and **£1.500m** in 2025/26 and 2026/27 respectively remain the same at this stage.
- Even after including the above savings targets, a structural annual deficit of over **£2.000m** is still expected to remain at the end of 2026/27.
- The forecast will remain 'live' and be responsive to changing circumstances and it will be revised on an on-going basis. 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.
- The reduced call on the forecast risk fund in 2024/25 as highlighted above provides some additional flexibility and within this context it is acknowledged that the Council needs to maximise the time that the Forecast Risk Fund allows, to secure the necessary savings as soon as possible.
- The budget recommended by Cabinet for approval by Council includes only the District and Parish elements of the Council Tax rather than those from the major precepting authorities. The formal approval of the 'full' Council Tax levy for the year, including the precepts from Essex County Council, Police and Fire, is delegated to the Human Resources and Council Tax Committee which is due to meet on later in February 2024.

RECOMMENDATION(S)

That having had regard to the Chief Finance Officer's (S151 Officer) report on the Robustness of Estimates and Adequacy of Reserves in accordance with the requirements under Section 25 of the Local Government Act 2003, and having taken account of any responses to the budget consultation process the Council approves the 2024/25 budget proposals (based on a 2.99% (£5.62) Band D council tax increase for district services) and agrees:

- i) That the total General Fund net revenue budget for 2024/25 be set at £15.123m (a council tax requirement of £10.048m excluding parish precepts);**
- ii) that the General Fund capital programme be approved totalling £0.827m in 2024/25;**
- iii) the detailed General Fund budget for 2024/25 as set out in Appendix D;**
- iv) the calculation of the Council's Council Tax requirement, Special Expenses and Parish/Town Council precepts, as set out at Appendix F;**
- v) the Council Tax for District and Parish/Town Councils' services as at Appendix I and that these are the amounts to be taken into account for the year in respect of the categories of dwellings listed in different valuation bands; and**

vi) that subject to the above, if budget adjustments are required such as those necessary to reflect the late notification of external / grant funding, then in consultation with the Finance and Governance Portfolio Holder, the Council's S151 Officer be authorised to adjust the budgets accordingly with no net impact on the overall budget or capital programme set out above.

REASON(S) FOR THE RECOMMENDATION(S)

To enable the Council's budget for 2024/25 along with the necessary associated decisions to be approved. The Council is required to set a balanced budget which is reflected in this report and recommendations.

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 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.

In-line with the above, the Resources and Services Overview and Scrutiny Committee were consulted on the budget proposals at their meeting on 10 January 2024, with their comments considered by Cabinet on 26 January 2024.

At the time of finalising this report, the required consultation with Business Ratepayers remained on-going and any comments will either be provided ahead of the meeting or directly at the meeting of Full Council on 13 February 2024.

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 checked="" 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 prior to the meeting date)	This item has been included within the Forward Plan for a period in excess of 28 days.
<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>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.</p> <p>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.</p> <p>The Local Government Finance Act 2012 provided the legislative framework for the introduction of the Business 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.</p> <p>The Localism Act 2012 introduced legislation providing the right of veto for residents on excessive council tax increases.</p> <p>The provisions for business rates retention were brought in under Schedule 1 of the Local Government Finance Act 2012.</p> <p>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.</p> <p>Under Section 25 of the Local Government Act 2003, the Chief Finance Officer (S151 Officer)</p>			

must report to Council, as part of the budget process, on the robustness of estimates and adequacy of reserves.

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 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:
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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:

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, or started the necessary work on the 2021/22 and 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 reports forms the final element of the Council's annual budget setting process, with the final budget proposals set out in this report being considered by Full Council in advance of the year that they relate to.

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 and January reports, further cost pressures have been included as part of further iterations of the forecast. As set out in earlier reports, money has been set aside in an associated reserve to help mitigate cost pressures associated with the repair and maintenance of Council assets along with supporting the Council's climate action plan. When such cost pressures 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 the 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 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 an 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 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 AND BUDGET PROPOSALS 2024/25

On 26 January 2024 Cabinet considered the following report:-

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

It was resolved that Cabinet:

- (a) *approves the updated financial forecast, as set out in Appendix A to item A.4 of the report of the Corporate Finance & Governance Portfolio Holder, along with the savings and cost pressures set out in Appendices B and C respectively that form the firm proposals for the 2024/25 budget and recommends to Full Council 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) *authorises the Portfolio Holder for Corporate Finance and Governance, to agree the 'technical' appendices and resolutions for the budget proposals for recommending to Full Council on 13 February 2024;*
- (c) *authorises the Chief Executive, in consultation with the Corporate Finance & Governance Portfolio Holder, to report 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) *authorises the Portfolio Holder for Corporate Finance and Governance, to agree / adopt a Retail, Hospitality and Leisure mandatory business rate relief scheme for 2024/25.*

In respect of item (b) above, this report's recommendations and appendices form the 'technical' and formal budget resolutions required to be considered by Full Council to determine the level of Council Tax and Budget for 2024/25. As agreed in (a) above, the Band D Council Tax for district services of **£193.73** for 2024/25 (a £5.62 increase), along with the associated council tax requirement of **£10.048m** remain unchanged to the position considered and agreed by Cabinet on 26 January 2024.

CHANGES SUBSEQUENT TO THE CABINET'S PROPOSALS OF 26 JANUARY 2024

As set out in the report to Cabinet on 26 January 2024, the following budget adjustments remained outstanding at that time:

- The final employee cost estimates for the year and 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

These have now been reviewed / finalised with the changes required to the forecast being set out in **Appendix A**, along with further details as follows:

- **Employee Costs and Recharges between the GF and HRA – additional net expenditure of £0.211m has been included in the forecast. (Aggregate of Lines 15 and 18 – Appendix A)**

This primarily reflects the outcome of the final detailed salary estimates process and ‘technical’ pension cost adjustments along with the associated impact on the recharges between the general fund and HRA.

- **Income from Business Rates – additional net income of £1.445m has been included in the forecast. (Aggregate of Lines 3, 5, 7 and 13 – Appendix A)**

This reflects the outcome from the detailed and complex business rate calculations, which includes an estimated surplus on the collection fund at the end of 2023/24.

Full details were set out in an associated and ‘technical’ NNDR1 return that was agreed by the Portfolio Holder for Finance and Governance on 31 January 2024, which was subsequently submitted to the Government as required. The latest forecast and budget proposals therefore reflect the information set out in the NNDR1 return for 2024/25 and include a number of assumptions such as the reimbursement from the Government to meet the loss of income from ‘freezing’ the small business rate multiplier and the provision of various business rate reliefs etc. The figures now also reflect the impact from the Freeport Tax site, which will also be subject to review as part of the associated agreement with the Council’s external partners.

In terms of future income from business rates, a significant level of uncertainty remains, especially as it is expected that the Government may adjust the various calculations to remove any ‘gain’ from the national rateable value revaluation exercise that was undertaken last year. With this in mind, the favourable position highlighted above is being treated as broadly one-off in 2024/25 and subject to further review during 2024/25 as part of the on-going development of the forecast.

- **Final Local Government Financial Settlement 2024/25 (Line 8 – Appendix A)**

At the time of finalising this report, the Government had not yet announced the final settlement figures. Once received, the budget will be updated in accordance with the delegation set out in the recommendation above, with any adjustment set against the Forecast Risk fund as necessary. This approach also applies to any other additional grants from the Government or other funding bodies, which will be adjusted against the Forecast Risk Fund or other line of the budget as required.

- **Impact from Fees and Charges / Other Adjustments.**

At the time of finalising this report, a number of fees and charges remain subject to approval. Work will remain in progress to ensure that the various fees and charge schedules are agreed ahead of the start of the 2024/25 financial year. Therefore no budget adjustments are included in the forecast at the present time.

This on-going review will also overlap with the planned review of the unfunded potential

costs pressures as there may be opportunities to support such costs via changes to fees and charges.

Once finalised, any impact on the budget will be subject to separate reports, such as the regular financial performance reports that are presented to Cabinet during the year.

Appendices B and C set out the net savings and cost pressures included in the budget respectively. The figures remain unchanged from those reported to Cabinet on 26 January 2024. 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, 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.

After taking account of the above, the revised forecast set out in **Appendix A** highlights an overall deficit position for 2024/25 of **£0.449m**. This is a reduction of **£1.266m** compared to the earlier forecast deficit of **£1.715m** reported to Cabinet on 26 January 2024. This has resulted in less money having to be drawn down from the Forecast Risk Fund to balance the budget in 2024/25. This improved position has been delivered primarily from the favourable income outcome from business rates, but as set out elsewhere in this report, this should be viewed cautiously in terms of the uncertainty around whether it will continue in future years. However, the improved position for 2024/25 does provide the Council with flexibility in terms of managing cost pressures and meeting savings and efficiency 'targets' in 2025/26 and beyond.

Appendices D to J set out the 'technical' budget / financial information required to be presented to Full Council to enable it to consider and agree the level of Council Tax and Budget for 2024/25.

As highlighted in earlier reports, the Council will continue to be a member of the Council Tax Sharing Agreement and Essex Business Rates Pool along with ECC and other participating Essex Local Authorities in 2024/25.

Sensitivity testing has been undertaken with the outcomes set out in Table 1 within **Appendix A**. It is worth highlighting that the forecast remains sensitive to relatively minor changes to assumptions. For example, only relatively minor changes to existing assumptions can have a significant impact on the annual position along with the balances held in the Forecast Risk Fund. However it is important to highlight that the current Forecast Risk Fund can support the longer term forecast with surplus balances estimated to remain in the Fund in the immediate term.

Potential Cost Pressures Not Currently Funded

As set out within earlier reports, the mitigation of cost pressures will continue to form an important element of the long-term financial plan. 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 of £0.348m highlighted in the report to Cabinet on 26 January 2024, along with the favourable outturn variance from 2022/23 (£3.508m). These amounts are separate to the money held in the Forecast Risk Fund. As highlighted earlier, the on-going review of fees and charges may also provide opportunities to support the cost of associated cost pressures as necessary.

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.

GENERAL FUND BUDGET SUMMARIES

The 2024/25 revenue budget and capital programme are summarised below. In respect of the revenue budget, this reflects the proposed Band D Council Tax increase of 2.99% (£5.62) for this Council's services in 2024/25.

Table 1 – General Fund Revenue Budget

	2023/24 Original £m	2024/25 Original £m
Net Cost of Services	22.235	20.884
Revenue support for capital investment	0.070	0.070
Financing items	(6.963)	(5.070)
Net Expenditure	15.343	15.884
Net Use of Earmarked Reserves	(1.201)	(0.761)
Total Net Budget*	14.142	15.123
Business Rates (<i>excl. S31 Govt. Grant funding</i>)	(3.058)	(3.357)
Revenue Support Grant	(0.696)	(0.767)
Collection Fund (Surplus) / Deficit*	(0.784)	(0.951)
Council Tax Requirement (for Tendring District Council)	9.603	10.048
Parish Precepts	2.378	2.541
Council Tax Requirement (as per Requisite Calculations)	11.981	12.589

Table 2 – General Fund Capital Programme

	2024/25 £m
EXPENDITURE	0.827
FINANCING	
Government Grants	0.757
Direct Revenue Contributions	0.070
Total Financing	0.827

ROBUSTNESS OF THE ESTIMATES AND ADEQUACY OF RESERVES

Appendix K sets out the Chief Finance Officer's (S151 Officer) report on the Robustness of the Estimates and the Adequacy of the Reserves as required by section 25 of the Local Government Act 2003.

Taking into account all the relevant issues the estimates can be considered as robust and are supported by adequate reserves.

The formulation of the budget for 2024/25 is set against the context of the longer-term forecast. Taking the most up to date position set out in this report, the expected annual position for each remaining year of the forecast is 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	£2.027m deficit	£4.166m
2026/27	£2.297m deficit	£2.118m

**includes removal of the prior year use of reserves to balance the budget and savings 'targets' (Lines 21 and 23 of Appendix A respectively)*

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 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 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.

As highlighted earlier, 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 about the fact that like many other Councils, 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. However, the reduced call on the forecast risk fund in 2024/25 as highlighted above provides some additional flexibility in this context, but is also set against the fact that a structural annual budget deficit is still estimated to remain at the end of 2026/27. It is therefore acknowledged that the Council needs to use the time and this flexibility wisely to get ahead of the savings targets as soon as possible.

As discussed earlier, the favourable position in 2024/25 relating to business rates (and the increased funding receivable from the Government via the financial settlement process highlighted in the report to Cabinet) should not be seen as on-going, especially as the Government will at some point undertake a long awaited fundamental review of the funding mechanism for Local Government, which may see additional financial pressure placed on Councils.

One important request that was made to the Government via the recent consultation process associated with the Provisional Local Government Financial Settlement, related to Councils needing longer term settlements as it is impossible to manage an increasingly challenging financial position that relies on one-year settlements.

Against the general background highlighted above, work will remain ongoing to develop the forecast, including exploring the option to extend the period it covers once the budget for 2024/25 is approved by Full Council, which 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.

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.

Updated General Fund Financial Forecast / Budget 2024/25 – Item A.4 Cabinet 26 January 2024.

BACKGROUND PAPERS AND PUBLISHED REFERENCE MATERIAL

None

APPENDICES

Appendix A - Updated Financial Forecast 2024/25

Appendix B - Net Savings 2024/25

Appendix C - Cost Pressures 2024/25

Appendix D - Detailed General Fund Revenue Estimates, Capital Programme and Reserves 2024/25

Appendix E - Special Expenses 2024/25

Appendix F - Requisite Budget Calculations 2024/25

Appendix G - Calculation of District and Parish / Town Council Taxes for All Areas 2024/25

Appendix H - Precepts on the Collection Fund 2024/25

Appendix I - District and Parish/Town Council Tax Amounts 2024/25. *(excludes Council Tax amounts for County, Fire and Police services 2024/25 which will form part of the final Council Tax setting process via the Human Resources and Council Tax Committee)*

Appendix J - Calculation of Estimated Surplus on the Collection Funds for 2024/25

Appendix K - Chief Finance Officer's (S151 Officer) report on the Robustness of the Estimates and the Adequacy of the Reserves

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