



**REPORT of  
INTERIM CHIEF FINANCE OFFICER**

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**to  
COUNCIL  
15 FEBRUARY 2024**

**2023 / 24 REVISED AND 2024 / 25 ORIGINAL BUDGET ESTIMATES**

**1. PURPOSE OF THE REPORT**

- 1.1 To note the Final Local Government Finance Settlement 2024 / 25 which was announced by the Government on 5 February 2024.
- 1.2 To present the revised 2023 / 24 and original 2024 / 25 General Fund Revenue Budget estimates for approval.
- 1.3 To present the options for proposed level of Council Tax increase for 2024 / 25 for approval.
- 1.4 To present the policy on use of reserves for approval.
- 1.5 To note the outcome of the budget survey 2024 at **APPENDIX 6**.

**2. RECOMMENDATIONS**

That the following be approved:

- (a) the Revised 2023 / 24 and Original 2024 / 25 General Fund Revenue Budget Estimates (**APPENDICES 1, 2 and 3**),
- (b) an average Band D council tax of £225.27 (excluding parish precepts) (£6.52 increase) for 2023 / 24 (**APPENDIX 1**),
- (c) policies on the designated use of financial reserves (**APPENDIX 4**),
- (d) maintain the current policy of a minimum general fund balance of £2,600,000.
- (e) that the Council gives due regard to the Interim Chief Finance Officer (Section 151 Officer) statement on the robustness of budgets and adequacy of reserves in **APPENDIX 5**

**3. SUMMARY OF KEY ISSUES**

- 3.1 The Council no longer receives Revenue Support Grant (RSG) funding from the Government meaning that the majority of the funding for the Council's services is from income raised directly by the authority. The main sources of funding are Council Tax, Fees and Charges and Business Rates.

- 3.2 The requirement to set a balanced budget has required robust processes to identify efficiencies, protect front-line services as far as possible, retain the ability to generate income and to recognise the increasing demand for services.

### 3.3 Final Local Government Finance Settlement 2024 / 25

- 3.3.1 The final 2024 / 25 local government finance settlement was announced on 5 February 2024. The Settlement Funding Assessment is the amount of funding consisting of the Council's 50% share of the overall Business Rates Baseline Funding Level, uprated by the increase in the small business rates multiplier that is identified by the Government under the current Business Rates Retention Scheme and adjusted for the tariff that the authority pays.

|  | 2023/24<br>£m | 2024/25<br>£m |
|--|---------------|---------------|
| <b>Settlement Funding Assessment – Maldon</b>                            | <b>1.670</b>  | <b>1.731</b>  |
| of which:  |               |               |
| Revenue Support Grant  | 0             | 0             |
| Business Rates Baseline Funding under 50% Business Rates Retention (BRR) | 1.670         | 1.731         |
| Annual % Change  |               | 3.7%          |

- 3.3.2 The Government calculates an amount called the 'Core Spending Power' each year which is an estimate of the amount of funding available to each authority to spend on their core services. It is made up of estimated Council Tax and Business Rates income, Revenue Support Grant, New Homes Bonus (NHB) and a number of government grants.

| CORE SPENDING POWER  |                       |                       |                       |                       |                       |                       |                       |                       |                       |                                     |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-------------------------------------|
| Please select authority  |                       |                       |                       |                       |                       |                       |                       |                       |                       |                                     |
| maldon   |                       |                       |                       |                       |                       |                       |                       |                       |                       |                                     |
| Illustrative Core Spending Power of Local Government:              |                       |                       |                       |                       |                       |                       |                       |                       |                       |                                     |
|  | 2015-16<br>£ millions | 2016-17<br>£ millions | 2017-18<br>£ millions | 2018-19<br>£ millions | 2019-20<br>£ millions | 2020-21<br>£ millions | 2021-22<br>£ millions | 2022-23<br>£ millions | 2023-24<br>£ millions | 2024-25 <sup>12</sup><br>£ millions |
| Settlement Funding Assessment                                      | 2.4                   | 2.0                   | 1.6                   | 1.5                   | 1.5                   | 1.5                   | 1.5                   | 1.5                   | 1.7                   | 1.7                                 |
| Compensation for under-indexing the business rates multiplier      | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.1                   | 0.1                   | 0.2                   | 0.3                   | 0.3                                 |
| Council tax requirement excluding parish precepts <sup>1,2,3</sup> | 4.1                   | 4.3                   | 4.5                   | 4.7                   | 4.8                   | 5.1                   | 5.2                   | 5.4                   | 5.7                   | 5.9                                 |
| Improved Better Care Fund  | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.0                                 |
| New Homes Bonus  | 0.6                   | 0.8                   | 0.8                   | 0.7                   | 0.8                   | 0.9                   | 0.9                   | 1.0                   | 0.5                   | 0.5                                 |
| New Homes Bonus returned funding                                   | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.0                                 |
| Rural Services Delivery Grant <sup>4</sup>                         | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.0                                 |
| Transition Grant   | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.0                                 |
| Adult Social Care Support Grant                                    | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.0                                 |
| Winter Pressures Grant <sup>5</sup>                                | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.0                                 |
| Social Care Support Grant <sup>6</sup>                             | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.0                                 |
| Social Care Grant <sup>7</sup>                                     | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.0                                 |
| Market Sustainability and Fair Cost of Care Fund                   | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.0                                 |
| ASC Market Sustainability and Improvement Fund <sup>8</sup>        | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.0                                 |
| Lower Tier Services Grant  | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.1                   | 0.1                   | 0.0                   | 0.0                                 |
| ASC Discharge Fund   | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.0                                 |
| Services Grant <sup>9</sup>  | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.1                   | 0.1                   | 0.0                                 |
| Grants rolled in <sup>10</sup>                                     | 0.1                   | 0.1                   | 0.1                   | 0.1                   | 0.1                   | 0.1                   | 0.1                   | 0.1                   | 0.0                   | 0.0                                 |
| Funding Guarantee <sup>11</sup>                                    | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.0                   | 0.6                   | 0.8                                 |
| <b>Core Spending Power</b>   | <b>7.3</b>            | <b>7.2</b>            | <b>7.0</b>            | <b>7.0</b>            | <b>7.3</b>            | <b>7.7</b>            | <b>7.9</b>            | <b>8.4</b>            | <b>8.8</b>            | <b>9.3</b>                          |

Source: Final Local Government Finance Settlement 2024 to 2025 published by DLUHC 5/2/2024

- 3.3.3 Total Core Spending Power for 2024/25 includes the potential additional Council Tax from the maximum 2.99% or £5 referendum principle for districts. The Council increased its Council Tax by £5 in 2017 / 18, the first year that the Government introduced the £5 into the referendum principle and continued to do so until 2022 / 23 in acceptance and recognition of the financial pressures that district councils have been experiencing. For 2023 / 24 and 2024 / 25 the Government has increased the maximum percentage increase to 2.99%, which the Council utilised in 2023 / 24. For 2024/25 an increase of 2.98% is proposed.

- 3.3.4 For 2024 / 25, government funding consists of Revenue Support Grant (nil for the Council), Business Rates Baseline funding, NHB, Services Grant, Rural Services Delivery Grant and a Funding Guarantee.
- 3.3.5 The NHB Scheme was introduced in 2011 / 12 to encourage local authorities to facilitate housing growth. For every additional property built or empty property brought back into use, the government match funds the additional council tax, with an additional amount for affordable homes. The one-off allocation for 2024 / 25 will be £494,908, up from £474,225 in 2023 / 24.
- 3.3.6 There have been changes to the scheme over the years such as:
- the payments have reduced from six years to four years,
  - the introduction of an annual baseline housing growth of 0.4% below which no NHB would be payable,
  - from 2020 / 21 the government no longer pays NHB legacy payments relating to 2020 / 21.
- 3.3.7 For 2024 / 25 the government has maintained the Rural Services Delivery Grant at £85 million nationally and the Council's allocation of £41,851 is 15% higher than 2023 / 24. There is also a Services grant of £10,700 (reduced from £61,980 in 2023/24).
- 3.3.8 The Council's allocation of Homelessness Prevention Grant for 2024 / 25 has been set at £159,407. Further allocations may be announced for the Flexible Housing Support Grant, and the Homelessness Reduction Grant in the future.

#### 3.4 **Revised General Fund Revenue Budget Estimates 2023 / 24**

- 3.4.1 There have been some necessary changes to the 2023 / 24 budget since its approval in February 2023. £1,341k of revenue commitments unspent in 2022 / 23 were carried forward from 2022 / 23 as agreed by Council in July 2023. £165k has been withdrawn from Earmarked Reserves to support one-off expenditure following approval from members during the year, and a further £91k of the Local Development Plan (LDP) Reserve is forecast to be utilised on staff this financial year.
- 3.4.2 The Quarter 2 Budgetary Control report considered by the Strategy and Resources Committee on 23 November showed an estimated net services budget underspend of £242k for 2023 / 24, along with improved interest earnings of £500k. Furthermore, an improved business rates position in 2022 / 23 is expected to allow a further £421k to be withdrawn from the Council Tax and Business Rates Equalisation Reserve in 2023 / 24. The original 2023 / 24 budget showed a projected £421k decrease in the General Fund balance during 2023 / 24, however this is currently forecast set to improve to an overall contribution of £742k.
- 3.4.3 The revised estimates continue to show no contribution needed from the General Fund Balances after contributions from earmarked reserves, as per **APPENDIX 4**. This increases the estimated closing General Fund Balance to £5.8m.

### Impact on General Fund Balance

|   | £000         |
|---|--------------|
| <b>Opening General Fund Balance</b>   | <b>5,081</b> |
| Less 2023 / 24 Medium-Term Financial Strategy (MTFS) Funding Gap                      | (421)        |
| Plus Forecast Net Cost of Services Underspend   | 242          |
| Plus Improved Investment Income   | 500          |
| Plus Additional drawdown from the Council Tax and Business Rates Equalisation Reserve | 421          |
| <b>Estimated Closing General Fund Balance</b>   | <b>5,823</b> |

3.4.4 The Council continues to receive additional income from growth above the baseline in local business rates and pooling arrangements within the Essex Region Business Rates Pool. The final benefits from being in the pool will not be known until the year end.

### 3.5 Original General Fund Revenue Budget Estimates 2024 / 25

3.5.1 The proposed 2024 / 25 net operating expenditure budget after adjusting for statutory adjustments, but before any non-service specific funding and use of reserves totals £12.658m and is therefore £116k (0.7%) higher than 2023 / 24 (£12.541m).

3.5.2 There are additional growth pressures such as an increase for inflation of £740k, due to:

- an estimated 5% increase on gross salaries plus net incremental salary grade pressures,
- an increase in the national minimum wage from £10.42 per hour to £12.00 (15.2%) pushing up contract costs,
- 7.4% increases for Consumer Price Index (CPI) indexed expenditure respectively, measured in August 2023. This mainly applies to operational contracts related to waste services, street cleansing and parks, and corporate contracts such as transaction charges and IT licences, which are collectively increasing by £305k.

3.5.3 Further contract pressures of £73k have arisen with street cleansing services (£50k) to catch up on prior year's high inflation, and leisure centres (£23k) which is still facing challenges after the pandemic. All the operational budget increases are shown in the table below.

### Increase in net operating expenditure budget

|                                  | £000 | £000       |
|----------------------------------|------|------------|
| <b>Salaries Inflation</b>        |      |            |
| 2024/25 Payrise @ 5.00%          | 314  |            |
| Increments                       | 109  |            |
| Members                          | 12   | <b>435</b> |
| <b>Non-Salaries Inflation</b>    |      |            |
| Waste and Street Cleansing (Net) | 257  |            |
| IT Software and Hardware         | 33   |            |
| Parks                            | 12   |            |
| Council Offices & Corporate      | 20   |            |
| Less Lease and Other Income      | (17) | <b>305</b> |

|   | £000  | £000          |
|---|-------|---------------|
| <b>Contractual Pressures</b>                              |       |               |
| Leisure   | 23    |               |
| Street Cleansing  | 50    | <b>73</b>     |
| <b>Expiry of Growths</b>                                  |       |               |
| LDP – 3 Years Expired                                     | (343) |               |
| Ezytreev Software – One Off                               | (12)  |               |
| Customer Service resource – One Off                       | (39)  | <b>(394)</b>  |
| <b>Reported Budget Pressures</b>                          |       |               |
| Recycling bags  | 60    |               |
| North Essex Economic Board contribution                   | 20    |               |
| North Essex Alliance contribution                         | 20    |               |
| Temporary Accommodation                                   | 20    |               |
| Car Parking Card Transaction Fees                         | 20    |               |
| Fire Risk Assessments                                     | 10    |               |
| Other   | 19    | <b>169</b>    |
| <b>New Budget Pressures</b>                               |       |               |
| Leisure Centre Plant Repairs                              | 39    |               |
| LDP Salaries  | 143   | <b>182</b>    |
| <b>Savings, Commercial Income and Fees &amp; Charges</b>  |       |               |
| Savings already delivered                                 | (256) |               |
| Increased Commercial Income                               | (89)  |               |
| Increased Fees & Charges                                  | (308) | <b>(653)</b>  |
| <b>Total increase in net operating expenditure budget</b> |       | <b>117</b>    |
| <b>Original 2023 / 24</b>                                 |       | <b>12,541</b> |
| <b>Original 2024 / 25</b>                                 |       | <b>12,658</b> |

- 3.5.4 It is estimated that in 2024 / 25 there will need to be a net contribution from General Fund balances of £0.151m unless further savings are delivered.
- 3.5.5 The Council Tax increase is considered in Section 3.12. Proposals for the usage of earmarked reserves are discussed in more detail in Section 3.13.
- 3.5.6 2024 / 25 Budgets have initially been built up as follows:
- Salaries based on latest agreed establishment
  - Inflation assumptions – 5.0% average pay award in 2024/25, contractual inflation on goods and services based on projected CPI or RPI dependent of terms within contracts;
  - Expected income from fees and charges and grant income;
  - Implications of statutory and contractual changes, non-inflation cost pressures;
  - Growth and Savings, as discussed later in this report.
- 3.5.7 As part of the budget setting process for 2023 / 24 Maldon District residents were consulted and the results of the survey are at **APPENDIX 6**.

### **3.6 Budget Growth, Savings and Income Generation in 2024 / 25**

- 3.6.1 Savings of £256k have already been agreed and adjusted for in the 2024 / 25 budget. These are made up of £178k from removing the Corporate contingency, £58k from IT application rationalisation and £20k from Elections (agreed by the Council, February 2023). Council will separately consider a report on additional budget savings options for 2024 / 25. These proposals have not yet been built into the core 2024 / 25 budget. The estimated budget gap currently stands at £151k so savings of at least this amount will be required to balance the budget.
- 3.6.2 Due to the budget gap growths bids have been limited to unavoidable budget pressures and total £446k, although £273k of these are to be funded from reserves.
- 3.6.3 Income generation is forecast to increase by £397k next financial year which is included in the budget. This is due to uplifts in fees and charges agreed by Council in December 2023 (£308k) and new commercial income opportunities identified (£89k).

### **3.7 New Homes Bonus (NHB)**

- 3.7.1 NHB is not ring-fenced and can be used by the Council for whatever purpose it wishes. The final 2024 / 25 allocation is £494,808, up from £474,225 in 2023 / 24 and is assumed to support the council's general expenditure budget. There is no NHB Reserve remaining as it was fully utilised in 2023 / 24, as agreed by Council in February 2023 as part of the 2023/24 budget papers.

### **3.8 Pension Fund Deficit Recovery**

- 3.8.1 The Pension Fund Triennial Valuation 2022 results showed that the deficit on the Council's element of the overall Fund in respect of assets and liabilities had reduced from £5.32m to £0.94m with the funding level improving from 90.2% to 98.4%. The deficit recovery period has reduced from 12 years to 9 years. The Council is choosing to pay the triennial deficits up front so a payment of £0.351m will be paid in the 2023 / 24 financial year using the General Fund Reserves / Balance along with 20.9% of pensionable pay. Going forward, this will be funded by making a £0.120m contribution in each of the year's 2024 / 25, 2025 / 26 and 2026 / 27 to the Pension Reserve in the earmarked reserves in readiness for the next triennial payment in April 2026.

### **3.9 Essex Region Business Rates Pool**

- 3.9.1 As agreed by the Council in October 2015, the Council joined the Essex Region Business Rates Pool in April 2016. The Pool is expected to continue to operate in 2024 / 25 and the Council is expected to continue to benefit by being in the Pool.

### **3.10 Interest on Investments**

- 3.10.1 Interest from investment income is an integral part of the budget considerations. Bank of England base rate decreased in March 2020 to 0.1% and it remained at that rate until December 2021 when the Bank of England began to regularly increase the base rate, which stood at 3.50% in December 2022. The 2024 / 25 budget estimate for investment interest income is £1m at an average investment balance of £25m during the year at a rate of 4.0%, allowing for the base rate to be reduced during 2024 / 25 from a 15 year base rate high of 5.25%.

### 3.11 Council Tax

- 3.11.1 The Council Tax referendum threshold set by the Secretary of State for 2024 / 25 was announced as part of the Final Settlement; and for Maldon, the threshold has been set at 2.99% increase over 2023 / 24 or £5, whichever is the greater. Any Council proposing increases more than the threshold faces the substantial cost of conducting a local referendum and, if it results in a 'No' vote, the rebilling cost as well.
- 3.11.2 The Government, in calculating the core spending power for each council, assumes they will have taken the benefit of the 2.99% increase (see table in paragraph 3.4.3) it is important that the Council considers the option of a council tax increase for 2024 / 25.

| Options for Increase in Council Tax from 2023 / 24 to 2024 / 25 | Increase on 2023 / 24 Band D Council Tax of £218.75 |            | Additional Income Band D |
|---|---|------------|--------------------------|
| Tax Base = 26,400.2   | 0.00%   | 2.98%      |                          |
| Band D Council Tax 2023 / 24                                    | £218.75   | £225.27    | £6.52                    |
| Maldon District Council: Council Tax                            | £5,775,044  | £5,947,173 | £172,129                 |

- 3.11.3 Increasing the council tax by £6.52 to £225.27 instead of a Council Tax freeze would raise an additional income of £172,129 in 2024 / 25, thus reducing the requirement from General Fund Balances by that amount to support the General Fund net expenditure.
- 3.11.4 A £6.52 increase represents a 2.98% increase on 2023 / 24 Council Tax as every 1% increase in Council Tax will bring in an additional £57,643.
- 3.11.5 The Council's net expenditure budget (excluding parish precepts but after service specific funding and contribution from reserves) for 2024 / 25 is £5,947,173. This is matched by the estimated total resources with the Band D council tax at £225.27 i.e. £6.52 increase on 2023 / 24 (**APPENDIX 1**).
- 3.11.6 The tax base to be used for setting the 2024 / 25 Council Tax. It has been calculated at 26,400.2 "Band D equivalent" properties, after allowing for a non-collection rate of 2.2%. This tax base is being applied for the purposes of setting the 2024 / 25 Council Tax.
- 3.11.7 In terms of the estimated surplus on the Collection Fund as at 31 March 2024, Maldon District Council's share of the net surplus is comprised of a surplus distribution on Council Tax of £275,052 and a surplus distribution on Business Rates of £2.4m. The Council is awaiting the 2024 / 25 Business Rates pooling results which will be finalised at the end of the financial year. It is proposed to move the full collection fund surplus to the Council Tax/Business Rates Equalisation Reserve to manage any future volatility in funding.
- 3.11.8 In accordance with the legislation under the Local Government Finance Act 1992, all parish precepts must be charged to the Council's General Fund.

### 3.12 Council Tax £6.52 increase on 2023 / 24 Band D Basic amount of £218.75

- 3.12.1 The Budget estimates have been constructed on the basis that the Council is proposing to increase council tax by £6.52 which is within the referendum threshold for 2024 / 25. This represents a prudent approach having regard to the balance of the risks and opportunities facing the Council in future years. The budget for 2024 / 25 is

expected to be balanced, after the consideration of additional savings proposals; however, there are some uncertainties still facing local government finance. Inflation has remained significant over the past year (7.4% as of August 2023) and is forecast to fall to 3.1% during 2024 / 25, which is still above the Bank of England target. The move from the 50% Business Rates Retention to 75% Business Rates Retention system is on hold and it is not known when or whether it will be implemented. Any change to the Business Rates retention system will, most likely result in a reset of the Business Rates Baseline, which it is expected will remove the growth that has been achieved since the system was introduced. This could take away resources from this Council. However, it is not possible to predict what the exact impact would be without knowing the details of the new system. Possible impacts are covered in more detail in paragraph 3.15.3.

- 3.12.2 Council Tax increases become part of the overall financial base of the Council. The proposed £6.52 increase in Council Tax will generate an additional £172,129 of income in 2024 / 25. If this increase is not approved for 2024 / 25 then the gap in 2024/25 and future years widens.

### 3.13 General Fund Balance and Revenue Reserves

- 3.13.1 Detailed policy information for each earmarked revenue reserve and anticipated balances is set out in **APPENDIX 4**.

- 3.13.2 Based on the latest risk assessment it is considered that the Council maintains the approved minimum working balance level at £2.6m as set out in **APPENDIX 5**; however this will be regularly reviewed in the light of changing circumstances.

- 3.13.3 A summary of the proposed use of reserves is summarised in the table below and is based on a budget projection that includes aspects such as inflation and a number of priority and statutory growth pressures offset by savings identified. The overall aim is to ensure that reserves do not fall below £2.6m and the current projections keep within this target.

| Balances Movement (taking into account estimated use in 2024 / 25) | 2023 / 24<br>(Revised) | 2024 / 25      |
|--|------------------------|----------------|
|  | £000                   | £000           |
| Balance brought forward  |                        |                |
| General Fund Reserves  | 5,081                  | 5,823          |
| Earmarked Reserves   | 8,106                  | 3,973          |
| <b>Total</b>   | <b>13,187</b>          | <b>9,796</b>   |
| Projected Movement   |                        |                |
| General Fund Reserves  | 742                    | (151)          |
| Earmarked Reserves   | (4,134)                | 2,747          |
| <b>Total</b>   | <b>(3,391)</b>         | <b>(2,596)</b> |
| Balance carried forward  |                        |                |
| General Fund Reserves  | 5,823                  | 5,673          |
| Earmarked Reserves   | 3,973                  | 6,720          |
| <b>Total</b>   | <b>9,796</b>           | <b>12,393</b>  |

- 3.13.4 The NHB Reserve balance as at 31/03/24 will be £Nil and will be removed, as set out in the 2023/24 budget report due to the planned use of £343k of the reserve to fund



work on Local Development Scheme 2021 - 2024 and LDP Review. The £495k NHB allocation for 2024 / 25 will be utilised to support general fund expenditure.

3.13.5 The main reason for the projected increase in reserves during 2024 / 25 is the Collection Fund surpluses being moved to the Council Tax/Business Rates Equalisation Reserve, as set out in paragraph 3.11.7 above.

3.13.6 In setting budgets and projections for individual years, it is important that the Council is not reliant on the use of reserves to support revenue expenditure thus creating an unsustainable future. Therefore, the use of these reserves is for one-off expenditure, not to fund ongoing revenue costs and should be replenished where required over time.

### **3.14 Medium Term Financial Strategy (MTFS)**

3.14.1 The MTFS is reported to Council on 15 February 2024 for consideration at the same time as the suite of financial reports for 2024 / 25.

### **3.15 View on Risks**

3.15.1 Risks to the Council's financial position could potentially derive from budget overspends, loss of investment income, contractual / legislative failure, shortfall in forecast business rates growth or challenge and emergency events. Historically, the Council's outturn has been within budget and investment income has been above budget; therefore, this is not seen as a high risk to the Council, and it is not necessary to make additional significant provision. However, robust budget management, monitoring and reporting will be a key discipline for all budget managers and ensuring that savings and income levels included in the budget are achieved, will be a key focus.

3.15.2 The level of risk posed by contractual or legislative failure and emergency events is difficult to predict, but it would be a low probability with a potentially high impact.

3.15.3 However, it is not appropriate to set aside large amounts of reserve against the possibility of this happening and that appropriate bond / Parent Company Guarantee have been built into large contracts.

3.15.4 It is important to recognise that with the introduction of the Business Rates Retention, there is a considerable degree of uncertainty in the forecast for business rates growth as much of it depends on external factors including the impact of successful appeals. The Council's own economic development policies can have an impact on business rates growth and therefore it is important that the planning services, economic development services and the business rates service have a co-ordinated approach to inward investment policies. It is important to ensure a high level of growth in the District, as any empty properties create a risk on the level of Business Rates income the Council will receive.

3.15.5 The current cost of living crisis driven by high inflation and increasing interest rates put a high degree of pressure on family and business budgets and this could affect households' and businesses' ability to pay Council Tax and NNDR respectively. This places a risk on local taxation collection rates.

3.15.6 The large contracts such Waste and Leisure Centres are impacted by our economic environment. The footfall through gyms at the Blackwater and Dengie Hundred Leisure Centres have not recovered as hoped after the Coronavirus pandemic, being now impacted by the cost-of-living crisis, meaning very low profits now that only

generate a fraction of income for the Council they did pre-pandemic. Also, the Waste contract relies on recycling tonnage and prices, which are also volatile post pandemic. Furthermore, a new contract commences in February 2024, so the new contract will need to bed in. The impact on the 2024 / 25 budget has been built in and was not as costly as feared 12 months ago. However, the budget assumes Leisure Centre income will not improve on its current returns.

- 3.15.7 Section 25 of the 2003 Local Government Act requires the Section 151 Officer to make a formal report to the Council on the robustness of the budget and adequacy of reserves (**APPENDIX 5**).

## **4. CONCLUSION**

- 4.1 After including all items within the financial projections, general fund and earmarked reserves at the start of 2024 / 25 are expected to be £9.796m with all known movements considered and finish the financial year at £12,393m. The government has set the referendum threshold for the increase in the average band D council tax in 2024 / 25 for district councils at 2.99% or £5, whichever is the greater. Due to the unknown impact of future changes to Local Government finance, it is proposed that the Council should take the opportunity to increase its financial base by increasing the average band D council tax by 2.98% (£6.52).

## **5. IMPACT ON PRIORITIES AS SET OUT IN THE CORPORATE PLAN 2023 - 2027**

- 5.1 This budget is assembled with all corporate priorities considered for the 2024 / 25 financial year.

## **6. IMPLICATIONS**

- (i) **Impact on Customers** – The budget process ensures that changes in service delivery resulting in budget changes are reviewed by Officers and Members so that any impact can be considered. In 2024 / 25, only essential budget growth has been considered.
- (ii) **Impact on Equalities** – The budget affects all residents in the District, it is not considered that the provisions impact negatively on an individual user group.
- (iii) **Impact on Risk** – The distribution of resources reflected in the revenue and capital budgets is designed to support the Authority's approach to risk management (i.e. to reduce all major corporate risks to a level within approved tolerances through the implementation of approved mitigation plans).
- (iv) **Impact on Resources (financial)** – This report details the impact on financial resources.
- (v) **Impact on Resources (human)** – The budget includes an assumed pay increase.

Background Papers:

Budgetary Control Report to the Strategy and Resources Committee, 23 November 2023.

Savings Report to the Strategy and Resources Committee, 25 January 2024.

Discretionary Fees and Charges Report to the Strategy and Resources Committee, 23 November 2023.

Revised 2023 / 24 and Original 2024 / 25 Budget Estimates report to the Strategy and Resources Committee – 25 January 2024

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