

Report to the Council

Committee: Cabinet

Date: 20 February 2024

Subject: Budget 2024/25 (including Fees & Changes, Medium-Term Revenue and Capital, and Treasury Management).

Portfolio Holder: Cllr John Philip

Recommending:

- (1) That the draft General Fund Revenue and Housing Revenue Account budgets for 2024/25 as presented in Attachment 1a, including amendment in Attachment 1b, be approved.**
- (2) That the draft General Fund and Housing Revenue Account Capital programmes for 2024/25 to 2028/29 presented in Attachment 1c, be approved.**
- (3) That the proposed Fees and Charges for 2024/25, including an average Housing Rent increase of 7.7% on Council Dwellings, presented in Attachment 1d, be approved.**
- (4) That the updated General Fund Medium-Term Financial Plan for 2024/25 to 2028/29 presented in Attachment 1e, be approved.**
- (5) That the Section 151 Officer's report – in accordance with Section 25 of the Local Government Act 2003 – on the robustness of the estimates for the purposes of the Council's 2024/25 budgets and the adequacy of the reserves, presented in Attachment 2, be noted.**
- (6) That the Section 151 Officer's recommendation to maintain a minimum £4.0 million contingency balance in the Council's General Fund Reserve in the medium-term, including a contribution to the Reserve as part of the General Fund revenue budget proposals for 2024/25, be approved.**
- (7) That the draft Treasury Management Strategy 2024/25 considered by the Audit & Governance Committee on 15th February 2024 and recommended for Council approval, presented in Attachment 3, be approved; and**
- (8) That the draft Capital Strategy 2024/25 to 2026/27, considered by the Audit & Governance Committee on 15th February 2024, presented in Attachment 4, be approved.**

1. Executive Summary

- 1.1 The first major milestone in the Financial Planning Framework (FPF) for 2024/25 to 2028/29 was reached on 9th October 2023, with Cabinet receiving and considering an updated Medium-Term Financial Plan (MTFP). The MTFP revealed a projected deficit of £3.720 million for 2024/25 on the General Fund; it is a deficit that required eliminating in full for the Council is to fulfil its legal obligation to set a balanced budget for the forthcoming financial year.
- 1.2 The MTFP projected a small revenue surplus of £0.015 million on the Housing Revenue Account for 2024/25.
- 1.3 Acting on the strategic direction provided by Cabinet on 9th October 2023, officers were successful in provisionally bridging the General Fund revenue deficit and presented an early draft budget for 2024/25 to Cabinet on 18th December 2023. The budget was balanced, primarily due to the inclusion of draft General Fund savings proposals of £3.229 million (total savings of £3.535 million were presented, including HRA savings of £0.306 million). The proposals also reflected the comments of a special Overview & Scrutiny Committee, which met to consider the emerging budget, including the savings proposals, on 12th December 2023.
- 1.4 An early draft revenue budget for 2024/25 for the HRA was also presented to Cabinet on 18th December 2023. It anticipated a *planned* deficit of £0.465 million.
- 1.5 The draft budget proposals presented to Cabinet on 18th December 2023 – both General Fund and HRA revenue – were further scrutinised by the Overview & Scrutiny Committee on 23rd January 2024. The Portfolio Holder for Finance also updated the Committee on a significant land disposal at North Weald Airfield. The capital receipt generated was a material event which had happened too late to be reflected in the initial draft budget proposals presented in December 2023; the interest generated from the receipt (a revenue stream) provided an opportunity to modify the budget proposals for 2024/25, including some of the initial savings' proposals.
- 1.6 Further detailed work was completed on the revenue budgets and the basis of latest available intelligence and Scrutiny feedback, with the final budget proposals for 2024/25 being considered and recommended for approval by Cabinet on 5th February 2024 and are presented in **Attachment 1**.
- 1.7 The *Revenue* elements (**Attachment 1a, including amendment in Attachment 1b**) of the proposed Budget for 2024/25 comprise the following:
 - The General Fund final budget proposal for 2024/25 comprises Net Expenditure of £15.853 million, which includes a contribution of £1.972 million to Reserves. The provisional Local Government Finance Settlement 2024/25 was generally as expected, but there has been a substantial decrease of £2.076 million in the overall Net Expenditure budget requirement compared to that assumed in December 2023 driven by a significant fall in net Financing costs (reflecting the impact of the North Weald Airfield capital receipt). This helped to address some late budget pressures, including an income shortfall on Planning Applications (£0.600 million) and the need for a further ongoing contingency on Waste Management (£0.500 million). Scrutiny feedback has also helped guide the judicious use of the available short-term flexibility in removing a limited number of savings proposals embedded in the December 2023 initial draft budget (£0.588 million). It is proposed that the remaining budget surplus (£1.972 million) is set aside within a newly created Transformation Revenue Reserve. A Council Tax increase of 2.99% is proposed; and

- The HRA final draft budget proposal for 2024/25 anticipates a planned deficit of £0.465 million and assumes an average Housing Rent increase of 7.7% (in line with the legal Rent Standard).
- 1.8 The *Capital* elements (**Attachment 1c**) of the proposed Programme for 2024/25 to 2028/29 comprise the following:
- The General Fund Capital Programme comprises total expenditure of £60.488 million over the five-year period 2024/25 to 2028/29, including £32.178 million in 2024/25; and
 - The HRA Capital Programme comprises total expenditure of £140.424 million over the five-year period 2024/25 to 2028/29, including £33.087 million in 2024/25.
- 1.9 **Attachment 1d** also presents the proposed Fees & Charges that support the draft budget for 2024/25. This comprises both General Fund and HRA.
- 1.10 Looking further ahead, an updated Medium-Term Financial Plan (2024/25 to 2028/29) covering both the General Fund and the HRA was also considered and recommended for approval by the Cabinet on 5th February 2024 and is also included in **Attachment 1e**; the numbers reflect the draft budget proposals for 2024/25.
- 1.11 In addition, the Council's Section 151 Officer has a duty under Section 25 of the Local Government Act 2003 to report on the robustness of the budget estimates and the adequacy of the Council's proposed financial reserves. Members attention is therefore drawn to the comments made in **Attachment 2**, which is for consideration and noting.
- 1.12 In considering the Council's contingency reserves, extant professional guidance in the form of the recommended principles contained in "*LAAP Bulletin 99: Local Authority Reserves and Balances (issued July 2014)*" is followed. On that basis, taking account of the strategic, operational, and financial risks facing the Council, the maintenance of a £4.0 million minimum contingency balance of unallocated reserves in the General Fund Reserve is recommended. This is an underlying assumption in the Council's updated Medium-Term Financial Plan 2024/25 to 2028/29.
- 1.13 The draft Treasury Management Strategy 2024/25 (**Attachment 3**) – considered by the Audit & Governance Committee on 15th February 2024 – is also presented and recommended for approval.
- 1.14 And finally, the draft Capital Strategy 2024/25 to 2026/27 (**Attachment 4**) was also presented to the Audit & Governance Committee on 15th February 2024 and is recommended for approval (including the embedded Prudential Indicators 2024/25 to 2026/27).

2. Resource Implications

- 2.1 There are significant resource implications, which are covered in detail in the report.

3. Legal and Governance Implications

- 3.1 The Council has a legal duty under the Local Government Finance Act 1992 to set a balanced budget. This report sets out a recommended budget for 2023/24 which fully meets the legal requirements.

4. Safer, Cleaner and Greener Implications

4.1 None.

5. Consultation Undertaken

5.1 The initial draft budget proposals for 2024/25, including an updated Medium-Term Financial Plan, were (following scrutiny from special Overview & Scrutiny Committee 12th December 2023) presented to Cabinet on 18th December 2023 and again to the Overview & Scrutiny Committee on 23rd January 2024. The Cabinet – at its meeting held on 5th February 2024 – considered further comments on the budget proposals, made by the Overview and Scrutiny Committee at its meeting held on 23rd January 2024.