



**Executive O&S Committee:
25 January 2024**

Cabinet 6 February 2024

**Council:
28 February 2024**

Report of: **Head of Finance, Procurement and Commercial Services**

Relevant Portfolio Holder: **Councillor Rob Molloy**

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SUBJECT: GRA Revenue and Capital Budget Report and MTFS Update 2024/25 to 2026/27

Wards affected: Borough Wide

1.0 PURPOSE OF THE REPORT

- 1.1 To enable the Council to set a balanced Revenue Budget for the forthcoming financial year 2024/25.
- 1.2 To present to members the updated Medium-Term Financial Forecast (MTFF) for the following financial years 2025/26 to 2026/27, noting the latest forecast budget gap of £1.348m, comprising:
 - £1.620m in 2025/26
 - (£0.272)m in 2026/27
- 1.3 To inform members of the reserves position as at 31 March 2023 and the forecast position to 2026/27.
- 1.4 To present to members the Capital Strategy 2024/25 to 2026/27.
- 1.5 To enable the Council to set the Capital Programme for the three years 2024/25 to 2026/27.

2.0 RECOMMENDATIONS

- 2.1 That the General Revenue Account (GRA) budget for 2024/25 be approved based on the proposals to be presented at the Council meeting.
- 2.2 That the latest GRA Medium-Term Financial Forecast (MTFF) budget gap for 2025/26 to 2026/27 be noted.
- 2.3 That the latest GRA reserves position as at 31 March 2023 and forecast to 2026/27 be noted and the GRA reserves policy be approved.
- 2.4 That the Capital Strategy along with the Capital Programme of £16.285m for the three years 2024/25 to 2026/27 be approved, that includes
- New bids of £1.578m;
 - Additional approvals for UK Shared Prosperity Fund £1.535m.
- 2.5 Approve the Capital Strategy for 2024/25 to 2026/27.
- 2.6 That delegated authority be given to the Chief Operating Officer and the Corporate Director to take all necessary action to implement the changes resulting from the budget proposals.

3.0 BACKGROUND

2022/23 Outturn

- 3.1 The 2022/23 GRA Mid-Year report to Council in January 2023 projected a £500k overspend outturn position, whilst the 2022/23 GRA Outturn Report to Council in July 2023 reported a near balanced revenue outturn position.
- 3.2 The favourable variance from mid-year to outturn enabled a reduction in use of reserves in the sum of £234k. This is a positive outcome for the Council. Details are as below:

<u>2022/23</u>	Revised Budget £000s	Mid-Year Variance £000s	Outturn Variance £000s
Corporate and Customer Services	5,725	(200)	1,913
Environmental Services	6,595	200	(367)
Finance, Procurement and Commercial Services	(1,206)	(70)	(42)
Housing	839	0	344
Legal and Democratic Services	1,178	0	1
Planning and Regulatory	1,810	0	(291)
Wellbeing and Place	1,735	0	(241)
Corporate Budgets	754	0	(46)
Staff Vacancy Factor	(1,014)	400	(1,014)
NET SERVICE BUDGET	16,416	330	257
Interest Receivable	(435)	170	(30)
Minimum Revenue Provision	314	0	0
Contribution to/(from) Reserves	(11,341)	0	(234)
NET BUDGET	14,954	500	(7)
Council Tax	(8,226)	0	0
Business Rates: Retained Income	(2,793)	0	0
Business Rates: S31 Grants	(2,850)	0	0

Other Government Grants & Contributions	(1,085)	0	0
FUNDING	(14,954)	0	0

3.3 Details of the key variances include:

- A staff vacancy factor of £1.014m that was built into the 2022/23 revised budget could be fully utilised against all services due to significant staf vacancies and savings;
- Grants available to Housing were allocated in year rather than being rolled forward as originally planned;
- ICT costs were below budget;
- Accounting for pension fund contributions having a favourable effect on outturn;
- The receipt of council tax rebate new burdens grant and some year-end adjustments on benefits, council tax and business rates.

2023/24 Quarter 2 Forecast Outturn

3.4 The budget report presented to Council on 22 February 2023 set out the Council's budget requirement for the 2023/24 financial year and provided details on the Council's reserves position. This process is in accordance with statutory requirements and proper accounting practices.

3.5 Council agreed a Net Budget of £16.327m for 2023/24.

3.6 The table below reflects changes to the original budget approved by Council in February 2023. The changes reflect in-year budget and technical realignments to better reflect statutory reporting requirements, and changes in team structures. The approved net budget of £16.327m has not changed.

3.7 The table below provides quarter 2 forecast outturn estimates against the revised budget. The mid-year net forecast position is a shortfall of £524k, this compares with £583k forecast shortfall at quarter 1.

<u>2023/24</u>	Revised Budget £000s	Q1 Var. £000s	Q2 Var. £000s	Comments
Corporate and Customer Services	5,583	(400)	(600)	Reduced ICT costs. Salaries below budget after uplift and vacancy factor.
Legal and Democratic Services	1,128	50	110	Additional staff and agency costs together with costs of new governance structure
Environmental Services	6,669	587	600	Increased staff and agency costs, partially offset by lower fuel costs than budgeted.
Finance, Procurement and Commercial Services	1,592	50	125	Additional use of agency staff due to sickness absence and year end. Additional income/efficiencies across WLBC (£60k savings target.
Housing Services (incl. Estates)	(879)	0	(20)	

Planning and Regulatory	1,818	100	200	Additional staff and agency costs. Planning and building control income down.
Wellbeing and Place	1,520	408	350	Leisure contract costs. Staff costs and pay settlement. Parking income reduced.
Other Corporate Budgets	501	0	0	
NET SERVICE BUDGET	17,932	795	765	
Interest Receivable (Net)	(225)	(212)	(241)	Rising interest rates
Minimum Revenue Provision	400	0	0	
Contributions (from)/to Reserves	(1,780)	0	0	
NET BUDGET	16,327	583	524	To be met from reserves
Council Tax	(8,568)	0	0	
Business Rates: Retained Income	(3,171)	0	0	
Business Rates: S31 Grants	(3,493)	0	0	
Government Grants	(1,095)	0	0	
FUNDING	(16,327)	0	0	

3.8 The overspend relates to:

- The pay settlement of £1,925 per full time employee. Budgets were set assuming a 3% increase, the actual settlement was closer to 6% on average.
- Various additional service-specific pressures as identified in the table above, these are largely offset by service-specific budget savings plus treasury interest income being better than budget due to rising interest rates.

3.9 Both the 2022/23 outturn position and 2023/24 mid-year forecast outturn position, assist forming the starting position for both the 2024/25 GRA revenue budget and the MTFE ending 2026/27. Though clearly the current mid-year forecast position can change throughout the year for emerging and recurring cost pressures and any in-year opportunities and savings that are identified.

4.0 FINANCIAL OVERVIEW

4.1 Economic Update - Office for Budget Responsibility (OBR) November 2023:

Developments since the previous November forecast have been largely positive, but the economy still faces significant structural challenges. Wholesale gas prices have more than halved over the past six months and are expected to fall further over the forecast period. At the time the forecast was closed, the bank rate was expected to peak at 4.5% later this year, rather than the 5% per cent assume last November. The economy narrowly avoided contracting in the final quarter of 2022 and the near-term outlook for demand has improved. However, gas prices remain more than twice their pre-pandemic level which, when added to the stagnation in investment since 2016, the recent rise in labour market activity, and the slowdown in productivity growth since the financial crisis, means that there remains weak underlying momentum.

- CPI inflation peaked at 11.1% in October and is expected to fall sharply to 2.9% by the end of 2023, a more rapid decline than expected last November. The drop in wholesale gas prices also means that household energy bills are expected to fall below the energy price guarantee limit from July and to £2,200 by the end of the year. Stronger domestically generated inflation means that inflation oscillates around zero in the middle of the decade rather than falling meaningfully into negative territory as was forecast last November. Inflation returns to target in early 2028, with the offsetting effects of lower gas prices and increased domestically generated inflation leaving the consumer price level at the end of the forecast little changed from last November.
- Real household disposable income is expected to fall into 2024 which mainly reflects the rise in the price of energy and other tradeable goods of which the UK is a net importer, resulting in inflation being above nominal wage growth.
- The level of nominal GDP, which is the key driver of our forecast for public finances, is 0.8% higher at the forecast horizon than in the last forecast. This comprises 0.6% from higher real GDP and 0.2% from a higher GDP deflator, reflecting slightly stronger domestically generated inflation. This upward revision to nominal GDP has fed through to higher forecasts for wages and salaries, nominal consumer spending and company profits (outside the oil and gas sector).

4.2 Autumn Statement November 2023

On 22 November 2023, the Chancellor delivered his Autumn Statement, labelling it as an "autumn statement for growth".

The key measures contained within the statement are:

- Changes to taxation and national insurance, largely reducing the burden for both individuals and businesses.
- The reaffirmation for planned departmental resource spending, for the years beyond the current review period (2025/26 to 2028/29), to grow at 1% a year on average in real terms and for public sector capital spending to be frozen in cash terms.

Announcements directly impacting Local Government:

Council Tax

- The council tax referendum limit remained at 3% per year for the year beginning 1 April 2024.

Business Rates

- The small business rate multiplier will be frozen at 49.9p whilst the standard rate multiplier will increase 54.6p in line with September 2022 to 2023 change in CPI. Local authorities will be compensated for the reduction in income as a result of the frozen small business multiplier.

4.3 Provisional Local Government Finance Settlement (LGFS) December 2023:

To provide funding certainty and allow councils to plan ahead, in December 2015 the Government offered councils a four-year funding settlement for the period 2016/17 to 2019/20. Over the past four years of 2020/21, 2021/22, 2022/23 and 2023/24 the Government has limited this to one-year settlements.

On 18 December, the Government published for statutory consultation, the provisional LGFS for 2024/25. The provisional settlement is once again a holding position, this time based on proposed allocations for 2024/25 only.

Core Spending Power (CSP):

Core Spending Power is a measure of the resources available to local authorities to fund service delivery. It sets out the money that has been made available to local authorities through the LGFS.

The table below sets out the figures for local authority CSP from 2015-16 through to 2024-25. Figures for 2015-16 have been adjusted to ensure a consistent measure of local authority income over time.

CORE SPENDING POWER										
West Lancashire										
Illustrative Core Spending Power of Local Government:										
	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25 ⁸
	£ millions	£ millions	£ millions	£ millions	£ millions	£ millions	£ millions	£ millions	£ millions	£ millions
Settlement Funding Assessment	5.465	4.609	3.966	3.622	3.262	3.315	3.315	3.315	3.595	3.751
Compensation for under-indexing the business rates multiplier	0.044	0.044	0.046	0.073	0.106	0.133	0.173	0.339	0.586	0.700
Council tax requirement excluding parish precepts	6.165	6.354	6.595	6.878	7.171	7.498	7.847	8.227	8.569	8.998
New Homes Bonus	1.369	1.714	1.723	1.172	0.967	0.875	0.802	0.703	0.768	0.634
Lower Tier Services Grant	0.000	0.000	0.000	0.000	0.000	0.000	0.141	0.152	0.000	0.000
Services Grant	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.229	0.134	0.021
Grants rolled in	0.135	0.152	0.150	0.145	0.141	0.142	0.157	0.156	0.000	0.000
Funding Guarantee	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.036	0.257
Core Spending Power	13.187	12.887	12.496	11.890	11.646	11.962	12.435	13.120	13.687	14.360
Change since 2015-16 (£ millions)										1.173
Change since 2015-16 (% change)										0.089

For 2024/25 the table shows that the Council CSP has increased by £673k, from £13.687m to £14.360m. However, the Council Tax figures is an assumed figure of £8.998m, the actual figure has been calculated as £8.885m, a shortfall of £113k, that is largely due to actual tax base growth being 0.68% rather than an assumed 1.98%.

Settlement Funding Assessment (SFA):

The Settlement Funding Assessment amount consists of Revenue Support Grant (RSG) and Business Rates Retention.

Key Information for Local Authorities (£m)										
West Lancashire										
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	
Settlement Funding Assessment	4.609	3.966	3.622	3.262	3.315	3.315	3.315	3.595	3.751	
of which:										
Revenue Support Grant	1.576	0.871	0.433	0.000	0.000	0.000	0.001	0.156	0.167	
Baseline Funding Level	3.034	3.096	3.189	3.262	3.315	3.315	3.315	3.439	3.584	
Tariff/Top-Up ²	(9.633)	(8.227)	(8.367)	(13.287)	(8.698)	(8.698)	(8.698)	(10.140)	(10.657)	
2017-18 Tariff and Top-up reconciliation			0.104							
2023-24 Tariff and Top-up reconciliation									(0.087)	
Safety Net Threshold	2.806	2.863	2.949	3.099	3.066	3.066	3.066	3.181	3.315	
Individual Authority Business Rates Baseline	12.667	11.323	11.556	16.549	12.013	12.013	12.013	13.579	14.241	

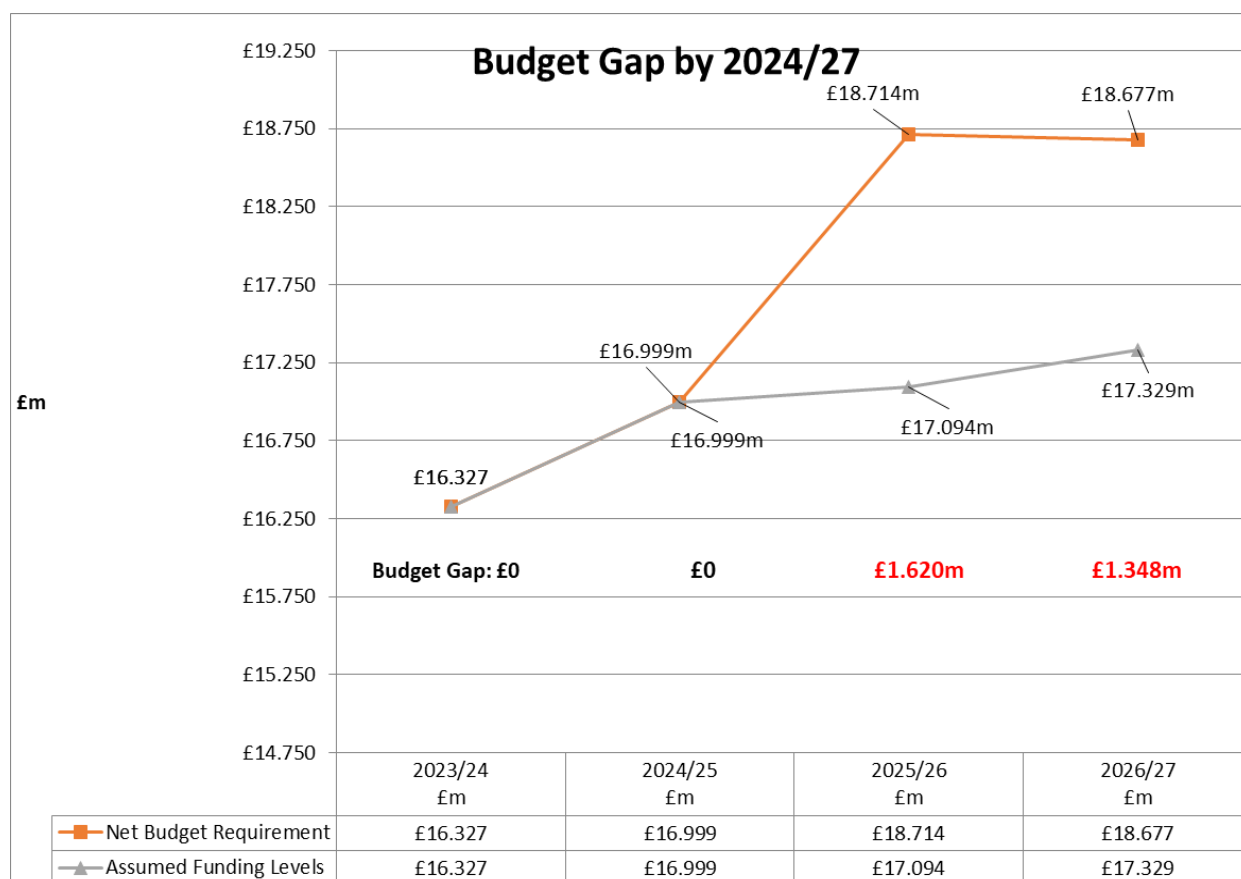
For 2024/25 the table shows that the Council SFA has increased by £156k, from £3.595m to £3.751m, as a result of grants rolled into RSG and an inflation increase to the Business Rates Baseline.

5.0 BASE BUDGET MOVEMENT: BUDGET ASSUMPTIONS and UPDATES

5.1 Whilst indicators appear to show an easing of the cost-of-living crisis with inflation and energy costs forecast to continuing to fall into 2024 as shown in both 4.1 and 4.2, costs still remain high. This, together with the lack of detail from Government on the Local Government Finance Settlements from 2025/26 onwards, along with deferral of the introduction of the long-awaited funding reforms to both the funding settlement formula and the business rates system, makes the production of the medium-term plan with any certainty difficult and therefore some key assumptions have been made in producing the latest forecast position for 2025/26 and 2026/27.

5.2 The key assumptions can be split between net budget requirement and funding and are then applied the starting base position being the 2024/25 base budget of £16.327m.

5.3 The graph below shows the 2024/25 net budget requirement and funding of £16.999m for approval, and the latest forecast net budget requirement and funding levels for 2025/26 to 2026/27, resulting in a budget gap of £1.348m.



5.4 A summary of the movements in the budget since September are set out in the table below:

BUDGET MOVEMENTS	2024/25 £000s	2025/26 £000s	2026/27 £000s
ANNUAL BUDGET GAP SEPTEMBER 2023	1,433	1,209	0

Salary - Additional 3% 23/24 Pay Award, Budget at Top SCP, Vacancy/Scale Factor, FTCs Base Changes, 2023 Pension Triennial Valuation	1,762	(487)	134
Contract Inflation - Insurance, Energy, Fuel and Fleet	(105)	6	148
Solar PV System Tariff Income	0	0	0
Review of Unspent Budgets	0	0	0
Council Elections Delivery	0	0	0
PSAA Reset of External Audit Fees	0	0	0
Treasury Investment Income & Capital Financing	(206)	200	61
Returns from TVD	0	0	(500)
Other Budget Movements	(471)	284	14
2024 Budget Proposals	(1,260)	(41)	81
Reserves - One-Off Use of Reserves to Balance the 2024/25 budget and the complete phasing out of the Use of Reserves by 2026/27	(540)	540	0
Net Budget Movements	(949)	611	(38)
Council Tax - 3% Council Tax Increase	80	(80)	(441)
Business Rates - further delay to the reset of Baselines	0	0	0
Use of Collection Fund Smoothing Reserve	0	0	0
24/25 LGFS - Business Rates Baseline & Tariff	0	0	0
24/25 NNDR1 Local Share & Section 31 Grants	(226)	52	(55)
24/25 LGFS Other Grants - NHB, Lower Tier and Services Grants	(338)	(172)	261
Funding Movements	(484)	(200)	(235)
TOTAL MOVEMENTS	(1,433)	411	(272)
ANNUAL BUDGET GAP FEBRUARY 2023	0	1,620	(272)

5.5 The key inflationary assumptions over the period 2024/25 to 2026/27 include:

Budget Assumptions	2024/25 £000s	2025/26 £000s	2026/27 £000s
Net Service Budget	1,466	24	311
Pay Award	4.00%	2.00%	2.00%
	1,291	(137)	148
2023 Pension Triennial Valuation - Future Service	0.00%	0.00%	0.00%
	4	4	0
Contractual Obligations: Inflation Energy	0.00%	5.00%	5.00%
	0	49	51
Contractual Obligations: Inflation Fuel	5.00%	5.00%	5.00%
	28	29	31
Contractual Obligations: Inflation Insurance	20.00%	5.00%	5.00%
	89	27	28
Contractual Obligations: Inflation Other	Variable	Variable	Variable
	10	10	10
Contractual Obligations: Inflation General	2.00%	2.00%	2.00%
	44	42	43
Net Central Service Budget	5	(20)	0
Contractual Obligations: External Audit Fees	0.00%	0.00%	0.00%
	0	0	0
2023 Pension Triennial Valuation - Past Service	0.00%	0.00%	0.00%

	(20)	(21)	0
Apprenticeship Levy: Pay Award	4.00%	2.00%	2.00%
	25	1	0
Funding	(317)	(421)	(441)
Council Tax Rate Increase (Relevant Basic Amount)	2.99%	2.99%	2.99%
	(317)	(421)	(441)
Council Tax Base Increase	0.68%	1.70%	1.70%
	(261)	(652)	(663)

5.6 The table below summarises the movements over the period 2024/25 to 2026/27:

Movements to the 2023/24 Base Budget	2024/25 £000s	2025/26 £000s	2026/27 £000s
Net Service Base Budget b/f	17,784	17,826	18,185
Permanent Virements	1,104	0	0
RODs	0	0	104
NET SERVICE BASE BUDGET	18,887	17,826	18,289
Pay, NI & Pensions - Inflation	1000	496	494
Pay, NI & Pensions - Base Movements	(429)	(628)	(346)
Employee Vacancy/Scale Factor	(55)	14	(14)
Contractual Inflation	171	157	163
Volume/Activity Base Movements	89	0	0
Legislative/Regulatory	(143)	(43)	0
Grants & Contributions	(442)	384	120
Sales, Fees & Charges Levels	(173)	(17)	(17)
Recharges HRA & Capital	(41)	(80)	(79)
New / Cease / Transfer of Services	58	2	(23)
Service Reserve Movements	248	153	25
Other	(3)	0	0
Total Budget Assumptions	279	437	322
Growth Items	7	(38)	0
Savings Proposals	(6)	0	0
Efficiency Proposals	0	0	(102)
Policy Proposals	(51)	(30)	0
Total Approved Budget Proposals	(50)	(68)	(102)
Growth Items	0	0	0
Income Generation	0	0	0
Efficiency Proposals	0	0	0
Savings Proposals	(1,290)	(11)	81
Policy Proposals	0	0	0
Total New Budget Proposals	(1,290)	(11)	81
NET SERVICE BUDGET	17,826	18,185	18,589
Net Service Base Budget b/f	148	144	121
Permanent Virements	(1)	0	0
RODs	0	0	0
NET CENTRAL SERVICE BASE BUDGET	147	144	121
External Audit	0	0	0
Pensions	(20)	(21)	0
Apprenticeship Levy	25	1	1
Corporate Employee Vacancy/Scale Factor	0	0	0
GRA Recharges	(7)	(4)	(4)

Movements to the 2023/24 Base Budget	2024/25 £000s	2025/26 £000s	2026/27 £000s
Provision & Contingency	0	0	0
Covid-19	0	0	0
Other Corporate Items	0	0	0
Total Central Service Budget Assumptions	(3)	(23)	(3)
NET CENTRAL SERVICE BUDGET	144	121	118
Net Service Base Budget b/f	(1,605)	(971)	408
NET NON SERVICE BASE BUDGET	(1,605)	(971)	408
Treasury Management - Interest Received	(225)	200	0
Treasury Management - Interest Payments	53	19	0
Capital Charges - MRP	136	54	61
Dividends	0	0	(500)
Reserves	674	1,106	0
Total Non Service Budget Assumptions	633	1,379	(439)
NET NON SERVICE BUDGET	(971)	408	(31)
NET BUDGET	16,999	18,714	18,677
BASE FUNDING	(16,327)	(16,999)	(17,094)
Council Tax - Base Increase	(59)	(151)	(158)
Council Tax - % General Increase	(258)	(270)	(283)
Business Rates: Retained Income	(145)	0	0
Business Rates: S31 Grants	(267)	52	(55)
Prior Year Collection Fund (Surplus)/Deficit	(1,035)	0	0
Use of Collection Fund Smoothing Reserve	1,076	0	0
New Homes Bonus	134	634	0
Other Government Grants	(118)	(359)	261
Total Funding Assumptions	(672)	(95)	(235)
FUNDING	(16,999)	(17,094)	(17,329)
ANNUAL BUDGET (HEADROOM)/GAP	0	1,620	(272)
CUMULATIVE BUDGET (HEADROOM)/GAP	0	1,620	1,348

5.7 Detail movements to the Net Base Budget are shown in Appendix 1 of the report:

5.8 The 2024 budget proposals include the items listed at Appendix 2 of this report.

5.9 A full detailed listing of Funding is provided in Appendix 1.

6.0 PROPOSED 2024/25 REVENUE BUDGET AND MEDIUM-TERM FINANCIAL FORECAST 2025/26 to 2026/27

6.1 The Council is required to set a balanced budget and determine its council tax level before the start of each financial year in accordance with statutory requirements and proper accounting practices.

6.2 The purpose of the Medium-Term Financial Forecast is to provide the strategic framework and a forward-looking approach to achieving long-term financial sustainability. It is central to the delivery of priority outcomes in the Council's strategy and plans in an affordable way over the next three years to 2026/27. It aids robust and methodical planning as it forecasts the Council's financial position,

considering known pressures, major issues affecting the Council's finances, including national and regional influences as well as local priorities and factors.

- 6.3 Planning over the medium-term helps the Council to respond in a considered manner, to pressures and changes because of many internal and external influences. This is particularly important during a period where the Council is facing unprecedented changes and challenges. The recovery from the pandemic, the cost-of-living crisis, inflationary pressures and the changes in National funding are examples of this. The MTFF recognises the key role that financial resources play in the future delivery of outcomes and in enabling the effective planning, management and delivery of services that contribute towards the delivery of the Council's Strategic Plan.
- 6.4 The MTFF model provides the framework within which decisions relating to future service provision can be made. The detailed budget, taking account of constantly changing circumstances is regularly reviewed and the Council will be provided with updated budget monitoring reports as things progress.
- 6.5 Based on the current set of key assumptions set out in section 5, the 2024/25 net budget requirement and funding of £16.999m for approval, and the latest forecast net budget requirement and funding levels for 2025/26 to 2026/27, resulting in a budget gap of £1.348m by service is shown below:

2024/25 Budget and 2025/26 to 2026/27 MTFF	2024/25 £000s	2025/26 £000s	2026/27 £000s
Corporate and Customer Services	5,166	5,232	5,203
Environmental Services	6,727	6,863	7,001
Finance Procurement and Commercial Services	1,841	1,895	1,951
Housing Services	(877)	(975)	(985)
Legal and Democratic Services	1,353	1,378	1,397
Planning and Regulatory Services	2,002	2,069	2,081
Wellbeing and Place Services	1,245	1,347	1,558
Chief Officers	369	376	384
NET SERVICE BUDGET	17,826	18,185	18,589
Treasury & Banking	41	41	41
External Audit	142	142	142
Pensions	(168)	(188)	(188)
Apprenticeship Levy	69	70	71
GRA Recharges	(195)	(199)	(203)
Provision & Contingency	166	166	166
Parish Council Grants	89	89	89
NET CENTRAL SERVICE BUDGET	144	121	118
Treasury Management - Interest Received	(544)	(344)	(344)
Treasury Management - Interest Payments	147	167	167
Capital Charges - MRP	532	586	647
Dividends	0	0	(500)
Reserves	(1,106)	0	0
NET NON SERVICE BUDGET	(971)	408	(31)
NET BUDGET	16,999	18,714	18,677
Council Tax	(9,564)	(9,985)	(10,427)
Council Tax - Parish Precepts	679	679	679

Business Rates: Retained Income	(3,275)	(3,224)	(3,279)
Business Rates: S31 Grants	(3,760)	(3,760)	(3,760)
Prior Year Collection Fund (Surplus)/Deficit	0	0	0
Use of Collection Fund Smoothing Reserve	0	0	0
New Homes Bonus	(634)	0	0
Other Government Grants	(444)	(803)	(542)
FUNDING	(16,999)	(17,094)	(17,329)
ANNUAL BUDGET (HEADROOM)/GAP	0	1,620	(272)
CUMULATIVE BUDGET (HEADROOM)/GAP	0	1,620	1,348

7.0 RESERVES AND BALANCES

- 7.1 In accordance with statutory regulations and CIPFA guidance, the levels of balances and reserves are reviewed during the budget process to ensure that they are currently sufficient, and that they will remain adequate over the medium term.
- 7.2 The Council's medium-term financial approach involves using reserves to support the budget position while savings are being realised. The assumption made at budget setting in February 2023, was that £1.808m of reserves would be required in 2023/24 to enable the Council to achieve a balanced budget.
- 7.3 Whilst the reserves position as at 31 March 2023 in 7.7 shows a balance of £13.589m, the Collection Fund Stabilisation Reserve balance of £2.777m is earmarked to fund future years losses on the Collection Fund and smooth the impact of reforms to the Business Rates System and Baseline Reset. Excluding this reserve, the position as at 31 March 2023 is £10.812m.
- 7.4 Utilising of reserves of £1.780m in 2023/24 and a proposed £1.106m in 2024/25, presents an un-sustainable position on the overall reserves position, therefore the complete phasing out of the contribution from reserves has now been assumed over the remaining two-years of the MTFE in 2025/26 and 2026/27.
- 7.5 To reduce the dependence on reserves it is recommended further savings, efficiencies or income generation are identified over the three-year period 2024/25 to 2026/27, to reduce the drawdown on reserves and stabilise the Council's finances over the medium-term.
- 7.6 Reserves Protocol
1. Details for each GRA reserve held by the Council are set out in 7.7 below.
 2. Each reserve is managed and controlled by the s151 Officer of the Council who will act as the responsible officer for the reserve.
 3. The responsible officer can authorise amounts, commensurate with the current limit for Record of Decision (RoD) actions, to be taken from a reserve provided that its use is in line with the stated purpose of the reserve.
 4. Reserves are reviewed and updated as part of the annual budget preparation and as part of the closure of accounts process to ensure that they continue to be required and are adequate in size.
 5. Earmarked reserves represent money that has been set aside for a clearly defined purpose, and which is available to meet future expenditure in that area.

6. Balances represent unallocated funds which have not been earmarked and consequently are available to support any service area.

7.7 Reserves Balances and Forecast

Classification	Sub-Classification	2022/23 YE Balance £000s	2023/24 Forecast In-Year Movement £000s	2023/24 Forecast YE Balance £000s	2024/25 Forecast In-Year Movement £000s	2024/25 Forecast YE Balance £000s	2025/26 Forecast In-Year Movement £000s	2025/26 Forecast YE Balance £000s	2026/27 Forecast In-Year Movement £000s	2026/27 Forecast YE Balance £000s
General Fund Balance	Core Balances	(£690)	£0	(£690)	£0	(£690)	£0	(£690)	£0	(£690)
General Fund Balance	Contingency Balances	(£270)	£0	(£270)	£0	(£270)	£0	(£270)	£0	(£270)
CORE and CONTINGENCY BALANCES		(£960)	£0	(£960)	£0	(£960)	£0	(£960)	£0	(£960)
Corporate Reserves	SORP / Policy Options Reserve	(£172)	£0	(£172)	£0	(£172)	£0	(£172)	£0	(£172)
Corporate Reserves	Budget Smoothing Reserve	(£2,842)	£1,780	(£1,062)	£1,106	£44	£0	£44	£0	£44
Corporate Reserves	Benefits Equalisation Reserve	(£908)	£0	(£908)	£0	(£908)	£0	(£908)	£0	(£908)
Corporate Reserves	Planning Income Equalisation Reserve	(£125)	£0	(£125)	£0	(£125)	£0	(£125)	£0	(£125)
Corporate Reserves	Collection Fund Stabilisation Reserve	(£2,777)	£1,076	(£1,701)	£0	(£1,701)	£0	(£1,701)	£0	(£1,701)
Corporate Reserves	Major Projects Reserve	(£399)	£69	(£330)	£0	(£330)	£0	(£330)	£0	(£330)
Corporate Reserves	Strategic Investment Reserve	(£613)	£0	(£613)	£0	(£613)	£0	(£613)	£0	(£613)
Corporate Reserves	Service Reserves	(£1,920)	£476	(£1,444)	£84	(£1,360)	(£75)	(£1,435)	(£100)	(£1,535)
CORPORATE RESERVES		(£9,756)	£3,401	(£6,355)	£1,190	(£5,165)	(£75)	(£5,240)	(£100)	(£5,340)
Insurance Reserve	Insurance Reserve	(£938)	£0	(£938)	£0	(£938)	£0	(£938)	£0	(£938)
INSURANCE RESERVES		(£938)	£0	(£938)	£0	(£938)	£0	(£938)	£0	(£938)
Ring Fenced Reserves	P&D Machine Replacement Fund	(£29)	(£5)	(£34)	(£5)	(£39)	(£5)	(£44)	(£5)	(£49)
Ring Fenced Reserves	Solar Panel R&R Fund	(£300)	£0	(£300)	£0	(£300)	£0	(£300)	£0	(£300)
Ring Fenced Reserves	Community Related Assets - R&R Fund	(£222)	(£40)	(£262)	(£30)	(£292)	(£30)	(£322)	(£30)	(£352)
Ring Fenced Reserves	Industrial Portfolio Fund	(£996)	(£92)	(£1,088)	(£143)	(£1,231)	(£137)	(£1,368)	(£137)	(£1,505)
Ring Fenced Reserves	Investment Centre Reserve	(£389)	(£50)	(£439)	(£50)	(£489)	(£50)	(£539)	(£50)	(£589)
RING FENCED RESERVES		(£1,935)	(£187)	(£2,122)	(£228)	(£2,350)	(£222)	(£2,572)	(£222)	(£2,794)
TOTAL GRA RESERVES		(£13,589)	£3,214	(£10,375)	£962	(£9,413)	(£297)	(£9,710)	(£322)	(£10,032)

8.0 CAPITAL PROGRAMME

8.1 The Capital Strategy for 2024/25 – 2026/27 is presented in Appendix 3.

8.2 The proposed Capital Programme for the period 2024/25 to 2026/27 totals £16.285m.

General Fund (GRA) Service Area	2023/24 F/cast Expenditure £'000s	2024/25 £'000s	2025/26 £'000s	2026/27 £'000s
Corporate and Customer Services	£214	£1,807	£250	£250
Environmental Services	£178	£375	0	£0
Finance Procurement and Commercial Services	£484	£540	£210	£30
Housing Services	£1,692	£1,969	£1,608	£1,608
Planning and Regulatory Services	£256	£20	£0	£0
Wellbeing and Place Services	£2,429	£7,612	£6	£0
Total GRA Capital Programme Expenditure	£5,253	£12,323	£2,074	£1,888

8.3 The above table includes £1.578m of new expenditure in 2024/25 which is to support the 3 schemes below that were agreed at the February 2023 Council.

Service	Budget Issue Name	2024/25 £'000s	2025/26 £'000s	2026/27 £'000s
Finance, Procurement and Commercial Services	Capital works 23/24	£10	£180	£0
Wellbeing and Place Services	Chapel Gallery – Repair works	£33	£6	£0
Wellbeing and Place Services	UK Shared Prosperity Fund	£1,535	£0	£0
New Service Items 2024/25		£1,578	£186	£0

In addition to the above, there will also be a new bid for the Waste Transfer Station which will be in the region of £230k for Phase 1 in 2024/25 and another for £230k for Phase 2 in 2025/26. This based upon estimates received to date from external consultants and will be subject to change.

8.4 The Capital Programme is to be funded by the following resources with any remaining balance funded with the use of prudential borrowing.

FUNDING	2023/24 F/cast Expenditure £'000s	2024/25 £'000s	2025/26 £'000s	2026/27 £'000s
Capital Receipts	£1,113	£3,181	£0	£0
GRA Contributions	£0	£0	£0	£0
Prudential Borrowing	£482	£4,090	£630	£444
Community Infrastructure Levy (CIL)	£1,744	£1,062	£0	£0
Section 106	£3	£398	£0	£0
Other Grant Funding	£1,911	£3,592	£1,444	£1,444
Total GRA Capital Programme Funding	£5,253	£12,323	£2,074	£1,888

8.5 Further detail on the proposed Capital Programme and funding is provided in Appendix 4.

9.0 ROBUSTNESS of ESTIMATES and ADEQUACY of RESERVES

9.1 It is a requirement of the Local Government Act 2003 for the Council's Chief Finance Officer to give an opinion as to the robustness of the budget estimates and the adequacy of the financial reserves (s25) and the minimum level of reserves (s26). These opinions are provided to Members to assist in their determination as to whether the proposed budget is sufficient to meet the needs of the Council.

9.2 In determining the budget for the forthcoming year there have been important decisions about the continued use of reserves. The planned use of reserves totalling £0.962m in 2024/25 from 7.7 above, includes £1.106m of general reserves to support the budget that is a one-off source of funding. As the reliance on reserves is removed the budget gap over the period 2025/26 to 2026/27 increases by this amount.

9.3 All aspects of the budget have been reviewed to ensure that reasonableness (robustness) tests have been carried out, that detailed calculations are sound, and that the risks have been quantified and provided for as far as possible.

9.4 Statement by the Head of Finance, Procurement and Commercial Property in his capacity as the s151 Officer of the Council:

This statement is not a guarantee that expenditure will be contained within each budget line, as budget estimates are exactly that. Estimates of the financial environment, spending and income made at a point in time, which will change as circumstances change.

Therefore, it is an assessment of the overall budget package and whether there is a reasonable expectation that the budget overall will not be breached.

On the basis, good financial management, and the sound monitoring of budgets and performance which exists. I am satisfied that sufficient management processes are present within the Council to deliver this budget and to identify and deal with issues which may arise unexpectedly during the year.

As the Council s151 Officer I'm able to report (in accordance with Section 25 of the Local Government Act 2003) that the estimates made for the purposes of the calculation of the budget are robust and the level of reserves and balances are adequate and (in accordance with Section 26 of the Local Government Act 2003) the minimum level of general reserve be set at £960k.

10.0 MEDIUM-TERM OUTLOOK

10.1 The Government continued with a detailed one-year funding settlement for 2024/25 and set out through a LGFS Policy Statement issued on 18 December 2023.

10.2 We also await confirmation of the details to the long-awaited Government reforms to the settlement formula (Fairer Funding), together with a new business rates

retention system and baseline reset. In the December LGFS Policy Statement Government announced that this will not be implemented in the next two years.

- 10.3 Whilst the economic outlook, appears to have eased over the previous 12 months and looks to be easing further in the next year, there is still economic uncertainty created by upcoming events such as elections both in the UK and the United States and the continuing wars and conflicts in the Middle East. Forecasting the impact of the current economic climate with any certainty on the MTFF, is therefore extremely difficult.
- 10.4 Consequently, the MTFF will be continually refreshed once new information becomes available to establish the Council's financial position going forward.
- 10.5 The current MTFF position to 2026/27 shows a budget gap of £1.348m. Consequently, it is proposed that the following indicative workplan be undertaken in the coming months:
- Undertake detailed service budget reviews
 - Undertake detailed budget analysis work to include statutory and non-statutory
 - Review sales, fees and charges register
 - Sensitivity and scenarios analysis modelling

11.0 SUSTAINABILITY IMPLICATIONS

- 11.1 There are no significant sustainability impacts associated with this report and no significant impact on crime and disorder.

12.0 RISK ASSESSMENT

- 12.1 The formal consideration and reporting of the budget estimates is part of the overall budgetary management and control framework that is designed to minimise the financial risks facing the Council. This process is resource intensive for both Members and Officers but ensures that a robust and achievable budget is set.
- 12.2 The challenging financial position facing local authorities has been evaluated and assessed as being a key risk, and consequently is included on the Council's key risk register.

13.0 HEALTH AND WELLBEING IMPLICATIONS

- 13.1 The health and wellbeing implications arising from this report will be dependent on the budget proposals put forward at the Council meeting. Details of any significant implications will be provided at the Council meeting if required.

Background Documents

There are no background documents (as defined in Section 100D(5) of the Local Government Act 1972) to this report.

Equality Impact Assessment

The direct impact on members of the public, employees, elected members and / or stakeholders is dependent on the proposals to be put forward at the Council meeting. Therefore, no Equality Impact Assessment has been produced at this time.

Appendices

- Appendix 1 Budget Movements
- Appendix 2 2024 Budget Proposals (To follow)
- Appendix 3 Capital Strategy 2024/25 to 2026/27 (To follow)
- Appendix 4 GRA Capital Programme 2024/25 to 2026/27 (To follow)
- Appendix 5 Minute of Executive Overview & Scrutiny Committee
- Appendix 6 Minute of Cabinet

APPENDIX 1: BUDGET MOVEMENTS

Movement Heading	Description	2024/25 £000s	2025/26 £000s	2026/27 £000s
NET BUDGET		461	1,752	(429)
Net Service Budget		(172)	371	10
Permanent Virements	Salary - Pay Award Catchup of the £1,925 additional 3%	648	0	0
Permanent Virements	Salary – Budget at top SCP & Vacancy/Scale Factor @10%	287	3	0
Permanent Virements	Increase in HRA recharge restructure	166	0	0
Permanent Virements	Budget Re-alignment of Brokers Fee	0	0	0
Permanent Virements		1,101	3	0
RODs (2023/24)	New FTC BID posts	100	0	0
RODs (2023/24)	Funding of FTC BID posts HRA	(100)	(4)	104
RODs		0	(4)	104
Budget Assumptions	Salary - Base Movements FTCs	(725)	0	0
Budget Assumptions	Employee Vacancy/Scale Factor Increase for Pay Award	(55)	14	(14)
Budget Assumptions	Insurance Fund Provision Top-Up	80	0	0
Budget Assumptions	National Fraud Initiative	3	0	0
Budget Assumptions	Commercial Property: Minimum Energy Efficiency Standards (MEES)	(51)	6	0
Budget Assumptions	Commercial Property: Use of Investment Property Portfolio Reserve to Fund MEES	51	(6)	0
Budget Assumptions	Council Elections Delivery	(95)	(48)	0
Budget Assumptions	Council Elections Budget Stabilisation Reserve	196	50	0
Budget Assumptions	Investment Properties - Service Charge (Energy)	(98)	(17)	(17)
Budget Assumptions	Service Reserve Movements / Reversals	1	109	25
Budget Assumptions	Capita Valuation Contract of GRA Assets	33	2	2
Budget Assumptions	Change in HRA recharge - inflation	(47)	(83)	(83)
Budget Assumptions	Cost of road closures for Civic Events	9	0	0
Budget Assumptions	Increase in Homelessness/Rough Sleepers Grant Funding	(73)	0	0
Budget Assumptions	UKSPF funding for temporary posts	(504)	384	120
Budget Assumptions	End of MPT/Kickstart funding	135	0	0
Budget Assumptions	Reduction of outside contractors – Weed Removal	(27)	0	0
Budget Assumptions	Increase in service charge – Gorsey PI	(10)	0	0
Budget Assumptions	Increase in CIL Admin Fee – to fund Scale 5 post	(38)	0	0
Budget Assumptions	Governance Review	25	0	(25)

Movement Heading	Description	2024/25 £000s	2025/26 £000s	2026/27 £000s
Budget Assumptions	Removal of vired amount to fund redundancy payment BID team	(18)	0	0
Budget Assumptions	Corporate Items – Legal fees/tribunals etc	15	0	0
Budget Assumptions		(1,193)	411	8
Approved - Growth Bids (FEB22)	Additional income and/or efficiencies to be generated from the Finance FBP	(10)	0	0
Approved - Growth Bids (FEB22)	Supporting the business & Visitor economy & attracting inward investment	(29)	(13)	0
Approved - Growth Bids (FEB22)	Employment Debt recovery task force for 3 months	1	0	0
Approved - Growth Bids (FEB22)	Revenue consequences of Capital bid - C8 - Beconsall Closed Church Yard	2	0	0
Approved - Growth Bids (FEB22)	Microsoft Site Licences	5	0	0
Approved - Growth Bids (FEB23)	Technical Support Officer Apprentice	0	(22)	0
Approved - Growth Bids (FEB23)	Staffing – Homelessness Triage	0	(20)	0
Approved - Growth Bids (FEB23)	Strategic Planning Manager	53	17	0
Approved - Growth Bids (FEB23)	CCTV Contract Monitoring Staff	(15)	0	0
Approved Growth Items		7	(38)	0
Approved - Policy Proposals (FEB23)	One-year Grant to Dial -a-Ride	(30)	0	0
Approved - Policy Proposals (FEB23)	Leisure Facilities Growth	(153)	0	0
Approved - Policy Proposals (FEB23)	Leisure Facilities Budget Stabilisation Reserve	102	0	0
Approved Policy Proposals		(81)	0	0
Approved - Saving Prop (FEB23)	Members Allowance Budget Reduction from 54 to 45 Councillors	(6)	0	0
Approved Savings Proposals		(6)	0	0
Approved – Efficiency Prop (FEB23)	Staffing – Extended Temporary Team Staffing	0	0	(102)
Approved Efficiency Proposals		0	0	(102)
Net Non Service Budget		633	1,381	(439)
Non Service: Treasury Management	Reduction of Interest Received from Investments	0	0	0
Non Service: Treasury Management	Additional Interest Received from Increased Interest Rates	(225)	0	0
Non Service: Treasury Management	Capital Programme 24/25 to 26/27: Interest on Borrowing	53	19	0
Non Service: Capital Charges MRP	MRP - Change of Policy	11	12	0
Non Service: Capital Charges MRP	Capital Programme 24/25 to 26/27: MRP	120	43	61
Non Service: Dividends	Returns from TVDC	0	0	(500)
Non Service: Dividends	Deletion of the Returns from TVDC	0	0	0
Non Service: Reserves	Phasing out of the contribution from Reserves	702	567	0
Non Service: Reserves	One-Off Use of Reserves in 24/25 to Balance the Budget Gap	(28)	540	0
Budget Assumptions		633	1,381	(439)

Movement Heading	Description	2024/25 £000s	2025/26 £000s	2026/27 £000s
Approved - Policy Proposals (FEB22)	Reversal of the use of Reserves agreed at Council Feb 2022	0	0	0
Approved Policy Proposals		0	0	0
FUNDING		(355)	326	206
2023/24 LG Finance Settlement	Business Rates: Individual Authority Baseline	(735)	0	0
2023/24 LG Finance Settlement	Business Rates: Tariff	549	0	0
2023/24 NNDR1 Forecast	Business Rates: (Growth)/Decline	41	52	(55)
2023/24 NNDR1 Forecast	Business Rates: S31 Grants	(267)	0	0
Collection Fund Forecast	Estimated in-year Collection Fund Outturn position	(£1,035)	0	0
Collection Fund Forecast	Movement on Collection Fund Stabilisation Reserve	£1,075	0	0
2023/24 LG Finance Settlement	Government Funding: New Homes Bonus	134	634	0
2023/24 LG Finance Settlement	Government Funding: RSG, Lower Tier, Services & Funding Guarantee Grants	(117)	(360)	261