



<b>Policy, Finance and Development Committee</b>	<b>Tuesday, 03 December 2024</b>	<b>Matter for Information and Decision</b>
--	----------------------------------	--

**Report Title:** **2024/25 Revenue Budget, Medium Term Financial Plan and 2024/25 – 2028/29 Draft Capital Programmes**

**Report Author(s):** **Laura Parsons (Finance Manager)**

<b>Purpose of Report:</b>	<p>To present the revised General Fund Annual Budget for 2025/26 and an updated MTFP for 2025/26 to 2029/30.</p> <p>To provide an update on the capital programme for 2025/26.</p> <p>To present the HRA Annual Budget for 2025/26.</p>
<b>Report Summary:</b>	<p>The report outlines the draft General Fund Revenue Budget for 2025/26, which is a balanced budget with no use of the general fund reserve.</p> <p>The draft five-year Medium Term Financial Plan 2025/26 to 2029/30 shows a forecast cumulative deficit of £1.266m.</p> <p>The report presents the draft Housing Revenue Account budget for 25/26.</p> <p>The report also sets out draft Capital project proposals</p>
<b>Recommendation(s):</b>	<p><b>That the Committee:</b></p> <p><b>A. Note the content of the report; and</b></p> <p><b>B. Recommends to Council an increase in housing rents, service charges and garage rents by the maximum social rent level of 2.7%.</b></p>
<b>Senior Leadership, Head of Service, Manager, Officer and Other Contact(s):</b>	<p>Colleen Warren (Chief Finance Officer / S151 Officer) (0116) 257 2759 <a href="mailto:colleen.warren@oadby-wigston.gov.uk">colleen.warren@oadby-wigston.gov.uk</a></p> <p>Laura Parsons (Finance Manager) (0116) 257 2694 <a href="mailto:laura.parsons@oadby-wigston.gov.uk">laura.parsons@oadby-wigston.gov.uk</a></p>
<b>Strategic Objectives:</b>	Our Council (SO1)
<b>Vision and Values:</b>	"Our Borough - The Place to Be" (Vision) Resourceful & Resilient (V4)
<b>Report Implications:-</b>	
Legal:	There are no implications arising from this report.
Financial:	The implications are as set out in the report.
Corporate Risk Management:	<p>Decreasing Financial Resources / Increasing Financial Pressures (CR1)</p> <p>Reputation Damage (CR4)</p> <p>Regulatory Governance (CR6)</p> <p>Organisational / Transformational Change (CR8)</p>

Equalities and Equalities Assessment (EA):	There are no implications directly arising from this report. EA not applicable
Human Rights:	There are no implications arising from this report.
Health and Safety:	There are no implications arising from this report.
<b>Statutory Officers' Comments:-</b>	
Head of Paid Service:	The report is satisfactory.
Chief Finance Officer:	As the author, the report is satisfactory.
Monitoring Officer:	The report is satisfactory.
<b>Consultees:</b>	None.
<b>Background Papers:</b>	<ul style="list-style-type: none"> <li>• <a href="#">2024/25 Revenue Budgets, Medium Term Financial Plan, 2024/25 – 2028/29 Capital Programmes</a></li> <li>• <a href="#">Budget Setting Approach for 2025/26 and Medium-Term Financial Plan Update</a></li> </ul>
<b>Appendices:</b>	None.

## 1. Introduction

- 1.1 In February 2024, Full Council approved a report setting the 2024/25 General Fund budget, the five-year Medium Term Financial Plan (MTFP), the 2024/25 HRA budget and the 2024/25 General Fund and HRA capital programmes. At that time the MTFP showed a balanced budget for 2024/25 and a total surplus over the MTFP of £131k.
- 1.2 During the current financial year work has continued to deliver the sustainability plan and the associated savings to ensure that the budget is balanced. In light of the current increase in the pay award, inflation on contracts and uncertainty around the Government settlement it is forecast that further savings will be required throughout the life of the MTFP.
- 1.3 The Council has followed a detailed budget setting process for 2025/26 and has updated the MTFP forecast. The budget for 2025/26 has been balanced utilising the savings achieved through the 2024/25 financial year and the sustainability plan, however the MTFP does forecast a growing budget gap from 2026/27 to 2029/30 totalling £1.266m prior to any increases in fees and charges or further sustainability plans.
- 1.4 The Council has low and depleting balances and cannot continue to use balances to balance the budget, therefore additional savings/income generation will need to be found to enable the Council to continue to balance the budget.

## 2. The General Fund Budget

- 2.1 The draft general fund budget, taking into account Salary increases, inflation assumptions, contract rises, and other known changes is £7,898,266 an increase of just £221k from the previous year's budget.

**Table 1 - Budget by Expenditure Type**

General Fund	Budget 2024/25	Draft Budget 25/26	Variance
	£	£	£
Employee Expenses	8,840,988	8,229,738	-611,250
Premises Expenses	529,237	602,900	73,663
Supplies and Services	2,353,893	2,387,945	34,052
Transport	312,100	284,500	-27,600
Banking & Schemes	2,643,300	3,032,605	389,305
Capital	-1,431,303	-1,290,503	140,800
Income	-5,571,410	-5,348,919	222,491
<b>Net Revenue Expenditure</b>	<b>7,676,805</b>	<b>7,898,266</b>	<b>221,461</b>

- 2.2 Employee Expenses are the most significant movement between years mainly due to the success of the sustainability programme and the reduced staffing expenditure as a result of the Waste project. 3% has been built in for 2025/26 as a forecast for the Local Government pay award.
- 2.3 Inflationary increases have been applied to Supplies and Services and Premises Expenses where required.
- 2.4 Transport savings have been identified from the Waste project.
- 2.5 £320k has been added into the budget for Homelessness as the current trend is expected to continue and the 2025/26 budget aims to ensure that there is no overspend due to the provision of Homeless accommodation.
- 2.6 Income is predominantly lower due to the removal of the Savings target in 2024/25. Income has been adjusted to reflect achievable budgets where required, Fees and Charge increases have been proposed and will be reflected within the budget.
- 2.7 Although the above is just a draft budget it is pleasing to see such a small increase, this is due to the savings achieved through the sustainability plan and the waste project.

### 3. Autumn Budget

- 3.1 The new government published its Autumn Budget on 30 October 2024. This informs the amount of funding that will be allocated to local government. It announced a 3.2% increase in national Core Spending Power (the measure of the resources available to local authorities to fund service delivery).
- 3.2 Key points from the Autumn budgets are noted below-
- **National insurance** paid by Employers will increase from 13.8% to 15% and the threshold for payment will reduce to £5,000. How this will be funded will be detailed in the policy statement.
  - **Business rates** multipliers, it has been advised that the small business multiplier will be frozen at 49.9p and the Standard multiplier will increase as per Sept 2024 CPI to 55.5p.
  - Retail, Hospitality and Leisure businesses will receive 40% relief on their business rates up to £110k.
  - **Homelessness** will receive an additional funding allowance forecast at approximately £100k for OWBC.
  - **Extended Producer Responsibility** to improve recycling outcomes will be fully funded by Government in 2025/26.

- **Right to Buy Reform** will allow Authorities to retain the full receipt from the sale, along with an increase in the cost floor period from 15 years to 30 years which will ensure that the purchase price does not fall below the total spend on construction, repairs or maintenance of the property during the 30-year period.
- **UKSPF** funding will be continued for another year but at a reduced level, allowing local authorities to continue to invest in local growth.
- **Planning** funding is expected to support recruitment and training of 300 additional graduates and apprentices into local planning authorities.
- **Warm Homes plan** will provide funding for decarbonisation and household efficiencies.

3.3 The Autumn budget recognised the burden of the Homelessness issue across the Country and the additional expected funding has been recognised in the budget, funding for the impact of the NI changes and the Business Rates changes has also been included.

3.4 The positive announcements made in the budget regarding core spending power and funding indicate that we will be able to balance the budget for 2025/26, although we will need to wait for the settlement announcement in December before being able to ascertain the final picture.

#### 4. Council Tax 2025/26

4.1 It is proposed that the Council Tax is increased by 2.99%, this recognises the deficit across the MTFP and equates to an additional £199k of funding to support essential services.

4.2 The Tax base for 2024/25 is 18,594.19 an increase of 226.21 properties when compared to last year.

4.3 Any Surplus/Deficit on the Council tax during 2024/25 will affect the Council Tax precepts for 2025/26. The current forecast is a surplus of £75k.

#### 5. Business Rates (NNDR) 2025/26

5.1 The Business Rates position will be updated in January on completion of the NNDR1 which forecasts the position for 2025/26.

#### 6. Funding Position 2025/26

6.1 The overall funding position for 2025/26 is set out in Table 2

**Table 2 – 2025/26 Draft Budget Funding Position**

	<b>Funding 24/25</b>	<b>Funding 25/26</b>
	£	£
Earmarked Reserves	-672,782	0
Retained Business Rates	-2,471,440	-2,464,579
Collection Fund (Surplus)/Deficit – BR	637,782	0
Services Grant - One-off	-10,768	0
New Homes Bonus	-287,250	-287,250
Council Tax – OWBC	-4,666,276	-4,852,927
Collection Fund Bal – Council Tax	-54,244	0
Funding Guarantee	-129,501	-129,501
Green Plant & Machinery Grant	-22,326	-8,500
<b>Total Financing</b>	<b>-7,676,805</b>	<b>-7,742,757</b>

- 6.2 Despite the positive Autumn budget, we will not receive funding amounts until the Finance Settlement in mid-December, as such amounts for New Homes Bonus and Funding Guarantee have been forecast at prior year levels.
- 6.3 The autumn budget announced an increase in the Multiplier for Business with a rateable value over £51,000, this will be accounted for when forecasting the Business rates income.
- 6.4 Using the current funding forecast there is only a budget gap of £1,178 to achieve by the increase in fees and charges and the update to the funding upon receipt of the Finance Settlement.

## 7. Draft Medium Term Financial Plan 2025/26 to 2029/30

- 7.1 The Draft MTFP has been updated to include salary increases, inflationary increase, contract changes and known changes to services.
- 7.2 The below table demonstrate the budget gap from 2026/27 to 2029/30 and its effect on the General fund reserve balance. It does not apply any annual increases in fees and charges but does assume a 2.99% increase in Council Tax.
- 7.3 Government funding has been assumed at the current amounts.

**Table 3 - MTFP 2025/26 to 2029/30**

	2025/26	2026/27	2027/28	2028/29	2029/30
	£	£	£	£	£
Salaries	8,018,003	8,242,611	8,403,312	8,567,227	8,734,419
Supplies & Services	4,126,786	4,012,809	4,078,426	4,128,913	4,180,411
Utilities	358,800	394,680	410,467	426,886	443,961
Insurances	277,690	305,459	320,732	336,769	353,607
Income	-4,012,013	-3,981,713	-3,981,713	-3,981,713	-3,981,713
Selective Licensing	-300,000	-225,000	-120,000	-75,000	-30,000
Leisure Management	-571,000	-537,000	-537,000	-537,000	-537,000
<b>Net cost of Services</b>	<b>7,898,266</b>	<b>8,211,846</b>	<b>8,574,224</b>	<b>8,866,081</b>	<b>9,163,685</b>
Earmarked Reserves	0	0	0	0	0
Retained Business Rates	-2,464,579	-2,513,870	-2,564,147	-2,615,430	-2,667,739
Collection Fund (Surplus)/Deficit – BR	0	0	0	0	0
Services Grant - One-off	-144,160	0	0	0	0
New Homes Bonus	-287,250	-287,250	-287,250	-287,250	-287,250
Council Tax – OWBC	-4,865,455	-5,060,073	-5,262,476	-5,472,975	-5,691,894
Collection Fund Bal – Council Tax	0	0	0	0	0
Funding Guarantee	-129,501	-129,501	-129,501	-129,501	-129,501
Green Plant & Machinery Grant	-8,500	-8,500	-8,500	-8,500	-8,500
<b>Total Funding</b>	<b>-7,755,284</b>	<b>-7,999,194</b>	<b>-8,251,874</b>	<b>-8,513,656</b>	<b>-8,784,884</b>
<b>Budget Gap</b>	<b>-1,178</b>	<b>212,652</b>	<b>322,350</b>	<b>352,425</b>	<b>378,801</b>
<b>General Fund Balance</b>	<b>-1,519,313</b>	<b>-1,306,661</b>	<b>-984,311</b>	<b>-631,886</b>	<b>-253,085</b>

- 7.4 The Table shows the depleting levels of reserves over the term of the MTFP.
- 7.5 In order to ensure that we can continue to provide services we need to ensure that the budgets are balanced annually. Once the Finance settlement is known a more accurate forecast can be presented to ensure that plans are in place to balance the budget.
- 7.6 Use of increasing fees and charges, contract management, invest to save schemes and full recovery of costs where possible will be considered to ensure that the budgets are balanced annually.

## 8. Housing Revenue Account 2025/26

- 8.1 Table 4 shows the 2024/25 revised budget and the draft 2025/26 proposed budget for the HRA.

**Table 4 - Housing Revenue Account Draft Budget 2025/26**

General Fund	Original Budget 2024/25	Draft Budget 25/26	Variance
	£	£	£
Employee Expenses	931,650	1,207,070	275,420
Premises Expenses	1,235,500	1,198,300	-37,200
Supplies and Services	205,940	202,640	-3,300
Transport	0	0	0
Banking & Schemes	838,760	797,820	-40,940
Capital	1,590,000	1,590,000	0
Income	-6,266,920	-6,426,000	-159,080
Corporate overheads	1,364,003	1,391,300	27,297
<b>Net Revenue Expenditure</b>	<b>-101,067</b>	<b>-38,870</b>	<b>62,197</b>

- 8.2 The draft budget for 2025/26 is £39k which is £62k more than 2024/25.
- 8.3 The assumption for the rents and garage rents is an increase of 2.7%, in line with the national rent increase formula of CPI in September +1%.
- 8.4 Employee expenses increased £275k this is due to 2 new Management posts, Housing Operations manager and Major works and compliance officer, along with a 3% assumption for pay award.

## 9. HRA Medium Term Financial Plan

- 9.1 The HRA Medium Term Financial Plan 2025/26 to 2029/30 is forecasting to be in surplus for each year of the MTFP.

## 10. Capital Programme 2025/26

- 10.1 An indicative capital programme for 2025/26 to 2027/28 was approved in February 2024 and the impact of this is incorporated into the capital financing charges included in the MTFP.
- 10.2 A number of capital bids have been made as part of the budget setting process. The capital bids received do not identify any funding. This means they would be required to be funded through 'prudential borrowing'. This would increase the capital charges in the General Fund, as a 'Minimum Revenue Provision' (MRP) is required, which effectively is a method of repaying the capital amount borrowed from revenue over the asset life and interest charges would also increase.

- 10.3 Due to the challenging financial pressures the Council is currently facing it is not recommended to approve any additional capital schemes to be added to the capital programme funded by 'prudential borrowing'. It is recommended a list of priority schemes should be approved with a view to them only progressing if capital receipts are received and/or other capital funding is identified. If capital receipts are received, the Section 151 Officer in consultation with the Chief Executive, Chair of PFDC and the Leader of the Council will need to consider the use of the receipts in terms of the need to repay existing debt to reduce revenue costs or to commence priority capital schemes
- 10.4 The capital bids received are outlined below; some require more information to enable the schemes to be prioritised. A prioritised list of schemes will be presented for approval in the February Budget report.

#### **Vehicle Refurbishment - £1,035K**

Two refuse collection vehicles have reached the end of their life and require replacement. Another three will have their lives extended two years through refurbishment. A new 7.5T bin truck is required, as is a new street sweeper.

#### **Food Waste - £580K**

Transitional capital funding of £580K has been received for the introduction food waste collections required from 1 April 2026. A scheme for implementing this is presently in development.

#### **Brocks Hill Roof and Installation of Solar Panels - £465k**

During the course of refurbishing the Brocks Hill building, it came to light that the existing roof tiles to the building are degraded and require replacement. This did not form part of the scope of works or budget, as it is to do with the existing fabric of the building. Given that the roof tiles currently remain watertight it was decided to leave the work to a later date. Once the tiles are replaced this will then enable solar panels to be fitted to the roof which will contribute towards the Council contribution towards the reduction of CO2 as set out in our Climate Change Strategy.

#### **Building Works at Parklands Leisure Centre - £71K**

An inspection has been completed at Parklands Leisure Centre and various works identified through this capital bid to maintain the integrity of the building and to prevent and or/mitigate future damages or disrepairs, most notably to the roof.

#### **IT Replacements – £66K**

The Council started its journey to move its IT services in house in late 2020, and the project transition phase was completed in 2021. Since then, there has been no requirement for a capital investment of any hardware, however we have now entered the period where physical hardware, that is due to be end of life, will need replacing throughout 2025/26 and onwards.

This is to replace end of life or damaged equipment across the following key areas:

- Laptop Replacement – 25% of workforce
- Mobile Phones – 50% of workforce
- Apple Mac Mini – To manage Apple products across the whole estate
- Server room replacement and maintenance
- Accessories – Replace keyboards, mouse and/or other minor end user devices.

**Webpay 2 Upgrade - £25K**

To upgrade the Council's payment system that is used by staff to take card payments. This is provided by Civica and called 'Webpay Staff 2'. The system currently in use is outdated and working its way to end of life.

**Christmas Decorations - £8K**

New electricity points are needed to ensure the lights continue to operate, as the network of electrical points installed is now at capacity. Also, additional icicle lights are needed to cover areas that have not already been covered.