



Policy, Finance and Development Committee	Tuesday, 06 February 2024	Matter for Information and Decision
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Report Title: **2024/25 Draft Revenue Budget, Medium Term Financial Plan and 2024/25 – 2028/29 Draft Capital Programmes**

Report Author(s): **Bev Bull (Head of Finance / Acting Chief Finance Officer - S151 Officer)**

Purpose of Report:	For Policy, Finance and Development Committee to receive an update on and recommend to Full Council the General Fund Revenue Budget for 2024/25, the Housing Revenue Account (HRA) revenue budget for 2024/25, the Draft Capital Programmes and the MTFP 2024/25 to 2028/29.
Report Summary:	<p>The report outlines the final proposed General Fund Revenue Budget for 2024/25, which is a balanced budget with no use of the general fund reserve.</p> <p>The five-year Medium Term Financial Plan 2024/25 to 2028/29 shows a forecast cumulative surplus.</p> <p>The General Fund Revenue Budget for 2024/25 and the Medium-Term Financial Plan 2024/25 to 2028/29 include the delivery of the Service Delivery Changes – Financial Sustainability Plan.</p> <p>The report also presents the draft Housing Revenue Account which sets out the high level 5 year position.</p> <p>The report sets out an indicative ranking for potential futures schemes to be added to the capital programme as funding is secured.</p> <p>Finally, the report sets out the Section 151 Officer’s statement on robustness of estimates and adequacy of reserves, as required by Section 25 of the Local Government Act 2003.</p>
Recommendation(s):	<p>a) Recommend to Council the General Fund Revenue Budget for 2024/25 as set out in Appendix 1, subject to any final adjustments as may be required prior to Full Council (such as the NNDR1 final estimates and the Final Local Government Finance Settlement 2024/25). This is based on no use of the general fund reserve and delivering the Service Delivery Changes – Financial Sustainability Plan both approved at the Full Council meeting on the 12 December 2023;</p> <p>b) Recommend to Council to increase Council Tax by the maximum core referendum limit of 2.99% as announced in the Provisional Local Government Settlement, subject to any update announced in the Final Local Government Settlement;</p> <p>c) Recommend that Full Council approve the HRA budget for 2024/25, as detailed in Table 6. This is based on the rent increase of 7.7% for Housing rents, garages and service charges approved at the Full Council meeting on the 12 December 2023;</p>

	<p>d) Recommends that Full Council approves the Scale of Fees and Charges as set out in Appendix 4;</p> <p>e) Recommends that Full Council notes the Capital Schemes of the General Fund and HRA, including an indicative ranking for potential futures schemes to be added to the programme as funding is secured, as detailed in Table 9;</p> <p>f) Recommends that Full Council notes the MTFP for 2024/25 and 2028/29 as set out in Appendix 8; and</p> <p>g) Recommends that Full Council notes the S151 Officer's statement on the robustness of the budget and the adequacy of reserves as set out in Section 13 of the report.</p>
Senior Leadership, Head of Service, Manager, Officer and Other Contact(s):	<p>Sal Khan (Interim Strategic Director) (0116) 257 2690 sal.khan@oadby-wigston.gov.uk</p> <p>Bev Bull (Head of Finance /Acting Chief Finance Officer - S151) (0116) 257 2649 bev.bull@oadby-wigston.gov.uk</p>
Strategic Objectives:	Our Council (SO1)
Vision and Values:	"Our Borough - The Place To Be" (Vision) Resourceful & Resilient (V4)
Report Implications:-	
Legal:	There are no implications arising from this report.
Financial:	The implications are as set out in the report.
Corporate Risk Management:	Decreasing Financial Resources / Increasing Financial Pressures (CR1) Reputation Damage (CR4) Regulatory Governance (CR6) Organisational / Transformational Change (CR8)
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.
Statutory Officers' Comments:-	
Head of Paid Service:	The report is satisfactory.
Chief Finance Officer:	As the author, the report is satisfactory.
Monitoring Officer:	The report is satisfactory.
Consultees:	<ul style="list-style-type: none"> • SLT 29/01/2024
Background Papers:	<ul style="list-style-type: none"> • Draft 2024/25 Draft Revenue Budget and Medium-Term Financial Plan update – 5 December 2023 PFD
Appendices:	1. The General Fund Summary Budget 2024/25

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| | <ol style="list-style-type: none"> 2. Analysis of movement in 2024/25 Budget Gap December 2023 to February 2024 3. The Service Delivery Changes – Financial Sustainability Plan 4. Scale of Fees and Charges 2024/25 5. Analysis of HRA budget movements and budget assumptions 6. Capital Programme for 2024/25 to 2026/27 7. Budget Consultation responses 8. MTFP summary 2024/25 to 2028/29 9. MTFP assumptions 10. Impact of different scenarios on the MTFP 11. HRA Medium Term Financial Plan 2024/25 to 2028/29 |
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1. Introduction

1.1 The draft General Fund and Housing Revenue Account (HRA) proposals, Scale of Fees and Charges, Capital Programmes and updated MTFP (Medium Term Financial Plan) were considered by this Committee on the 5 December 2023 and by Full Council on 12 December 2023. Following those meetings two recommendations were approved by Full Council, these were:

- the general fund balance reserve is no longer used to balance the budget;
- the Service Delivery Changes – Financial Sustainability Plan.

1.2 This report summarises the changes from incorporating those recommendations and other changes proposed since the last Council report, including small changes to funding announced at the Provisional Local Government Settlement.

1.3 The aim of the General Fund and Housing Revenue Account (HRA) budgets and the associated MTFP is to achieve:

- Financial resilience;
- Financial self-sustainability.

The achievement of both will provide opportunities for members to invest in their priorities.

2. 2023/24 Provisional Local Government Finance Settlement

2.1 The government published its Provisional Local Government Finance Settlement on 18 December 2023. The settlement forms the annual determination of funding to local government. It announced a 6.5% increase in national Core Spending Power (the measure of the resources available to local authorities to fund service delivery) there was a significant reduction in the Services Grant and the Funding Guarantee has been maintained to ensure that every council sees at least a 3% increase in Core Spending Power next year before any local decisions on council tax rates. In comparison to other tiers of local government, Shire Districts achieved just under 5% in the increase in core spending power.

2.2 A further announcement has been made stating additional resources will be allocated to Local Government in the Final Settlement. This will see 7.5% increase in national Core Spending Power and see that Funding Guarantee is maintained to ensure that every council sees at least a 4% increase in Core Spending Power. The final local government finance settlement, including individual local authority allocations will be published in full in the coming weeks.

2.3 The impact of the Provisional Settlement and further announcement on the funding assumptions for the 2024/25 budget are shown in Table 1.

Table 1 - Impact of the Provisional Settlement

	Forecast as at December 2023	Actual as at Provisional Settlement	Change in funding
	£'000	£'000	£'000
New Homes Bonus	-258	-287	-29
Services Grant	-62	-10	52
Funding Guarantee	0	-64	-64
Additional Funding Guarantee (TBC at Final Settlement)*	0	-63	-63
Increase in Funding as result of Settlement			-104

*Estimate provided by our funding advisor - we will be notified of exact amount at Final Settlement.

3. Council Tax 2024/25

3.1 The position presented in the December meetings was based on the assumption of a 2.99% increase in Council Tax and an increase in the Council Tax base 0.60% for 2024/25. The Council Tax base has now been set for 2024/25 based on actual Council Tax Base as at 30 November plus forecasts increases in the base based on properties waiting to be banded and planning trajectory for the year, this is then adjusted by the forecast collection rate. The increase in base is 2.12%. This has increased the funding from Council Tax in 2024/25 by £69k from £4.597m to £4.666m. Due to the complexities of the Collection Fund the variance in budgeted Council Tax and actual Council Tax for 2023/24 impacts in 2024/25. The forecast surplus for the previous year is £54k.

4. Business Rates (NNDR) 2024/25

4.1 Like Council Tax, due to the complexities of the Collection Fund the variance in budgeted Business Rates and actual Business Rates for 2023/24 impacts in 2024/25. The forecast deficit at the end of 2023/24, that will impact on the budget in 2024/25 is £594k. An element of this deficit is the result of additional reliefs given and funded by central government. There is Section 31 grant being held as an earmarked reserve of £306k to off-set this element of this deficit. This results in a requirement to fund the remaining £288k deficit. As part of the quarter 3 monitoring report a NNDR equalisation reserve is being established and the reserve will be used to fund the deficit.

4.2 The deficit has occurred due to a number of factors including removal of some hereditaments from the rating list, successful appeals and increase in reliefs. The impact of these changes is forecast to be on-going, and this has reduced the forecast Business Rates income for 2024/25 by £124k from £2.593m to £2.469m. This is subject to the completion of the NNDR1 final estimates and will be updated in the report to Full Council.

5. Funding Position 2024/25

5.1 The overall funding position for 2024/25 is set out in Table 2

Table 2 – 2024/25 Draft Budget Funding Position

Funding	2024/25 (Dec 23 Report)	2024/25 (Provisional Settlement)	Change
	£'000	£'000	£'000
Contribution from reserves (Earmarked	-35	-629	-594

Reserves)			
Council Tax	-4,597	-4,666	-69
Collection Fund (Surplus)/Deficit – Ctax	0	-54	-54
Retained Business Rates	-2,593	-2,469	124
Collect Fund (Surplus)/Deficit – Business rates	0	594	594
New Homes Bonus	-258	-287	-29
Services Grant	-62	-10	52
Funding Guarantee		-127	-127
Total Funding	-7,545	-7,648	-103

6. 2024/25 Annual Budget

- 6.1 The draft budget position for 2024/25 shows a balanced budget for 2024/25 with no use of the general fund reserve. The draft budget position incorporates the Service Delivery Changes – Financial Sustainability Plan and other changes proposed since the last Council report, including the funding changes explained earlier in the report. Table 3 summarises the draft balanced budget position for 2024/25. The General Fund Summary Budget 2024/25 is included at Appendix 1.

Table 3 – Budget Gap 2024/25

	2024/25 (Dec 23 Report)	2024/25 Annual Budget	Movement in Gap
Net Expenditure 24/25	8,812,000	7,648,000	-1,164,000
Funding 24/25	-7,545,000	-7,648,000	-103,000
GAP	1,267,000	0	-1,267,000

- 6.2 The movements in the budget since the December report are summarised in Table 4 below and detailed in Appendix 2

Table 4 – Movement in 2024/25 Budget Gap December 2023 to February 2024

Identified costs increases and savings 2024/25	£
Further growth and pressures identified	299,000.00
Increased service income	-396,000
Removal of post	-45,000
Service Delivery Changes	-795,000
Updated budget assumptions	-226,000
Funding Changes	-103,000
	-1,267,000.00

- 6.3 The increase in funding received at the provisional settlement is needed in the proposed budget to fund additional pressures identified whilst finalising the proposed budget for 2024/25.
- 6.4 Is it important to note that the balanced draft budget position for 2024/25 incorporates the Service Delivery Changes – Financial Sustainability Plan as approved in the December Full Council meeting. Delivering on these savings is imperative, if the plan is not delivered budget pressures will occur and use of reserves will be required in year. The Service Delivery Changes – Financial Sustainability Plan is included at Appendix 3. Monitoring progress against the plan will be incorporated into the quarterly budget monitoring reports for 2024/25. The Senior Leadership Team are already taking actions to deliver the savings.

- 6.5 A significant change since the December report is a reduction in the Housing Benefit pressure associated with homelessness. The forecast reduction is due to alternative accommodation being identified reducing the placements to more expensive Bed and Breakfast accommodation. It is important to note this budget remains volatile and will be monitored closely in year.
- 6.6 In the main this reduction in the Housing Benefit budget has been used to create a new contingency budget of £130k. The purpose of a contingency budget is to help manage unexpected in year pressures, which may include future pressures on homelessness. Use of the Contingency budget will be approved by the Section 151 Officer and Chief Executive up to £25k, above £25k but less than £50k will be approved in consultation with the Chair of PFD and above £50k will be approved by PFD Committee.

7. General Fund Reserve 2024/25

- 7.1 The forecast position for the General Fund Reserve is shown in Table 5. This position is based on a prudent forecast for the return from the business rates pool 2023/24 and 2024/25 based on levels received in earlier years. The amount actually received will be impacted on by the Business Rates performance of all Leicestershire authorities, it is very volatile and hard to predict.
- 7.2 There will be one-off redundancy costs associated with Service Transformation, these will be met from capital receipts where appropriate under the flexible use of capital receipts policy but otherwise will be met from the General Fund Reserve. It is not possible to accurately forecast the impact of this on the reserve at this time. All Service Transformation will be evaluated to deliver an overall invest to save position.

Table 5 – General Fund Reserve 2024/25

General Fund Reserve	£
Opening Balance	-1,412,772
Use of reserve in setting the budget for 23/24	430,187
Supplementary Budget	156,000
Forecast overspend Q3	563,259
Sales Fees and Charges clawback as per Q1 report	198,670
Return from the Business Rates Pool 20/21 and 21/22 as per Q1 report	-732,194
Re-purposing of earmarked reserves	-72,912
Estimate of return from the Business Rates Pool 22/23 and 23/24.	-600,000
Estimated Closing Balance 31 March 2024	-1,469,762
Estimate of return from the Business Rates Pool 24/25.	-300,000
Estimated Closing Balance 31 March 2025	-1,769,762

8. Scale of Fees and Charges 2024/25

- 8.1 The Council charges for a number of its services that are provided to the public. All fees and charges are reviewed on an annual basis as part of the budget process. Charges set by the Council are increased in line with inflation or other factors taken into consideration, in line with the Corporate Charging Policy:

- Statutory obligations
- Policies objectives of the Council;
- Local market research and competition (where relevant);
- The impact of price changes on activity level of demand;
- Changes in taxation
- Budget position and any associated gap;

- The cost of providing the service.

8.2 A draft proposed charge position was included in the December report, this has now been updated to reflect the new charges agreed as part of the Service Delivery Changes – Financial Sustainability Plan. Included at Appendix 4 is the final proposed charge position of individual charges.

9. Housing Revenue Account 2024/25

9.1 Table 6 shows the 2023/24 revised budget and the final 2024/25 proposed budget for the HRA.

Table 6 - Housing Revenue Account Final Proposed Budget 2024/25

Description	2023/24 Revised Budget	Final 2024/25 Proposed Budget	Movement
Income			
Rents, Charges and Contributions	(5,677,146)	(6,067,320)	(390,174)
Interest and investment income	(10,000)	(50,000)	(40,000)
Misc Income	(17,300)	(11,600)	5,700
Total Income	(5,704,446)	(6,128,920)	(424,474)
Expenditure			
Repairs and Maintenance	1,025,100	1,080,100	55,000
Supervision and Management	731,718	670,750	(60,968)
Interest payable and similar charges	757,397	785,760	28,363
Depreciation and impairments of fixed assets	1,580,000	1,580,000	0
Debt Management Costs	10,000	10,000	0
Contribution to the Bad Debt Provision	75,000	35,000	(40,000)
Recharge from General Fund	1,433,803	1,468,803	35,000
Rents, Rates, Taxes and other charges	10,000	10,000	0
Computer Software	110,400	124,800	14,400
Sheltered Schemes & Communal Services	309,240	212,240	(97,000)
Estate Management costs	53,200	50,400	(2,800)
Total Expenditure	6,095,858	6,027,853	(68,004)
Net Cost of HRA Services	391,412	(101,067)	(492,478)

- 9.2 There had been no significant changes since the draft proposed 2024/25 budget was presented in the December report. The total net movement since the December position is £7k saving. This was the reduction in the pay award assumption to 3% and a revision to interest payable.
- 9.3 The assumption for the rents, garage rents and service charges increase remains at 7.7%, in line with the national rent increase formula of CPI at September + 1%. This was approved by Full Council on the 12th December 2023, subject to any national change to the rent setting policy being announced, there has been no changes announced.
- 9.4 There is no change in Heating Charges proposed for 2024/25, they will remain as set for 2023/24. The heating charges will be reviewed in October 2024, when new energy rates will be received.

9.5 In summary the changes from the revised budget for 2023/24 and the final proposed budget for 2024/25 are:

- Funding - (£414k)
- Cost pressures - £163k
- Savings – (241k)

9.6 Further analysis of the budget movements and the assumptions are set out in Appendix 5.

10. Capital Programme 2024/25

10.1 As reported in the December report 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 general fund 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, the Leader of the Council and the Leader of the Opposition 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.

10.2 The ranking of the schemes is based on our existing methodology which scores these against criteria that covers: whether there is statutory and legislative support, compliance with the Council's corporate objectives, there is an ability to reduce costs, whether there is a health and safety need or the scheme fulfils a need for refurbishment or a replacement. Table 7 shows the scoring of the submitted schemes.

Table 7 Scoring and ranking of potential capital schemes 2024/25

Scheme	Amount (£)	Initial Scheme Score	Initial Ranking
Brocks Hill Roof - replacement of tiles and solar panel installation	465,000	36	1
Play Areas refurbishment programme	150,000	36	1
Aylestone Lane Allotments New Road/cart track road plannings	200,000	29	3
Fludes Lane	150,000	27	4
Wigston Road Allotment Improvements	45,000	27	4
Cemetery Improvements	30,000	23	6
Brocks Hill barn - Create staff/volunteer refreshment/dry/refuge area	17,000	22	7
Willow Park Fencing Improvements	95,000	19	8
Uplands Pavilion Refurbishment	15,000	17	9

10.3 It is important to recognise that a number of these schemes are still subject to full business cases being developed so these be prepared for consideration when capital receipts are received, and the detailed appraisals are being considered.

10.4 The capital programme for 2024/25 to 2026/27 is included at Appendix 6. This is as reported in the December 2023 budget update report and is per the indicative capital programme approved at February 2023. The 2024/25 capital programme budgets have been updated to reflect the slippage on the 2023/24 programme.

11. Budget Consultation 2024/25

- 11.1 The public consultation on the budget for 2024/25 was undertaken between 19 December 2023 and 16 January 2024.
- 11.2 The public consultation was undertaken via an online consultation. The survey shared a number of high-level features of the budget for 2024/25 and asked respondents whether they were in support and any further views. A total of 359 responses were received which are set out in Appendix 7.

12. Medium Term Financial Plan 2024/25 to 2028/29

- 12.1 The MTFP has been updated to reflect the on-going impact of the changes made to the 2024/25 budget and to include the latest funding forecasts following the provisional settlement and further announcement. The position includes the following assumptions:
- the full year forecast saving of £250k for moving to alternative waste occurs from 2025/26
 - the removal of £39k costs from 2025/26 for the current procurement contract as notice has been given for this contract to end of 1 April 2025.
- 12.2 The updated MTFP summary 2024/25 to 2028/29 is shown in Appendix 8 and the MTFP assumptions are shown in Appendix 9. Table 8 summarises the updated MTFP position. This shows that based on the current assumptions the Council move into small cumulative surplus position over the MTFP period. It is important to note this is based on funding assumption received from our Advisors, this includes that the Funding Guarantee remain in 2025/26 and increases to maintain Core Spending Power on removal of the New Homes Bonus.

Table 8 – MTFP Forecast 2024/25 to 2028/29

	2024/25	2025/26	2026/27	2027/28	2028/29
In-Year Budget Gap / (Surplus)	-	- 102,000	52,000	18,000	- 143,000
Cumulative Budget Gap / (Surplus)	-	- 102,000	- 50,000	- 32,000	- 175,000

- 12.3 The impact of MTFP on the General Fund Reserve is shown in Table 9.

Table 9 – MTFP Forecast impact on the General Fund Reserve 2024/25 to 2028/29

	2024/25	2025/26	2026/27	2027/28	2028/29
Opening General Fund Balance	- 1,470,000	-1,770,000	-2,172,000	-2,120,000	-2,102,000
(Surplus)/Deficit contributed (to)/from reserves	-	-102,000	52,000	18,000	-143,000
Contribution from the Business Rates Pool to reserves	-300,000	-300,000			
Opening General Fund Balance	-1,770,000	-2,172,000	-2,120,000	-2,102,000	-2,245,000

- 12.4 As stated in paragraph 7.1 the contribution from the Business Rates Pool is impacted on by the Business Rates performance of all Leicestershire authorities, it is very volatile and hard to predict, the value included is based on a prudent return from the pool. There is no return from the pool forecast beyond 2025/26 as the MTFP assumption is that the Business Rates Reset will happen in 2026/27 and the pool arrangement would cease.
- 12.5 As stated in paragraph 7.2 there will be one-off redundancy costs associated with Service Transformation that will be met from the General Fund Reserve. This is not included in the forecast above as the costs are not known.
- 12.6 Appendix 10 shows the impact of different scenarios on the MTFP.

13. HRA Medium Term Financial Plan

- 13.1 Appendix 11 shows the HRA Medium Term Financial Plan 2024/25 to 2028/29. This shows it is forecasting to be in surplus for each year of the MTFP. The HRA reserve balance is forecast to increase from the forecast opening balance at the 1 April 2024 of £1.071m to £2.321m as at 31 March 2029.

13.2 Robustness of Estimates and Adequacy of Reserves (Section 25 Statement)

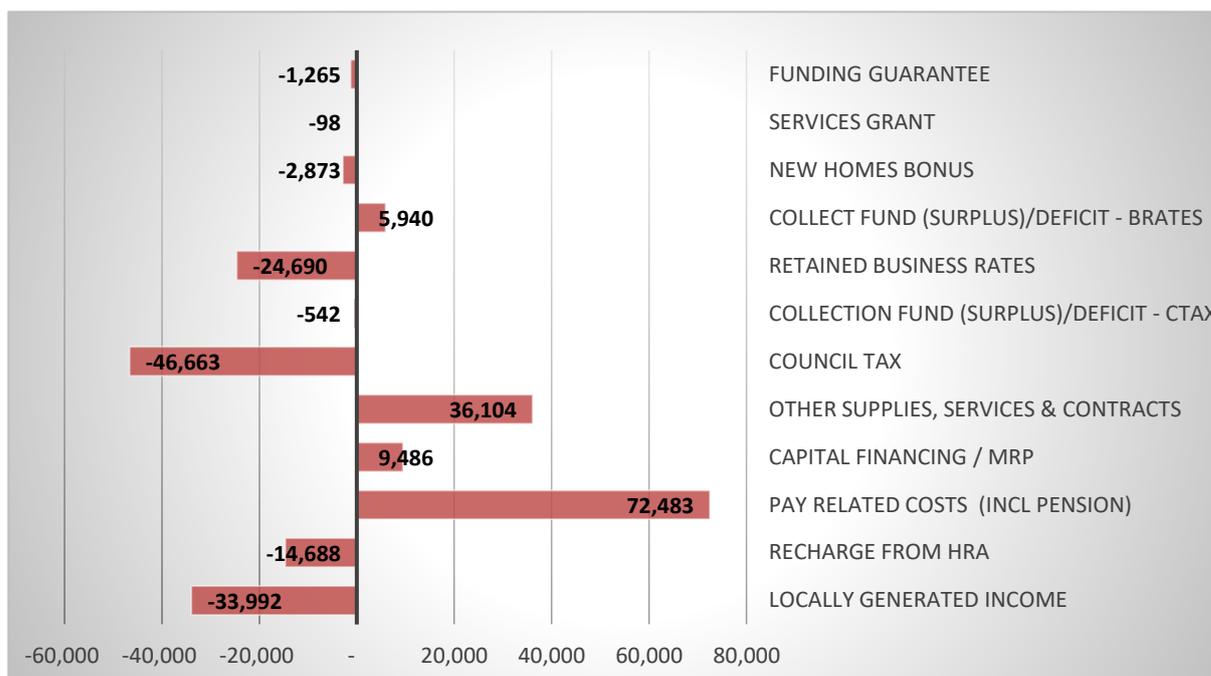
It has been well established that balancing budgets and closing budget gaps through the utilisation of reserves is not ideal and the Council needs to manage its expenditure within its funding and income means. This issue has been highlighted by the council's external auditors, Grant Thornton UK LLP.

- 13.3 At the Audit Committee meeting on 24 January 2023, Grant Thornton delivered their "Interim Annual Report for 2022/23" and an "Immediate Annual Report for 2023/24 Key Recommendation."
- 13.4 The 2023/24 Key Recommendations Report stated that in line with the requirements of the NAO's Code of Audit practice and due to the increasing financial challenges that the Council is facing within 2023-24 and the deterioration in its financial position and the reported risk that it could run out of money in 2025/26 unless further significant and challenging savings are achieved the auditors have issued an immediate report highlighting a significant weakness in financial sustainability arrangements and have made a key recommendation as set out in the report.
- 13.5 It was acknowledged that the Sustainability Programme savings that were identified in the previous MTFP did not meet the projected budget gap. Given the severity of the forecasted financial position, it was stated that it "was imperative that SLT and Councillors focus urgently on steps to address the financial challenge and organise activities in a way that focuses efforts on this single biggest risk". It is reassuring to acknowledge that those initial immediate steps have been taken and in December 2023 the Council approved the Financial Sustainability Plan in the main, and also committed to no longer using reserves to balance the budget now and in the future.
- 13.6 It is of fundamental importance that Members remain focused on the pledge not to use reserves to balance the budget and for Officers and Members to work collectively to identify those sustainable cost savings.
- 13.7 The Local Government Act 2003 requires the Council's Chief Financial Officer (Section 151 Officer) to comment on the robustness of the estimates and also on the adequacy of the proposed reserves. Members must have regard to these comments when deciding on the budget proposals for the forthcoming year.
- 13.8 The Section 151 Officer considers that the estimates which form the General Fund and Housing

Revenue Account are robust and prudent, and the proposals are deliverable for 2024/25. Noting it is imperative that the Service Delivery Changes – Financial Sustainability Plan is delivered. The Council's Senior Leadership Team is taking the steps to make the necessary savings identified in the budget proposals as 'Service Transformation'.

- 13.9 It is noted that Council considered as part of the draft budget, to increase its council tax by the maximum level available, representing 2.99%. This is a prudent decision given the government funding position.
- 13.10 Based on current estimates for 2023/24 outturn which requires the use of the general fund reserve to balance the budget, the Council has an adequate level of general fund reserve to balance the budget. The budget for 2024/25 shows no use of general fund reserve to balance the budget as per the recommendation approved by Full Council at the meeting on the 12 December 2023.
- 13.11 There is no set formula for deciding what level of reserves is appropriate and councils are free to determine the level of reserves they hold. Where councils hold very low reserves is little resilience to financial shocks and sustained financial challenges. Recent analysis carried out by advisor LG improve stated that when compared to other Borough and District Councils, Oadby and Wigston had the 6th lowest level of usable revenue reserves as a proportion of net revenue expenditure based on 2022/23 data.
- 13.12 The forecast general fund reserve position is set out at paragraph 13.3 in the report, this forecasts the closing reserves to be £1.770m at March 2025. The previous MTFP stated that 12% of the net revenue expenditure position was considered too low. A more reasonable level of reserves is considered to be around 20% of net revenue expenditure. This amounts to a figure of £1.530m for 2045/25, therefore, we are forecasting reserves to be at an acceptable level.
- 13.13 As previously highlighted in the report the balanced annual budget for 2024/25 is achieved on the assumption the Service Delivery Changes – Financial Sustainability Plan as presented in Appendix 3 is fully achieved, any reduction in these savings or delays in them being achieved will result in utilisation of the general fund reserve and reduce the forecast balance for the reserve. As also previously highlighted the reserve position assumes a contribution from the business rates pool which is subject to variation and the reserve will be utilised to fund be one-off redundancy costs associated with Service Transformation which is not included in the forecast.
- 13.14 Added to the general reserves position, there is also a need to bolster more specific and earmarked reserves which are only used for their identified purposes, from a Risk Management perspective. These include a specific reserve for NNDR/Business Rates equalisation reserve, due to the uncertainties around calculations with the Business Rates Retention Scheme and for areas such as Invest to Save schemes whereby formally approved income generating schemes can be initiated in order to create savings in the future.
- 13.15 Additionally, the Council is susceptible to volatility in budgetary estimates and a relatively small change in the underlying assumptions can produce significant results for the Council. The below chart set out the impact of a 1% change in assumptions within the 2024/25 budget.

Chart 1 – Impact of 1% change in budget assumptions



- 13.16 If outturn forecasts for the current (2023/24) or the 2024/25 year are even less favourable than projected, the Council could be in a position where more reserves will be called on.
- 13.17 Changes in grant funding continue to present a further significant risk to the Council and the Section 151 Officer continues to work with key sector representatives to raise the profile of the unique issues faced by the Council and lobby for more financial freedoms around council tax precept levels and currently heavily regulated income streams.
- 13.18 The Housing Revenue Account position remains in a sustainable position. However, financial risks exist around: rising interest rates and the fact that the service needs to refinance debt on a regular basis and is therefore exposed to further increases in this regard; the need to decarbonise the stock and the associated financial burden this presents; ongoing volatility in respect of energy costs which are highly susceptible to economic conditions; and the level of properties sold through right to buy.