



Full Council	Thursday, 20 February 2025	Matter for Information and Decision
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Report Title: **2025/26 Revenue Budget, Medium Term Financial Plan and 2025/26 – 2029/30 Capital Programmes**

Report Author(s): **Laura Parsons (Finance Manager)
Colleen Warren (Chief Finance Officer/S151 Officer)**

Purpose of Report:	For Full Council to approve the General Fund Revenue Budget for 2025/26, the Housing Revenue Account revenue budget for 2025/26 and Capital Programme and the MTFP for 2025/26 to 2029/30.
Report Summary:	<p>The report outlines the final proposed General Fund Revenue Budget for 2025/26, which is a balanced budget with no use of the general fund reserve.</p> <p>The five-year Medium Term Financial Plan 2025/26 to 2029/30 shows a forecast cumulative deficit.</p> <p>The report also presents the Housing Revenue Account which sets out the high level 5-year position.</p> <p>The report sets out future 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):	<ul style="list-style-type: none"> a) Recommend that Council approve the General Fund Revenue Budget for 2025/26 as set out in Appendix 1, b) Recommend that Council approve to increase Council Tax by the maximum core referendum limit of 2.99% as announced in the Local Government Settlement, c) Recommend that Council approve the HRA budget for 2025/26, as detailed in Table 4 and notes the HRA MTFP, d) Recommends that Council approves the Scale of Fees and Charges as set out in Appendix 4, e) Recommends that Council approves the Capital Schemes of the General Fund and HRA, f) Recommends that Council notes the MTFP for 2025/26 and 2029/30 as set out in Table 6 and g) Recommends that 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.
Senior Leadership, Head of Service, Manager, Officer and Other Contact(s):	<p>Colleen Warren (Chief Finance Officer / S151 Officer) (0116) 257 2759 colleen.warren@oadby-wigston.gov.uk</p> <p>Laura Parsons (Finance Manager) (0116) 257 2694</p>

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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"> Senior Leadership Team
Background Papers:	<ul style="list-style-type: none"> 25/26 Draft Revenue Budget and Medium-Term Financial Plan update-PFD 3 December 2024
Appendices:	<ol style="list-style-type: none"> General Fund Budget Summary (2025/26) Budget Changes 2024/25 to 2025/26 Scale of Fees and Charges Capital Programme (2025/26)

1. Introduction

- 1.1 The Draft General Fund and Housing Revenue Account proposals, Capital Programme and updated MTFP were considered by this committee on the 10 December 2024.
- 1.2 This report summarises the changes for the final budget 25/26, the details of the final finance settlement and Fees and Charges schedule for 25/26.
- 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.

1.4 The preparation of the budget for 2025/26 has been a detailed process involving officer review.

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 £7,727,382 a slight increase of £51k from the previous year's budget.

2.2 The General Fund Budget is shown at **Appendix 1**.

2.3 **Table 1** below shows the changes from the approved budget for 2024/25 and the proposed draft budget for 2025/26.

Table 1

General Fund	Budget 2024/25	Final Budget 25/26	Variance
	£	£	£
Employee Expenses	8,840,988	8,406,988	(413,610)
Premises Expenses	529,237	585,600	56,363
Supplies and Services	2,353,893	2,354,874	981
Transport	312,100	284,500	(27,600)
Banking & Schemes	992,648	1,055,561	62,913
Capital	986,100	969,000	(17,100)
Income	(6,338,161)	(5,928,531)	409,630
Net Revenue Expenditure	7,676,805	7,727,382	50,577

2.4 Employee Expenses are the most significant movement between years mainly due to the success of the 2024/25 sustainability programme and the Waste project. A 3% increase has been built in for 2025/26 as a forecast for the Local Government pay award. This is in line with other District Councils assumptions.

2.5 Premises expenses have increased due to inflation on utilities and an increase in NNDR Charges.

2.6 Inflationary increases have been applied to Supplies and Services and Premises Expenses where required and any savings on software, supplies and services have been applied where possible.

2.7 Transport savings on Fuel, Road Fund licences and Tyres have been achieved through the Waste project.

2.8 Banking and Schemes has increased due to external contract pressures for Sport Development, rationalisation of the Housing Benefit subsidy costs and budgets for bad debt write offs.

2.9 The Capital Budget reflects the reduced costs of debt.

2.10 Changes have been made within the budget to incorporate the Sustainability savings implemented in 2024/25.

- 2.11 You will note from **Appendix 2** that significant savings have been made since the 24/25 budget, however these savings have only offset inflationary increases. Departments have been advised that further savings will be needed throughout the year and into the future.

3. The Final Settlement

- 3.1 The new government published its Autumn Budget on 30 October 2024 informing the amount of funding that will be allocated to local government. The Government 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.
- **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 24 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 of £81,338k 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** will be continued for another year to allow local authorities to invest in local growth.
- **Planning** funding is expected to support recruitment and training of 300 graduates and apprentices into local planning authorities.
- **Warm Homes plan** will provide funding for decarbonisation and household efficiencies.

- 3.3 Although the Autumn Statement appeared to recognise the burden of Homelessness costs on Authorities the additional funding offered falls far short of resolving the issue, Oadby & Wigston have a budget of £530k per year to accommodate the cost of homelessness, however this budget is not sufficient to cover the costs of the growing homelessness issue, £594k was spent in 2023/24 against a budget of £260k causing a significant overspend funded by the General fund. In 2024/25 budget an additional £270k was added to the homelessness budget a give a total budget of £530k, however we are now forecasting that homeless costs in 2024/25 will be approximately £1,000,000 as such an overspend of £470k in year for which there is no funding at this time. This is putting an increasing burden on our reserves and balances.

The funding received in year does not allow any increase to the Homelessness budget as such we, along with almost every Council country wide are expecting further financial pressures from homelessness in 2025/26.

The teams are working hard to acquire new properties by rent or purchase to accommodate homeless and reduce these costs and the Government are being urged to provide more funding and recognise the issue.

- 3.4 Whilst the Autumn statement appeared a positive one with an increase in core spending power, additional funding for Homelessness and funding for the NI increase, the Settlement has been very disappointing for both Oadby and Wigston and other Districts with the increase in core spending power being driven by rises in Council tax alone, with previous funding received has been removed and only partial compensation for National Insurance increase we are left in a very challenging position.

4. Council Tax 2025/26

- 4.1 The MTFP has assumed a Council tax increase in line with the maximum allowed under the Local Government Settlement which is the great of £5 or 2.99%.
- 4.2 It is proposed that a Council Tax increase of 2.99% is approved. This recognises the deficit across the MTFP and will equate to an additional £199k per annum of funding to support essential services.
- 4.3 The Tax base for 2025/26 is 18,594.19 an increase of 226.21 properties when compared to the previous year.
- 4.4 Any Surplus/Deficit on the Council tax during 24/25 will affect the Council Tax precepts for 2025/26. The current forecast is a surplus of £75k.
- 4.5 The proposed Council Tax bandings are set out in the table below and full details are contained in the Council Tax Setting Report included in the Full Council agenda.

Total Amount Payable by Band			
A	B	C	D
£1,553.35	£1,812.24	£2,071.13	£2,330.02
E	F	G	H
£2,847.81	£3,365.59	£3,883.37	£4,660.05

5. Business Rates (NDR) 2025/26

- 5.1 Under the current arrangements for Retained Business Rates, where a Council collects rates above an assessed baseline level set by the Government, a 50% levy is applied that is paid over to the Government. In order to avoid this levy, a Business Rates Pool was adopted with the County and other Districts in Leicestershire.
- 5.2 The Council is expecting a number of appeals. A provision has been put aside based on intelligence from the Councils advisors to hopefully cover any effects from this but there still remains a large amount of uncertainty in this area.
- 5.3 As well as the potential for the authority to attract additional income through retained business rates there is also the risk of uncertainty through the amount of business rates that it collects, this has been further exacerbated by economic impacts. This coupled with the uncertainties relating to appeals against rateable values for business premises, with the potential for successful appeals being backdated makes estimating income extremely challenging and potentially volatile.
- 5.4 The table below provides details of the anticipated business rates figure for 2025/26.

	2025/26
Business Rates income/Expenditure	£
Retained Business Rates	(5,250,788)
S31 Grants	(1,353,187)
Tariff	3,885,494
Pre-Levy Income	(2,718,481)
levy	295,764
Renewable Energy	(11,456)
Net Retained Business Rates Income	(2,434,173)

6. Funding Position 2025/26

6.1 The overall funding position including final settlement for 2025/26 is set out in **Table 2**

Table 2 – 2025/26 Final Budget Funding Position

	Funding 24/25	Funding 25/26
	£	£
Earmarked Reserves	(672,782)	503,000
Retained Business Rates	(2,471,440)	(2,434,172)
Collection Fund (Surplus)/Deficit – BR	637,782	178,840
National Insurance New Burdens	0	(72,628)
Services Grant - One-off	(10,768)	0
Extended Producer Responsibility	0	(468,000)
New Homes Bonus	(287,250)	(236,500)
Council Tax – OWBC	(4,666,276)	(4,864,982)
Collection Fund Bal – Council Tax	(54,244)	(145,942)
Funding Guarantee	(129,501)	0
Green Plant & Machinery Grant	(22,326)	(7,351)
DA Safe Accommodation Grant	0	(35,195)
Total Financing	(7,676,805)	(7,853,735)

7. General Fund Reserves

7.1 The forecast position for the General Fund Reserve is shown in Table 3. The position includes an estimation for the return from the Business Rate Pool, 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 As you can see the closing balances are depleting and we need to maintain a minimum balance provision of approximately 20% of the budget. The forecast falls slightly short of that at approximately 16% so we need to try and increase our balances going forwards.

Table 3

General Fund Reserves	£
Opening Balance 01/04/2024	(1,534,066)
Movement from General Fund Reserve to Equalisation Reserve	302,000
Forecast overspend for 2024/25 as at Quarter 3	360,000
Estimated return from Business rates pool 24/25	(361,000)
Estimated Closing Balance 31 March 2025	(1,287,066)
Estimate of return from the Business Rates Pool 2025/26	(365,000)
Estimated Closing Balance 31 March 2026	(1,652,066)

8. Scale of Fees and Charges

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 3** is the final proposed charge position of individual fees and charges.

9. Housing Revenue Account 2025/26

9.1 **Table 4** shows the 2024/25 revised budget and the final 2025/26 proposed budget for the HRA.

Table 4 - Housing Revenue Account Final Budget 2025/26

General Fund	Original Budget 2024/25	Final Budget 25/26	Variance
	£	£	£
Employee Expenses	658,300	1,008,050	349,750
Premises Expenses	972,600	1,027,000	54,400
Supplies and Services	468,990	467,950	(1,040)
Banking & Schemes	735,760	761,400	25,640
Capital	1,580,000	1,580,000	0
Income	(5,985,520)	(6,164,300)	(178,780)
Corporate overheads	1,468,803	1,391,300	(77,503)
Net Revenue Expenditure	(101,067)	71,400	172,467

9.2 The final budget for 2025/26 is £71.4k overspend for which balances will have to be used to balance the budget. This is an increase on the 2024/25 budget of £172k.

9.3 The assumption for the housing and garage rents is an increase of 2.7%, in line with the national rent increase formula of CPI in September (1.7%) + 1%.

9.4 Employee expenses have increase by £275k. This is due to the introduction of a Housing Operations Manager which is required to enable the Council to effectively operate given the new regulatory and inspection regime; the new requirements of the Housing Ombudsman; and the increase in homelessness numbers. It is also due to some changes made to the staffing structure within the Housing Team, along with a 3% assumption for the pay award.

10. HRA Medium Term Financial Plan

10.1 The HRA Medium Term Financial Plan 2025/26 to 2029/30 as shown in **Table 5** is forecasting to be in surplus for each year of the MTFP except 2025/26.

Table 5 - HRA MTFS

Expenditure	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
	£	£	£	£	£	£
Salaries	658,300	1,008,050	976,800	933,600	952,600	971,700
Supervision and Management	256,750	258,850	290,590	313,140	331,220	371,280
Residential & Communal Services	212,240	209,100	214,300	218,600	221,900	225,200
Responsive Maintenance	355,600	410,000	420,300	428,700	435,100	441,600
Planned Maintenance	174,000	174,000	178,400	181,900	184,600	187,400
Voids Maintenance	209,000	209,000	214,200	218,500	221,800	225,100
Gas Servicing	210,000	210,000	215,300	219,600	222,800	226,200
Adaptations	24,000	24,000	24,600	25,100	25,500	25,900
General Fund Recharge	1,468,803	1,391,300	1,433,000	1,426,100	1,419,100	1,419,100
Depreciation	1,580,000	1,580,000	1,627,000	1,668,000	1,701,000	1,735,000
Capital	735,760	761,400	731,000	735,600	739,500	742,700
Income	5,884,453	6,235,700	6,325,490	6,368,840	6,455,100	6,571,190
Rental - Dwellings	(5,686,826)	(5,845,300)	(6,053,500)	(6,265,100)	(6,390,700)	(6,518,600)
Rental - Other	(79,600)	(81,300)	(83,800)	(85,100)	(86,400)	(87,700)
Service Charges	(219,094)	(237,700)	(231,100)	(235,200)	(239,300)	(243,600)
Total Funding	(5,985,520)	(6,164,300)	(6,368,400)	(6,585,400)	(6,716,400)	(6,849,900)
Budget Gap	(101,067)	71,400	(42,910)	(216,560)	(261,300)	(278,710)
General Fund Balance	(1,519,445)	(1,448,045)	(1,490,995)	(1,707,555)	(1,968,855)	(2,247,565)

11. Capital Programme 2025/26

- 11.1 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. This is included at **Appendix 4**.
- 11.2 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' or capital receipts. 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.
- 11.3 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, 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

- 11.4 The capital bids received are outlined below and all are recommended for inclusion into the capital programme.

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 grant 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, but at this point, it is envisaged that two specialised vehicles will be required.

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, and 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. It is envisaged that this project will take place in 2026/27 dependent upon the condition of the roof and the outcomes from Devolution, however we will review this scheme at budget setting in 2026/27.

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 25/26 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 - £26K

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.

New Council Offices - £10K

Contingency budget for additional capital works at the Council Offices that may be required.

Brocks Hill Drainage - £30K

Improved drainage is required along the paths at Brocks Hill in order to prevent further erosion caused by heavy rainfall. This project will follow on from emergency works to be done imminently.

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

- 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 is shown below in **Table 6**.
- 12.2 **Table 6** below demonstrates 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.
- 12.3 At this point Government funding has been assumed at the current levels (with the exception of New Homes Bonus which is in its final year) although there is no certainty on this due to Devolution and the Local Government reorganisation as well as the proposal for the spending review and the multiyear settlement. There are also no implications built in yet in terms of the Business rates reset as there is no detail available currently.

Table 6

	2025/26	2026/27	2027/28	2028/29	2029/30
	£	£	£	£	£
Salaries	8,195,223	8,424,262	8,588,595	8,756,216	8,927,188
Supplies & Services	2,603,679	2,355,985	2,427,895	2,484,458	2,542,152
Utilities	352,600	387,860	403,374	419,509	436,290
Insurances	277,690	305,459	320,732	336,769	353,607
Income	(2,770,810)	(2,612,560)	(2,612,560)	(2,612,560)	(2,612,560)
Selective Licensing	(360,000)	(225,000)	(120,000)	(75,000)	(30,000)
Leisure Management	(571,000)	(537,000)	(537,000)	(537,000)	(537,000)
Net cost of Services	7,727,382	8,099,006	8,362,472	8,772,391	9,079,677
Earmarked Reserves	503,000	0	0	0	0
Retained Business Rates	(2,434,172)	(2,482,856)	(2,532,513)	(2,583,163)	(2,634,826)

Collection Fund (Surplus)/Deficit – BR	178,840	0	0	0	0
EPR	(468,000)	0	0	0	0
New Homes Bonus	(236,500)	0	0	0	0
Council Tax – OWBC	(4,864,982)	(5,060,073)	(5,262,476)	(5,472,975)	(5,691,894)
Collection Fund Bal – CTax	(145,942)	0	0	0	0
Green Plant and Machinery	(7,351)	(7,351)	(7,351)	(7,351)	(7,351)
S31 Business Rates Grants	(306,000)	(306,000)	(306,000)	(306,000)	(306,000)
NI increase funding	(72,628)	(72,628)	(72,628)	(72,628)	(72,628)
Total Funding	(7,853,735)	(7,928,908)	(8,180,968)	(8,442,117)	(8,712,699)
Budget Gap	(126,353)	170,098	290,069	330,274	366,977
General Fund Balance	(1,359,419)	(1,189,321)	(899,252)	(568,978)	(202,000)

The Table shows the depleting levels of reserves over the term of the MTFP and further savings will need to be found along with the potential flexible use of capital receipts to balance the budget.

In order to ensure that we can continue to provide services we need to ensure that the budgets are balanced annually.

Use of increasing fees and charges, contract management, invest to save schemes, flexible use of capital receipts and full recovery of costs where possible will be considered to ensure that the budgets are balanced annually.

12.4 **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.

12.5 At the Audit Committee meeting on 22 January 2024, Grant Thornton delivered their Interim Annual Report for 2023/24.

12.6 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.

12.7 In their interim report for 23/24 Grant Thornton acknowledged that the Council had taken the recommendation seriously and had taken huge steps in managing the future sustainability of Oadby & Wigston, however the recommendation still remains so the members will need to continue to make difficult decisions within the budget in order to close the gap in the MTFP.

- 12.8 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.
- 12.9 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.
- 12.10 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 2025/26, however it is essential that members, officers and staff continue to look for essential savings in order to balance the budget in the long term.
- 12.11 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.
- 12.12 The budget for 2025/26 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.
- 12.13 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.
- 12.14 The forecast general fund reserve position is set out at paragraph 6.1 in the report, this forecasts the closing reserves to be £1.287m at March 2025. The current level of reserves is forecast to be approximately 16% of the net revenue budget. Whilst this is a reasonable level of reserve any depletion of this would put the Council at risk. Therefore, the current level of reserves needs to be maintained and when possible increased to achieve a balance of approximately 20%.
- 12.15 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.
- 12.16 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.
- 12.17 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.