

Draft Revenue Budget for 2024-25	
Executive Summary	This report presents the first iteration of budget for 2024/25. It is intended to present the position as we currently know it and will need to be updated as more information becomes available e.g. the impact of the Local Government Finance Settlement for 2024/25.
Options considered.	No other options have been considered as it is a requirement to calculate “the expenditure which the authority estimates it will incur in the forthcoming year in performing its functions” and then subtract “the sums which it estimates will be payable for the year into its general fund”. This is required to set a balanced budget before 11 March 2024.
Consultation(s)	There has not been any consultation prior to this paper. The Overview and Scrutiny Committee are being asked to review the content and make recommendations to Cabinet for its consideration. This paper is the first stage of consultation and as the budget setting process progresses consultation will take place with other stakeholders.
Recommendations	Recommend to Cabinet any options that this Committee would like Cabinet to consider.
Reasons for recommendations	To enable the Council to set a balanced budget.
Background papers	2023/24 Budget report presented to full Council on 22 February 2023.

Wards affected	All
Cabinet member(s)	Cllr Lucy Shires
Contact Officer	Tina Stankley Director of Resources and s151 Officer tina.stankley@north-norfolk.gov.uk

Links to key documents:	
Corporate Plan:	Strong Responsible & Accountable Council.
Medium Term Financial Strategy (MTFS)	The setting of a balanced budget for 2024/25 provides the base position for reviewing the following years of the Medium-Term Finance Plan.
Council Policies & Strategies	Budget Setting & Medium-Term Finance Strategy.

Corporate Governance:	
Is this a key decision	Yes
Has the public interest test been applied	Yes
Details of any previous decision(s) on this matter	

1. Purpose of the report

This report is being presented to this Committee to give Members the opportunity to scrutinize and discuss the proposed draft Summary General Fund Budget for 2024/25 before being presented to Cabinet and to make recommendations to Cabinet to achieve the savings required to balance the General Fund Budget for 2024/25. It also presents the Medium-Term Financial Strategy for scrutiny by this Committee.

2. Introduction & Background

- 2.1 Officers have spent some time in reviewing their budgets. These have now been consolidated to give a Summary General Fund Budget for 2024/25.
- 2.2 The context in which the Council is operating is that local authorities throughout the UK are finding themselves affected financially by many external factors that are beyond their control. There is the ongoing impact of the ongoing war in Ukraine, high but reducing inflation levels which are currently at 4.6%, but half of what it was this time last year (9.2% in December 2022), higher interest rates (although several economists have recently said that they think these have now peaked), labour shortages, the residual impact of COVID as we are learning to live with it, a continuing cost-of-living crisis and an uncertain economic outlook.
- 2.3 The Council is seeing the high utility and contract costs persisting, which has fed through to demands for higher pay rises for a second year running. The continuing cost-of-living crisis is also leading to an increase in the demand for the Council's services. This is creating a particular pressure on the Temporary Accommodation budgets, as the number of people presenting themselves as homeless is increasing. Whilst government subsidy can be claimed for this expenditure it does not fully cover this and it is anticipated that the shortfall will amount to a budget pressure of over £600k by the end of 2023/24 and will be at least the same again in 2024/25. This is not a unique issue for this Council as councils across the country are experiencing pressures on their Temporary Accommodation budgets. Lobbying by Councils is taking place to try and gain some central government financial support for this.

3. Current Proposed Budget for 2024-25 and the Medium-Term Financial Strategy to 2027/28

- 3.1 The draft budget presented for 2024/25 is not yet a balanced budget. The summary position is shown in the table below. The full General Fund

Summary can be found at Appendix A. The current gap for 2024/25 is £1.810m, and then this increases significantly in year 2025/26 and for the following two years.

2022/23 Actuals £	Service Area	2023/24 Base Budget £	2023/24 Updated Budget £	2024/25 Base Budget £	2025/26 Projection £	2026/27 Projection £	2027/28 Projection £
19,991,416	Net Cost of Services	22,668,807	22,772,939	23,197,511	22,876,153	23,232,119	23,917,816
(1,434,748)	Other net costs and/or income	190,314	206,686	(667,178)	(653,738)	(639,791)	(625,313)
18,556,668	Net Operating Expenditure	22,859,121	22,979,625	22,530,333	22,222,415	22,592,328	23,292,503
(775,163)	Contributions to/(from) Earmarked Reserves:	(4,910,461)	(5,030,965)	(1,353,367)	(194,535)	26,727	37,727
17,781,505	Amount to be met from Government Grant & Local Taxpayers	17,948,660	17,948,660	21,176,966	22,027,880	22,619,055	23,330,230
(17,781,505)	Income from Government Grant and Taxpayers	(17,948,660)	(17,948,660)	(19,366,601)	(17,914,157)	(18,247,909)	(18,554,400)
0	(Surplus)/Deficit	0	0	1,810,365	4,113,723	4,371,146	4,775,830

- 3.2 The position above shows the balanced budget position for 2023/24 however it should be noted that the latest budget monitoring report (i.e. as at 30 September 2023) identifies a forecast overspend for this current year against this budget of at least £600k. Action is currently being taken by officers to reduce expenditure wherever possible.
- 3.3 The draft budget for 2024-25 includes some unavoidable growth items, increases for inflation for both income and expenditure and any savings that have been identified. It should be noted that there has been a significant movement on the 2024/25 deficit forecast when the budget for 2023/24 budget was set i.e. £0.745m has now moved to £1.810m.

Explanation of movement	£m
Budget Deficit for 2024/25 when setting the Budget for 2023/24	£0.745
Unable to introduce Second Homes Premium as legislation was delayed significantly and not implemented in time for 2024/25	£0.550
Increase in MRP	£0.158
Difference in pay award (assumed 2% when setting 23/24 budget, but now assuming 5% for setting the 24/25 budget)	£0.310
Other miscellaneous increases	£0.047
Budget Deficit for 2024/25	£1.810

- 3.4 Currently pay inflation has been included at 5% for 2024/25 and then at 3.5% for the remaining years of the Medium-Term Financial Plan. The table below shows what the impact on the budget would be if different levels of pay inflation are assumed.

Inflation % Applied	Total Salary, NI & Super Inflation £	Movement £	Narrative
3.5%	543,123	(233,256)	Budget saving
5.0%	776,379	-	Budgeted figure
7%	1,086,246	309,867	Additional budget pressure

- 3.5 On the funding side the assumptions that have been made are to increase the Council Tax by the maximum allowed. The table below shows how the Council Tax income has been calculated and the amount of Council Tax income that the increase generates. Also included in the Council Tax Income is the additional income that will be generated by being able to charge a 100% premium on long term empty properties that have been empty for a consecutive period of longer than 12 months instead of 24 months. This has been calculated to generate an additional £68k in 2024/25 then £50k per annum after that. Then also included from 2025/26 is the 100% premium that can be charged on second homes. It is anticipated that this will generate an additional £550k per annum.

	Council tax			
	24/25	25/26	26/27	27/28
Council Tax Base for 24/25 with assumed 1% increase per annum	41501.7	41916.7	42335.9	42759.2
CT before increase	163.62	168.57	173.61	178.80
Maximum increase allowed	4.95	5.04	5.19	5.35
CT after increase	168.57	173.61	178.80	184.15
Income assuming CT increase	6,995,942	7,277,171	7,569,706	7,874,001
Second homes premium	-	550,000.00	550,000.00	550,000.00
Empty homes income	68,000.00	50,000.00	50,000.00	50,000.00
Total Council Tax	7,063,942	7,877,171	8,169,706	8,474,001
Additional Council Tax generated by the annual increase	205,433	211,270	219,763	228,598

- 3.6 For the Retained Business Rates financial modelling has been undertaken that uses information available for 2023/24 and then this has been updated with any known changes. The resulting income is based on what is known now but will be updated in January 2024 when a more accurate figure will become available upon completion of a government return.
- 3.7 The remaining income comprises grants from central government. These have been increased also but there is a great deal of uncertainty around the funding streams. The provisional Local Government Finance Settlement is expected to be announced during the week before Christmas at which point the amounts can be fed into the General Fund Summary to provide an updated position.
- 3.8 This first draft budget for 2024/25 and the following years of the Medium-Term Financial Plan show that there are deficits in each year. The years 2025/26 to 2027/28 show a significant increased deficit but this is largely due to the forecast for the Retained Business Rates needing to be reviewed again once a more accurate figure is calculated in January. This early presentation

of a first draft allows consideration of all options that can put in place to achieve the level of savings required to set a balanced budget for 2024/25.

- 3.9 During December officers and Cabinet Members will look at how budget savings can be achieved for 2024/25 so that a balanced budget can be recommended to full Council at its meeting on 21 February 2024.
- 3.10 There will be a further opportunity for this Committee to scrutinize the budget in the new year and make recommendations to full Council for consideration at the meeting on 21 February 2024.
- 3.11 **Corporate Plan Objectives**
- 3.12 Financial Sustainability and Growth – a balanced budget based on savings that are achievable will ensure the Council's financial sustainability over the medium term.

4. Financial and Resource Implications

- 4.1 The Council must set a balanced budget for 2024/25 before 11 March 2024. This report presents the first draft budget for 2024/25 which shows that there is currently a budget deficit and the extent of the deficit. This early consideration of the position allows action to be taken to reduce the deficit and set a balanced budget before 11 March 2024. The Medium-Term Finance Strategy is also presented in this report.

Comments from the S151 Officer:

The Council must set a balanced budget before the start of the forthcoming financial year. This first draft of the budget is the first stage in this process.

5. Legal Implications

- 5.1 This report does not raise any new legal implications.

Comments from the Monitoring Officer

6. Risks

- 6.1 This report does raise the risk that a balanced budget may not be set, but the financial sustainability of the Council is already included in the risk register.

7. Net Zero Target

- 7.1 This report does not raise any issues relating to Climate change.

8. Equality, Diversity & Inclusion

- 8.1 This report does not raise any new issues relating to equality and diversity.

9. Community Safety issues

- 9.1 This report does not raise any issues relating to Crime and Disorder considerations.

10. Conclusion and Recommendations

- 11.1 This report presents the first draft of the General Fund budget for 2024/25. The assumptions in arriving at the position are laid out in the report. Recommend to Cabinet any options that this Committee would like Cabinet to consider.