

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 it 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)	The Overview and Scrutiny Committee have reviewed the content and have made recommendations to Cabinet for its consideration. This is the only consultation that has taken place prior to this paper being presented to Cabinet. This paper is the first stage of consultation and as the budget setting process progresses consultation will take place with other stakeholders e.g. Council Tax payers and Business Rates payers.
Recommendations	That Cabinet consider any recommendations made by Overview and Scrutiny. That Cabinet consider the options for achieving the required level savings so that a balanced budget can be recommended to full Council.
<b>Reasons for recommendations</b>	To enable the Council to set a balanced budget.
<b>Background papers</b>	2023/24 Budget report presented to full Council on 22 February 2023.

<b>Wards affected</b>	All
<b>Cabinet member(s)</b>	Cllr Lucy Shires
<b>Contact Officer</b>	Tina Stankley Director of Resources and s151 Officer <a href="mailto:tina.stankley@north-norfolk.gov.uk">tina.stankley@north-norfolk.gov.uk</a>

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	<b>Budget Setting &amp; Medium-Term Finance Strategy.</b>
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<b>Corporate Governance:</b>	
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 Cabinet to enable it to review the first draft of the budget, to consider the assumptions made in the draft budget and its alignment to the Corporate Plan. A final budget report will be presented to Cabinet at its meeting on 5 February 2024 so that it can make its recommendations to full Council on 21 February 2024.

**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 a nationwide with councils across the country also 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

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 £1.459m (Line 47 Column 3 in the table below).

Line no.	General Fund Summary 2024/25 Base Budget			
	Column 1	Column 2	Column 3	
	<b>2023/24 Original Base Budget</b>	<b>2023/24 Updated Budget</b>	<b>2024/25 Base Budget</b>	
	£	£	£	
1	Corporate Leadership/Executive Support	484,700	517,700	431,500
2	Communities	10,566,200	10,056,300	10,114,900
3	Place and Climate Change	6,509,000	6,680,900	7,128,300
4	Resources	5,108,900	5,518,100	5,522,900
5	<b>Net Cost of Services</b>	<b>22,668,800</b>	<b>22,773,000</b>	<b>23,197,600</b>
6	Parish Precepts	2,875,200	2,875,200	2,875,200
7	Capital Charges	(2,457,000)	(2,457,000)	(2,457,000)
8	Interest Receivable	(1,533,400)	(1,533,400)	(1,865,200)
9	External Interest Paid	0	0	23,900
10	Revenue Financing for Capital:	710,000	726,300	0
11	Minimum Revenue Provision	330,000	330,000	487,900
12	IAS 19 Pension Adjustment	265,500	265,500	268,000
13	<b>Net Operating Expenditure</b>	<b>22,859,100</b>	<b>22,979,600</b>	<b>22,530,400</b>
	<b>Contributions to/(from) Earmarked Reserves:</b>	<b>2023/24 Original Base Budget</b>	<b>2023/24 Updated Budget</b>	<b>2024/25 Base Budget</b>
14	Capital Projects Reserve	(400,000)	(400,000)	0
15	Benefits	(111,300)	(111,300)	(46,600)
16	Building Control	(81,900)	(89,700)	(122,500)
17	Business Rates Reserve	(1,278,300)	(1,278,300)	(18,000)
18	Coast Protection	0	(134,000)	(265,700)
19	Communities	(275,000)	(275,000)	(131,600)
20	Delivery Plan	(1,289,400)	(1,750,900)	(505,000)
21	Economic Development & Tourism	(44,800)	(44,800)	(10,000)
22	Elections	(100,000)	(133,000)	60,000
23	Environmental Health	(16,000)	(32,400)	0
24	Grants	0	0	(49,600)
25	Housing	(555,900)	(493,700)	(128,300)
28	Legal	(31,700)	(31,700)	0
29	New Homes Bonus Reserve	(178,000)	(178,000)	(150,000)
30	Organisational Development	(42,700)	(42,700)	(26,100)
31	Planning Revenue	(149,000)	(179,000)	50,000
32	Net Zero Initiatives	0	500,000	0
33	Contribution to/(from) the General Reserve	(356,500)	(356,500)	(9,900)
34	<b>Amount to be met from Government Grant and Local Taxpayers</b>	<b>17,948,600</b>	<b>17,948,600</b>	<b>21,177,100</b>

		<b>2023/24 Original Base Budget</b>	<b>2023/24 Updated Budget</b>	<b>2024/25 Base Budget</b>
	<b>Income from Government Grant &amp; Taxpayers</b>			
35	Parish Precepts	(2,875,200)	(2,875,200)	(2,875,200)
36	Council Tax	(6,738,800)	(6,738,800)	(7,047,500)
37	Retained Business Rates	(6,315,000)	(6,315,000)	(7,683,000)
38	New Homes bonus	(31,000)	(31,000)	(5,600)
39	Revenue Support Grant	(102,500)	(102,500)	(309,000)
40	3% Funding Guarantee	(974,400)	(974,400)	(928,900)
41	Rural Services Delivery Grant	(567,400)	(567,400)	(567,400)
42	LCTS Admin Grant	(136,700)	(136,700)	(140,900)
43	Council Tax Discount Grant	(50,100)	(50,100)	(51,600)
44	Services Grant	(130,400)	(130,400)	(108,900)
45	Business rates Levy Surplus	(27,100)	(27,100)	0
46	<b>Income from Government Grant &amp; Taxpayers</b>	<b>(17,948,600)</b>	<b>(17,948,600)</b>	<b>(19,718,000)</b>
47	<b>(Surplus)/Deficit</b>	<b>0</b>	<b>0</b>	<b>1,459,100</b>

### 3.2 The table above shows

- In Column 1 the Original Base Budget which was approved by full Council on 22 February 2023. It shows a balanced budget position for 2023/24.
- In Column 2 the latest updated balanced budget position as reported to full Council on 20 September 2023. 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.
- In Column 3 the draft budget for 2024/25 which is not yet balanced.
- Line 5 shows the net cost of running the Council's services. It is the total of Lines 1 to 4. This figure comprises the cost less the fees and charges income earned by the services.
- Line 13 is the total cost of operating as a Council and includes items that are not attributable to any particular service e.g. investment income. It is the total of Lines 5 to 12.
- Lines 14 to 33 show where reserves are being used to fund some of the costs of services in Lines 1 to 4. There are also instances of contributions being made to the reserves and this is where it is known that costs will be incurred in the future and so the contributions are set aside e.g. district council elections are held every 4 years at a cost of about £200k and so each year £50k is put into the Elections Reserve so that there is a balance of £200k to take from the Elections Reserve in the fourth year to cover the cost. All the Earmarked Reserves have been set up to fund specific expenditure. A brief definition of the purpose of each reserve can be found at Appendix B.
- Line 34 is the total of Lines 13 to 33 and it is the amount that is funded by Government Grant and Local Taxpayers.
- Lines 35 to 45 are the sources of income which are totalled at line 46.
- Line 35 is the income from tax payers for the parish precept and this equals the parish precept that is paid over the parishes at Line 5.
- Line 36 is NNDC's Council Tax Income.
- Line 37 is NNDC's Business Rates Income.

- Lines 38 to 45 are the grants from Central Government.
- Line 47, Column 3 is the deficit that needs to be met from finding savings in operational budgets or from reserves.

3.3 The draft budget for 2024-25 includes the unavoidable growth items, increases for inflation for both income and expenditure and any initial 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 (see Cabinet report February 2023)	£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
Reassessment of Business Rates Income (increase from £7.376m in 23/24 budget report to £7.683m in this report)	(£0.307)
Other minor miscellaneous increases	£0.003
<b>3Budget Deficit for 2024/25</b>	<b>£1.459</b>

3.4 Currently pay inflation is 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 one of the assumptions that has been made are to increase the Council Tax by the maximum allowed of £5.00 for a Band D property. The tables below show:

- Lines 1-5 of the first table - how the Council Tax income has been calculated.
- Line 6 of the first table – the amount that is generated from 2025/26 onwards by starting to charge the 100% premium that can be charged on second homes. It is anticipated that this will generate an additional £550k per annum.
- Line 7 of the first table - the additional Council Tax 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.
- the amount of Council Tax income that the annual increase of £5.00 would generate is £0.207m for 2024/25. This is calculated by multiplying the taxbase at Line 1 by the increase in Council Tax at Line 3. This, along

with the increases in the following 3 years, are shown in the second table below.

Line no.		Council tax			
		24/25	25/26	26/27	27/28
1	Council Tax Base for 24/25 based on central government's assumed increase	41,392.1	41,700.7	42,012.7	42,327.6
2	Band D Council Tax before increase	£163.62	£168.57	£173.61	£178.80
3	Maximum increase allowed	£5.00	£5.04	£5.19	£5.35
4	Band D Council Tax after increase (Add Lines 2 and 3)	£168.62	£173.61	£178.80	£184.15
5	<b>Income assuming CT increase (line 1 multiplied by Line 4)</b>	<b>£6,979,536</b>	<b>£7,239,659</b>	<b>£7,511,871</b>	<b>£7,794,628</b>
6	Second homes premium	-	£550,000	£566,445	£583,382
7	Empty homes income	£68,000	£70,033	£72,127	£74,284
8	<b>Total Council Tax (Add Lines 5, 6 and 7)</b>	<b>£7,047,536</b>	<b>£7,309,692</b>	<b>£7,583,998</b>	<b>£7,868,911</b>
Additional Council Tax generated by the annual increase - Council Tax base (Line1) multiplied by Maximum increase allowed (Line 3)		£206,961	£210,172	£218,046	£226,453

- 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. The provisional Local Government Finance Settlement was announced on 18 December 2023 and the General Fund Summary has been updated to reflect the funding announced.
- 3.8 The Government have made available through the provisional local government finance settlement an increase of 6.5% on 2023-24. This does however assume that District Councils apply the maximum increase of 2.99% or £5 (whichever is the higher) in Council Tax.
- 3.9 The Funding Guarantee introduced last year has been maintained for 2024/25 to ensure every council in England sees at least a 3% increase in Core Spending Power before any local decisions are made around council tax. The increase in Core Spending Power for NNDC equates to an increase of 4.6% for 2024/25 when compared to 2023/24.
- 3.10 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.

3.11 During December and January 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.

#### **4. The Medium-Term Financial Plan**

4.1 The Medium-Term Financial Plan (MTFP) has prepared alongside the budget for 2024/25. The detailed MTFP can be found as Appendix A. Assumptions have been made for the years 2025/26 to 2027/28 which are listed below. It should be noted that the further into the future we look the greater the increase in uncertainty is particularly around the funding streams.

4.2 Assumptions included are:

- The pay award is assumed to be at 2% for years 2025/26 as the rate of inflation has started to fall significantly.
- Increases in costs have been included for all years where we are contracted to increase costs on an annual basis.
- Increases in fees and charges (included in the Net Cost of Services) have been increased based on prudent assumptions that are in line with the increases that have been assumed for expenditure.
- For the calculation of Council Tax income a modest increase of around 1% in the tax base has been assumed year on year and then the maximum increase has been applied to the Band D Council Tax each year at 2.99%.
- For the central government funding the assumptions made have been to generally increase funding by 3% as the last two Local Government Finance Settlements (23/24 and 24/25) have been based on a guaranteed increase in core spending power of at least 3%.

4.3 There is a huge level of uncertainty in the funding levels for local authorities as there are two major reviews where the outcomes of the which have yet to be implemented. The current funding system is recognised by all as being no longer fit for purpose and no longer an appropriate model. A Fair Funding Review has been postponed for several years, but it is expected that this will take place and the outcomes implemented at some point over the term of this Medium-Term Financial Plan. However, it is expected that the outcome will favour authorities with Social Care responsibilities and that district authorities will suffer.

4.4 There is also a reform of the Business Rates due and again which has been postponed for some time. The Council retains the services of Pixel Financial Management Services which provide expert advice and support on government funding. They provide a forecast of central government for the Council and their prediction is that the Business Rates reform may take place in 2026/27 and that this will have a negative impact on the level of Business Rates income for the Council.

4.5 To mitigate the impact of a reduction officers of the Council will be tasked with reviewing the way in which services are delivered during 2024/25 so that

any changes or cessation in service delivery can be implemented over the period of the Medium-Term Financial Plan.

## **5. Corporate Plan Objectives**

- 5.1 Financial Sustainability and Growth – a balanced budget based on savings that are achievable will ensure the Council’s financial sustainability over the medium term.

## **6. Financial and Resource Implications**

- 6.1 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.

## **7. Legal Implications**

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

### **Comments from the Monitoring Officer**

## **8. Risks**

- 8.1 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.

## **9. Net Zero Target**

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

## **10. Equality, Diversity & Inclusion**

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

## **11. Community Safety issues**

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

## **12. Conclusion and Recommendations**

- 12.1 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.
- 12.2 It is recommended that Cabinet consider any recommendations made by Overview and Scrutiny Committee.

12.3 It is recommended that Cabinet consider the options for achieving the required level savings so that a balanced budget can be recommended to full Council on 21 February 2024.