

Draft Revenue Budget for 2024-25	
Executive Summary	This report presents the draft budget for 2024/25, the Medium-Term Financial Strategy 2024/25 to 2027/28 and the proposed Capital Programme for 2024/25 to 2027/28. 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 were presented with the first draft budget at its meeting on 13 December 2023 for pre-scrutiny. Further consultation will take place with external stakeholders e.g. Council Taxpayers and Business Rates payers during January and February so that the outcome of all consultations can be considered by full Council on 21 February when it meets to approve the Budget for 2024/25 and set the level of Council Tax for the year.
Recommendations	That Cabinet consider any recommendations made by the Overview and Scrutiny Committee.
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 enable it to review the draft budget for 2024/25, along with the proposed savings and use of Reserves used to set a balanced budget for 2024/25. The final budget report will be discussed by Cabinet at its meeting on 5 February 2024 along with any recommendations made by this Committee, 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 draft 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 4.2%, but over 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, the war in Ukraine, 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 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 issue 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 for 2024/25 presented below is a balanced budget (Line 29 Column 3 in the table below). The summary position is shown in the table below. The full General Fund Summary can be found at Appendix A.

Line no.	General Fund Summary 2024/25 Base Budget	Column 1	Column 2	Column 3
	Service Area	2023/24 Original Base Budget	2023/24 Updated Budget	2024/25 Base Budget
		£	£	£
1	Corporate Leadership/Executive Support	484,700	517,720	456,030
2	Communities	10,566,200	10,056,260	10,972,090
3	Place and Climate Change	6,509,000	6,500,860	7,189,180
4	Resources	5,108,900	5,518,100	4,414,680
5	Net Cost of Services	22,668,800	22,592,940	23,031,980
6	Parish Precepts	2,875,200	2,875,210	2,875,210
7	Capital Charges	(2,457,000)	(2,456,950)	(2,962,370)
8	Interest Receivable	(1,533,400)	(1,533,440)	(1,865,170)
9	External Interest Paid	0	0	23,880
10	Revenue Financing for Capital:	710,000	3,757,580	170,000
11	Minimum Revenue Provision	330,000	330,000	487,860
12	IAS 19 Pension Adjustment	265,500	265,490	268,000
13	Net Operating Expenditure	22,859,100	25,830,830	22,029,390
	Income from Government Grant & Taxpayers	2023/24 Original Base Budget	2023/24 Updated Budget	2024/25 Base Budget
14	Parish Precepts	(2,875,200)	(2,875,210)	(2,875,200)
15	Council Tax	(6,738,800)	(6,738,800)	(7,045,460)
16	Retained Business Rates	(6,315,000)	(6,315,000)	(7,683,000)
17	New Homes bonus	(31,000)	(31,080)	(5,600)
18	Revenue Support Grant	(102,500)	(102,460)	(309,040)
19	3% Funding Guarantee	(974,400)	(974,410)	(928,920)
20	Rural Services Delivery Grant	(567,400)	(567,390)	(567,380)
21	LCTS Admin Grant	(136,700)	(136,750)	0
22	Council Tax Discount Grant	(50,100)	(50,070)	(51,580)
24	Services Grant	(130,400)	(130,440)	(108,850)
25	Business rates Levy Surplus	(27,100)	(27,050)	0
26	Income from Government Grant & Taxpayers	(17,948,600)	(17,948,660)	(19,575,030)
27	(Surplus)/Deficit	4,910,500	7,882,170	2,454,360
28	Contribution To/(From) Reserves	(4,910,500)	(7,882,170)	(2,454,360)
29	Net Position	0	0	0

3.2 The table above shows:

- In **Column 1** the Original Base Budget for 2023/24 which was approved by full Council on 22 February 2023. It shows a balanced budget position.
- 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 a balanced budget as shown at **Line 29**.
- **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 costs less the fees and charges income earned by the services.
- **Line 13** is the total net 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.
- **Line 26** is the total of Lines 14 to 25, and it is the amount that is funded by Government Grant and Local Taxpayers.
 - Line 14 is the income that NNDC will collect from taxpayers for the parish precepts and this equals the parish precept that NNDC will pay over to the parishes as shown at Line 6.
 - Line 15 is NNDC's Council Tax Income to be collected from Council Taxpayers.
 - Line 16 is NNDC's Business Rates Income to be collected from businesses within the district.
 - Lines 17 to 25 are the grants that NNDC will receive from Central Government.
- **Line 27, Column 3** is the deficit that needs to be met from the reserves held by the Council.
- **Line 28, Column 3** shows the net amount of the reserves that are being used to balance the budget for 2024/25. A summary of the reserves that are being used to fund expenditure is given below in paragraph 3.3.

3.3 The Council holds a General Fund Reserve which it keeps for unexpected expenditure or for emergencies. The Council's s151 Officer assesses what the minimum level for this reserve should be each year to ensure that the Council has sufficient funds to meet any unexpected expenditure. The Council also holds some Earmarked Reserves, all of which have been set to fund specific expenditure. These Earmarked Reserves are being used to fund some of the costs of services. 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. A full breakdown of the use of Reserves can be found at Appendix B.

Contributions to/(from) Earmarked Reserves:	Purpose and Use of Reserve	2023/24 Base Budget	2023/24 Updated Base Budget	2024/25 Base Budget
Capital Projects Reserve	To provide funding for capital developments and purchase of major assets.	(400,000)	(400,000)	0
Asset Management	To support improvements to our existing assets as identified through the Asset Management Plan.	0	(405,564)	(120,000)
Benefits	To cover any claw back by the Department of Works and Pensions following the audit of the final subsidy claim each year. The reserve also holds as yet unused service specific grants for service improvements that have not yet been used to fund expenditure	(111,305)	(111,305)	(46,622)
Building Control	Building Control surplus which is ring-fenced to cover any future deficits in the service.	(81,866)	(89,690)	(122,542)
Business Rates Reserve	To be used for the support of local businesses and to mitigate impact of final claims and appeals in relation to business rates retention scheme.	(1,278,267)	(1,278,268)	(18,000)
Coast Protection	To support the ongoing coast protection maintenance programme and it holds any carry forward funding between financial years.	0	(134,003)	(265,738)
Communities	Earmarked reserve to fund the grants that are awarded to communities through the Sustainable Communities Fund.	(275,000)	(275,000)	(131,550)
Delivery Plan	To help achieve the outputs from the Corporate Plan and Delivery Plan.	(1,289,412)	(2,464,360)	(472,403)
Economic Development & Tourism	Earmarked from previous underspends within Economic Development and Regeneration Budgets.	(44,800)	(44,800)	(157,621)
Elections	Established to meet costs associated with district council elections, to smooth the impact between financial years.	(100,000)	(133,015)	60,000
Environmental Health	Earmarking of previous underspends and additional income to meet Environmental Health initiatives.	(16,000)	(34,372)	0
Grants	Revenue Grants received and due to timing issues not used in the year.	0	(304,784)	(646,093)
Housing	Originally for stock condition surveys and housing needs assessments. Also contains the balance of the Housing Community Grant funding received in 2016/17.	(555,898)	(1,257,875)	(128,318)
Land Charges	To mitigate the impact of potential income reductions.	0	0	(89,100)
Legal	One off funding for Compulsory Purchase Order (CPO) work and East Law Surplus.	(31,745)	(31,745)	(36,000)
Major Repairs Reserve	To provide provision for the repair and maintenance of the councils asset portfolio.	0	(341,223)	(50,000)
New Homes Bonus Reserve	Established for supporting communities with future growth and development and Plan review*	(178,000)	(48,000)	(150,000)
Organisational Development	To provide funding for organisation development to create capacity within the organisation, including the provision and support for apprenticeships and internships.	(42,742)	(42,742)	(26,123)
Planning Revenue	Additional Planning income earmarked for Planning initiatives including Plan Review.	(148,965)	(128,965)	(37,300)
General Fund Reserve	A working balance and contingency, current recommended balance is £2.1 million.	(356,461)	(356,460)	(9,844)
Contribution to/(from) the Reserves (Line 28 of the table in paragraph 3.1)		(4,910,461)	(7,882,171)	(2,447,254)

3.4 The initial draft budget for 2024-25 presented to Cabinet on 8 January 2024 has a net deficit of £1.459m. Additional savings and additional income have since been identified and by including these in the budget along with the additional use of reserves (Economic Development Reserve £148k and Grants Reserve £570k) a balanced budget can be presented by officers for Cabinet to agree at its meeting on 5 February 2024. The list of proposed savings and additional income can be found at Appendix C. The table below shows a summary of the movements to arrive at a balanced budget.

Explanation of movement	£m
Budget Deficit for 2024/25 when presented to Cabinet on 8 January 2024.	£1.459
Additional growth in service budgets identified since the initial draft budget was prepared:	£0.136
Local Council Tax Support Grant included twice in error taken out	£0.140
Additional savings in service budgets identified	(£0.042)
Savings and additional income that has been included in the General Fund Summary that was identified by officers in December 2023/January 2024 to balance the budget.	(£0.975)
Additional use of reserves to balance the budget for 2024/25 (Economic Development Reserve £148k and Grants Reserve £570k)	(£0.718)
Budget Deficit for 2024/25	£0.000

- 3.5 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. A higher level of pay inflation would result in an in-year overspend which would have to be met through achieving additional in-year savings or be met from reserves and conversely if a lower level of pay inflation is agreed then the saving could be added to reserves.

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

- 3.6 On the funding side one of the assumptions that has been made are to increase the Council Tax by the maximum allowed of £4.95 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 in the first year and this will then increase annually in line with Council Tax increases.
 - 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 and this will then increase annually in line with Council Tax increases.
 - the amount of Council Tax income that the annual increase of £4.95 would generate is £0.205m 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	£4.95	£5.04	£5.19	£5.35
4	Band D Council Tax after increase (Add Lines 2 and 3)	£168.57	£173.61	£178.80	£184.15
5	Income assuming CT increase (line 1 multiplied by Line 4)	£6,977,466	£7,239,659	£7,511,871	£7,794,628
6	Second homes premium	-	£550,000	£566,445	£583,382
7	Empty homes income	£68,000	£70,033	£72,127	£74,284
8	Total Council Tax (Add Lines 5, 6 and 7)	£7,045,466	£7,309,692	£7,583,998	£7,868,911
Additional Council Tax generated by the annual increase - Council Tax base (Line1) multiplied by Maximum increase allowed (Line 3)		£204,891	£210,172	£218,046	£226,453

- 3.7 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 finalised in January 2024 when a more accurate figure will become available upon completion of a government return.
- 3.8 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. The final Local Government Finance Settlement will be announced in late January or early February, although the amounts are not expected to vary from the provisional amounts.
- 3.9 The Government have made available through the provisional local government finance settlement an increase in core spending power of 6.5% from 2023-24 level. This does however assume that District Councils apply the maximum increase of 2.99% or £5 (before requiring a referendum) in Council Tax.
- 3.10 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.
- 3.11 This 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 deficit. Plans are being put in place to achieve the level of savings required to set a balanced budget for future years. This will involve a rolling programme of service delivery reviews and it is planned to start these in March or April 2024.

3.12 Cabinet Members now have a balanced budget to discuss, and the recommendations made by this Committee will be considered as part of the discussion and in agreeing on the balanced budget to recommend 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 3.5% 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.