

<b>BUDGET AND COUNCIL TAX 2024/25</b>	
<b>Executive Summary</b>	This report presents for approval the budget for 2024/25 and to make statutory calculations in accordance with the Local Government Finance Act 1992 to set the Council Tax for 2024/25. The report also includes the Chief Finance Officer's report on the robustness of the estimates and adequacy of reserves.
<b>Options considered</b>	It is a statutory requirement to set the budget each year, whilst there are options around the content of the budget presented for approval, the budget now recommended reflects the recommendations made by Cabinet at its meeting on 5 February 2024.
<b>Consultation(s)</b>	The proposed budget has been presented to the Overview and Scrutiny Committee for pre-scrutiny at its meeting on 24 January and again at its meeting for post-scrutiny at its meeting on 14 February. A business engagement event took place on 30 January and the businesses that attended were consulted about the proposed budget for 2024/25. Public consultation has also taken place on the Council's website and on all the Council's other social media platforms.
<b>Recommendations</b>	<p>That having considered the Chief Finance Officer's report on the robustness of the estimates and the adequacy of the proposed financial reserves, the following be approved:</p> <ol style="list-style-type: none"> <li>1) The 2024/25 revenue budget as outlined at Appendix A;</li> <li>2) The statement of identified savings as detailed in Appendix B,</li> <li>3) The statement of and movement in the reserves as detailed at Appendix C;</li> <li>4) The updated Capital Programme and financing for 2023/24 to 2027/28 as shown in Appendix D;</li> <li>5) The new capital bids recommended for approval as detailed at Appendix E;</li> <li>6) That Members note the current financial projections for the period 2025/26 to 2027/28 that form the Medium Term Financial Strategy and as detailed in paragraphs 3.10 to 3.14 and Appendix A.</li> <li>7) That Members note and consider the results of the Budget Consultation exercise which are contained in the paper circulated to Members and which will be included as an Appendix to the meeting's minutes when published.</li> </ol>

	<p>8) The Policy Framework for the Earmarked Reserves and the Optimum Level of the General Fund Reserve of £2.1m for 2024/25 to 2026/27 as detailed in paragraphs 3.35 to 3.72 and in Appendix G;</p> <p>9) The Local Council Tax Support Scheme (LCTS) for 2024/25 as set out in paragraphs 3.16 to 3.23;</p> <p>10) That Members undertake the Council Tax and statutory calculations set out at Appendix F, and set the Council Tax for 2024/25;</p> <p>11) The demand on the Collection Fund for 2024/25 is as follows:</p> <ul style="list-style-type: none"> <li>a. £6,995,942 for District purposes</li> <li>b. £3,129,194 for Parish/Town Precepts;</li> </ul> <p>This reflects the recommended Council Tax increase of £4.95 for the district element for a Band D equivalent property.</p> <p>To approve the 2024/25 budget for revenue and capital and to make the statutory calculations in respect of the 2024/25 Council Tax.</p>
<b>Reasons for recommendations</b>	It is a statutory requirement to set the budget each year. To enable the Council to set a balanced budget.
<b>Background papers</b>	Budget reports and briefings, precepts (NCC, Police and Parishes) Draft Revenue Budget Report for 2024/25 presented to Cabinet on 5 February 2024

<b>Wards affected</b>	All
<b>Cabinet member(s)</b>	All
<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>

<b>Links to key documents:</b>	
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

<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**

- 1.1. This report presents for approval the 2024/25 General Fund revenue and 2024/25 capital budgets along with the Council Tax for 2024/25.
- 1.2. Subheading as necessary.

## **2. Introduction & Background**

- 2.1. Officers have spent time reviewing budgets. These have been consolidated to give a Summary General Fund Budget for 2024/25. The budget has been considered by Cabinet and is presented to full Council for approval which includes a significant level of savings to be realised in 2024/25 to deliver a balanced budget.
- 2.2. The context in which the Council is operating is that local authorities throughout the UK continue to find themselves affected financially by many external factors that are beyond their control. There is the ongoing impact of the continuing 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, an uncertain economic outlook and the uncertainty which accompanies the year in which a general election is to be held.
- 2.3. The Council is seeing 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 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. The 2024/25 Budget

- 3.1. The 2024/25 budget presented in Appendix A and summarised in the table below is a balanced budget for approval by Full Council.

#### Summary General Fund Budget

	2023/24 Base Budget £	2023/24 Updated Base Budget £	2024/25 Base Budget £
<b>Net Cost of Services</b>	<b>22,668,810</b>	<b>22,592,940</b>	<b>22,754,510</b>
Other Costs and Income	190,320	3,237,900	(692,210)
<b>Net Operating Expenditure</b>	<b>22,859,130</b>	<b>25,830,840</b>	<b>22,062,300</b>
<b>Income from Government Grant and Taxpayers</b>	<b>(17,948,670)</b>	<b>(17,948,670)</b>	<b>(20,265,850)</b>
<b>(Surplus)/Deficit</b>	<b>4,910,460</b>	<b>7,882,170</b>	<b>1,796,450</b>
<b>Contribution To/(From) Reserves</b>	<b>(4,910,460)</b>	<b>(7,882,170)</b>	<b>(1,796,450)</b>
<b>Net Position</b>	<b>0</b>	<b>0</b>	<b>0</b>

- 3.2. To achieve a balanced budget three steps have been taken

- £975k of savings and additional income have been identified and included in the cost of services. The details of these savings can be found in Appendix B. None of these savings will have an impact on the Council's ability to deliver its statutory services.
- There have been £250k of savings yet to be identified included in the net cost of services. The s151 Officer is confident that these can be achieved as there was a higher level of savings identified by officers than the £975k included but some of these need some further work and investigation to confirm that they can be achieved.
- There has been the additional use of reserves of £111k over and above the planned level of draw down. The table below shows a summary of the movements to arrive at a balanced budget.

#### Summary of Movements to achieve a Balanced Budget

Explanation of movement	£m
Budget Deficit for 2024/25 (£1.459m) when presented to Cabinet on 5 February 2024 (plus growth of £136k and savings of (£94k) in service budgets identified since the initial draft budget was prepared and an adjustment of £140k for LCTS grant included in error twice).	1.641
Savings and additional income that has been included in the General Fund Summary that was identified by officers in December 2023 and January 2024 to balance the budget.	(0.975)
Savings to be Identified	(0.250)
Additional use of reserves to balance the budget for 2024/25	(0.111)
Additional funding provided in the Final Local Government Settlement	(0.305)
<b>Budget Deficit for 2024/25</b>	<b>0.000</b>

## Funding

### Local Government Finance Settlement

- 3.3. The Government made available through the provisional Local Government Finance Settlement (LGFS) an increase for councils in England of 6.5% in core spending power when compared with the 2023-24 amount. This does however assume that District Councils apply the maximum increase in Council Tax.
- 3.4. The Funding Guarantee Grant, introduced last year, was provided again for 2024/25 in the provisional LGFS to ensure every council in England would see 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.
- 3.5. In advance of the final Local Government Finance Settlement additional funding was announced on 24 January 2024. Most notable for the Council is an increase in the Rural Services Delivery Grant and that the funding guarantee would be increased from 3% to 4%. At this point in time it was anticipated that the additional funding would be in the region of £127k.
- 3.6. However when the final settlement was published on 5 February 2024 the actual additional funding levels that were confirmed were £305k for 2024/25. The movement between the Provisional and Final Settlement sums is shown in the table below.

<b>Funding:</b>	Provisional Settlement £m	Final Settlement £m	Additional Funding £m
New Homes Bonus	(0.006)	(0.006)	0.000
Revenue Support Grant	(0.309)	(0.309)	0.000
Funding Guarantee	(0.929)	(1.231)	(0.302)
Rural Services Delivery Grant	(0.567)	(0.657)	(0.090)
Services Grant	(0.109)	(0.022)	0.087
	(1.920)	(2.225)	(0.305)

- 3.7. With this year's funding being the sixth consecutive one-year settlement and no details of what any new funding regime may be like, this continues to make it difficult to plan with any degree of certainty. It means that far higher levels of estimation and assumptions have to be made around future funding levels in the medium-term.

### Consultation on the Budget for 2024/25

- 3.8. The Overview and Scrutiny Committee have had the opportunity to pre-scrutinise the budget proposals at its meeting on 24 January 2024 before being considered by Cabinet at its meeting on 5 February and then to post-scrutinise it again after the Cabinet meeting at its meeting on 14 February 2024. Cabinet considered the Overview and Scrutiny Committee pre-scrutiny recommendations and full Council will be able to consider the Overview and Scrutiny Committee post-scrutiny recommendations in considering the budget at this meeting.
- 3.9. External stakeholders have also been consulted about the budget proposals and the increase in Council Tax. A business engagement event took place on 30 January 2024 and the businesses that attended were consulted about the

proposed budget for 2024/25. Public consultation has also taken place on the Council's website and on all the Council's other social media platforms. The public consultation ran until Monday 19 February 2024 and the results of the consultation have been circulated to Members in advance of the full Council meeting so that they can be considered prior to making a decision about the 2024/25 budget proposed by Cabinet. The paper that is circulated will be included as an appendix to the minutes of the full Council meeting.

### Medium Term Financial Strategy

3.10. The Medium-Term Financial Strategy (MTFS) has been prepared alongside the budget for 2024/25. The MTFS 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. The Projected Deficit over the life of the MTFP is shown in the table below.

	2024/25 Base Budget £m	2025/26 Projection £m	2026/27 Projection £m	2027/28 Projection £m
(Surplus)/Deficit	2.145	2.030	2.995	3.314
Contribution to/(from) reserves	(2.145)	(0.189)	(0.003)	0.008
Net Position	0.000	1.841	2.992	3.322

3.11. Assumptions included are:

- The pay award is assumed to be at 3.5% for years 2025/26 onwards 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% being based on having received a guaranteed increase in core spending power of at least 3% for 2023/24 and 2024/25.

3.12. There is a huge level of uncertainty in the funding levels for local authorities as there are two major reviews where the outcomes of 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 for determining how the available funding should be distributed. 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 MTFS. However, it is expected that the outcome will favour authorities with Social Care responsibilities and that district authorities will suffer.

- 3.13. There is also a reform of the Business Rates due and again this 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 funding 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, but as there is yet no detail around this, the Business Rates Income levels have been included at the 2024/25 level to be prudent.
- 3.14. There is an increasing deficit over the period of the MTFS 2024/25 to 2027/28 as shown in the table at paragraph 3.10 above. Work is underway to address this forecast deficit with plans being developed for officers of the Council to carry out service reviews during 2024/25 to look at how services are delivered and how savings can be achieved, so that any changes or cessation in service delivery can be implemented over the period of the MTFS.

### Council Tax and referendum limit

- 3.15. The Councils Medium Term Financial Strategy in part relies on increasing Council Tax income. This is a relatively stable source of income with collection being cost effective. The LGFS assumes that District Councils apply the maximum increase before a referendum is required, of 3.00% or £5 in Council Tax. The recommendation is to increase Council Tax in 2024/25 by £4.95 for a Band D property. The table below shows what the total Council Tax income will be for 2024/25 and that the additional income generated by the £4.95 increase for a Band D will be £205k for the year.

### Council Tax Income

		<b>Council tax 24/25</b>
<b>1</b>	Council Tax Base for 24/25 based on central government's assumed increase	41,501.70
<b>2</b>	Band D Council Tax before increase	£163.62
<b>3</b>	Maximum increase allowed	£4.95
<b>4</b>	Band D Council Tax after increase (Add Lines 2 and 3)	£168.57
<b>5</b>	<b>Income assuming CT increase (line 1 multiplied by Line 4)</b>	<b>£6,995,942</b>
<b>6</b>	Empty homes income	£68,000
<b>7</b>	Saving bid - saving made in Council Tax Support administration	£5,000
	<b>Total Council Tax (Add Lines 5, 6 and 7)</b>	<b>£7,068,942</b>

Additional Council Tax generated by the annual increase - Council Tax base ( <b>Line1</b> ) multiplied by Maximum increase allowed ( <b>Line 3</b> )	£205,433
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### Council Tax Support

- 3.16. Council Tax Support (CTS) is financial support that the Council can give to people on low incomes. It is administered as a reduction to their Council Tax bill.
- 3.17. Since 2013 each district council has been responsible for its own CTS scheme for working-age people. The scheme must be reviewed and agreed each year as part of the taxbase and budget setting process. The details of the proposed

CTS Scheme for 2024/25 are outlined in the policy at Appendix H and is presented for approval by full Council.

- 3.18. Our working age CTS scheme principles have remained largely unchanged since the scheme started in 2013. They are based on the rules for the old Council Tax Benefit scheme prior to 2013 and use many of the same principles as the ongoing Housing Benefit scheme, to keep both schemes aligned.
- 3.19. CTS for pension age people is paid under national regulations whereby central government sets for the rules of the scheme and the council will meet up to 100% of the cost of the Council Tax bill. Our local scheme for working-age people means that the council will meet up to 91.5% of the cost of the Council Tax bill.
- 3.20. Since 2013, we have made minor changes to the CTS scheme to keep the scheme in line with the Housing Benefit rules particularly around Universal Credit. There have been no significant welfare reform changes in 2023/24 and we are not forecasting any significant changes in 2024/25 which need to be reflected in our CTS scheme for 2024/25.
- 3.21. Whilst there have been fewer changes in recent years as the pace of welfare reform has slowed, the managed migration of Universal Credit (UC) has now recommenced nationally and this will affect households in receipt of Housing Benefit, whereby they will be expected to move across to UC by July 2024. Households moving to UC will receive transitional protection, should they be worse off on UC.
- 3.22. It will be important to keep the CTS scheme aligned with the principles of UC to keep the scheme easier for our residents to understand, and to keep costs of administration as low as possible.
- 3.23. Whilst we recommend the scheme remains unchanged for 2024/25, we have started to review the full impact of the CTS scheme for 2025/26 to ensure that it continues to support our residents and that it remains cost effective and affordable to the Council. The proposed scheme for 2025/26 will then form part of a public consultation later this year.

### **Rate Relief Policy**

- 3.24. The full report and accompanying appendices for the updated Rate Relief Policy has been included as a separate agenda item. The policy has been updated to reflect the extended Retail, Hospitality and Leisure scheme, removing the discretionary Rural Rate Relief 50% top up as this will now be awarded as a 100% mandatory relief instead and removing the discretionary time limits to backdating. The policy includes guidelines as to how the schemes are to be implemented and the financial implications for the authority.
- 3.25. The new policy will enable the Retail Hospitality and Leisure Relief, Supporting Small Business Relief, the scheme for local newspaper discount, the scheme for low-carbon heat networks, and the Hardship Relief to be awarded discretionary reliefs in 2024/25.

### **Retained Business Rates**

- 3.26. The Business rate Retention scheme was introduced in April 2013 to promote local economic growth. It is vital that the Council ensures it has a comprehensive



and up to date business ratings list. It is important to note that any significant changes, such as backdated valuation appeals, have a direct impact of reducing funding levels.

3.27. To calculate the forecast income level financial modelling has been undertaken that uses information available for 2023/24 which is then updated with any known changes. The resulting income is based on what is known now. The recent revaluation by the VOA of business rates based on ratable values as at 1 April 2021 came into effect from 1 April 2023. This means that there is a potential high risk in relation to the level of successful business rate appeals, which will require close monitoring during 2024/25.

### Useable Revenue Reserves

3.28. The Council holds a General Fund Reserve which it keeps for unexpected expenditure or for emergencies. The Council's Section 151 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.

3.29. The Council also holds Earmarked Reserves, all of which have been set up to fund specific expenditure. These Earmarked Reserves are being used to fund some of the costs of services. There are contributions being made to the reserves where it is known that costs will be incurred in the future 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 C and a summary is shown in the table below.

	2023/24 Base Budget	2023/24 Updated Base Budget	2024/25 Base Budget
<b>Contributions to/(from) Earmarked Reserves:</b>			
Capital Projects Reserve	(400,000)	(400,000)	0
Asset Management	0	(405,560)	(120,000)
Benefits	(111,310)	(111,310)	(46,620)
Building Control	(81,860)	(89,690)	(122,540)
Business Rates	(1,278,270)	(1,278,270)	(18,000)
Coast Protection	0	(134,000)	(265,740)
Communities	(275,000)	(275,000)	(131,550)
Delivery Plan	(1,289,400)	(2,464,350)	(451,890)
Economic Development & Tourism	(44,800)	(44,800)	(10,000)
Elections	(100,000)	(133,020)	60,000
Environmental Health	(16,000)	(34,370)	(40,000)
Grants	0	(304,780)	(77,970)
Housing	(555,900)	(1,257,880)	(128,320)
Land Charges	0	0	(89,100)
Legal	(31,750)	(31,750)	(36,000)
Major Repairs Reserve	0	(341,220)	(50,000)
New Homes Bonus Reserve	(178,000)	(48,000)	(150,000)
Organisational Development	(42,740)	(42,740)	(26,120)
Planning Revenue	(148,970)	(128,970)	(37,300)
Restructuring/Invest to save			(45,460)
Contribution to/(from) the General Reserve	(356,460)	(356,460)	(9,840)
<b>Contribution to/(from) Reserves Line 28 of the table in paragraph 3.1)</b>	<b>(4,910,460)</b>	<b>(7,882,170)</b>	<b>(1,796,450)</b>

- 3.30. As shown in the table above the projected drawdown from reserves over the 2-year period 2023/24 to 2024/25 is £9.7m. It should be noted that does include the planned use of reserves which have been set aside in previous years to meet the expenditure that is being incurred now.
- 3.31. It is recommended that the minimum level that the General Fund Reserve should be maintained at is £2.1m for 2024/25. This represents 10.1% of the net budgeted operating expenditure (excluding parish precepts).

### Capital Programme

- 3.32. The capital programme is what the Council intends to spend on providing new assets and improving its existing ones over the next four years. As capital expenditure is incurred, a source of finance must be identified. Capital expenditure can be financed by applying capital receipts, grants and other revenue resources or alternatively through borrowing. A summary of the Capital Programme is shown below. The list of schemes that are included in the approved programme can be found at Appendix E and the details of proposed new bids are contained in Appendix F.

<b>Capital Programme 2023/24 to 2027/28</b>					
	<b>Updated Budget</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>
	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Approved Programme</b>					
Our Greener Future	36,036,699	220,000	270,000	270,000	-
Developing Our Communities	4,103,157	2,541,000	8,209,000	-	-
Meeting our Housing Needs	7,292,096	1,761,647	1,300,000	1,300,000	1,000,000
Investing In Our Local Economy And Infrastructure	5,941,743	1,283,388	-	-	-
A Strong, Responsible And Accountable Council	307,627	60,000	60,000	60,000	-
<b>Total of Approved Capital Programme</b>	<b>53,681,322</b>	<b>5,866,035</b>	<b>9,839,000</b>	<b>1,630,000</b>	<b>1,000,000</b>
<b>New Bids</b>					
Our Greener Future	-	880,000	280,000	280,000	280,000
Developing Our Communities	-	514,500	-	-	-
Investing In Our Local Economy And Infrastructure	30,000	210,000	210,000	60,000	-
A Strong, Responsible And Accountable Council	-	248,720	102,000	-	-
<b>Total of New Bids</b>	<b>30,000</b>	<b>1,853,220</b>	<b>592,000</b>	<b>340,000</b>	<b>280,000</b>
<b>TOTAL PROGRAMME</b>	<b>53,711,322</b>	<b>7,719,255</b>	<b>10,431,000</b>	<b>1,970,000</b>	<b>1,280,000</b>
	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Capital Programme Financing</b>					
Grants	38,871,577	5,136,035	1,000,000	1,000,000	1,000,000
Other Contributions	3,196,250	300,000	300,000	300,000	-
Asset Management Reserve	405,564	-	-	-	-
Major Repairs Reserve	130,000	50,000	-	-	-
Delivery Plan Reserve	1,523,449	-	-	-	-
Capital Projects Reserve	211,223	-	-	-	-
Housing Reserve	1,468,970	-	-	-	-
Environmental Health Reserve	18,372	-	-	-	-
Revenue Contribution to Capital (RCCO)	100,000	-	-	-	-
Capital Receipts	5,034,582	1,018,720	-	330,000	-
Internal / External Borrowing	2,751,336	1,214,500	9,131,000	340,000	280,000
<b>TOTAL FINANCING</b>	<b>53,711,322</b>	<b>7,719,255</b>	<b>10,431,000</b>	<b>1,970,000</b>	<b>1,280,000</b>

- 3.33. The proposed funding for the schemes is also shown in table above. Consideration is given to level of grants we have available, the level of capital receipts we have and what we might generate in future years to determine how the capital programme can be financed. Any expenditure financed through borrowing will increase the Council's 'Capital Financing Requirement' (CFR). This will result in a revenue charge (one that impacts on the bottom line of the budget and is a charge to the Council Taxpayer) called the Minimum Revenue Provision (MRP) that is made to reflect the funding of the CFR by the taxpayer. It is required to be set aside each year starting the year after the works are completed and/or the asset comes into use. It is a charge to revenue that covers the repayment of the borrowing needed to finance the capital expenditure. As the need to borrow increases, the CFR and MRP also increase. If the Council has sufficient cash resources to meet the expenditure, it will not be necessary to borrow externally in the short term, and cash balances can be used to cover the expenditure. This is referred to as 'internal borrowing' and attracts an MRP charge in the same way that external borrowing does.
- 3.34. It should be noted that any new projects included in the programme in the future will need to be financed by borrowing, if no capital resources such as capital grants or capital receipts are available, which will result in an additional MRP charge.

### **Robustness of Estimates**

- 3.35. When considering the robustness of the estimates and adequacy of reserves a holistic approach is taken, which considers the general reserve, earmarked reserves and the identified risks in relation to the revenue and capital budgets presented for approval.
- 3.36. The Local Government Act 2003 requires the Section 151 Officer to report on the robustness of estimates made for the purpose of calculating Council Tax. The Director for Resources (Section 151 Officer) is satisfied that the estimates, as presented in the budget are sufficiently robust and that the reserve balances proposed for 2024/25 are adequate.
- 3.37. Below is the assessment of the robustness of the estimates now presented and provides an analysis of the risks facing the Council in relation to the control of income and expenditure flows compared to the budgets that are recommended for 2024/25.
- 3.38. The framework within which the budget for 2024/25 has been prepared is like that of previous years and takes into account the following:
- a) Previous financial year out-turn position (2022/23) (paragraph 3.39)
  - b) Medium Term Financial Strategy (MTFS) 2024/25 to 2027/28 (paragraph 3.40)
  - c) In-year budget monitoring for 2023/24 and associated reports (paragraphs 3.46 to 3.48)
  - d) Cash flow monitoring (paragraph 3.49 and 3.50)
- 3.39. The outturn position for 2022/23 was reported to Cabinet on 29 June 2023. The outturn position is used to update the financial planning process and helps to establish the baseline for the current estimates by reflecting significant

movements against the current position and those which will have an on-going impact on the future financial position of the Council.

- 3.40. The financial planning process is an established process. For 2024/25 the updated Medium Term Financial Strategy (MTFS) has been produced alongside the budget for 2024/25 and it is included in this report as Appendix A. The MTFS for the period 2024/25 to 2027/28 has been prepared against a backdrop of uncertainty for the reasons discussed in Section 2 of the main report. This uncertainty and the uncertainty around the funding for local government results in a far higher level of risk associated with forecasting a robust financial position over the medium term. However best estimates and assumptions have been used in producing this. Members are asked to note the MTFS for 2024/25 to 2027/28.
- 3.41. Following on from the Government's White Paper on the Levelling Up agenda, published in 2022, it announced a new devolution agreement between the Government and Norfolk County Council. The devolution deal will transfer new powers and a £600 million investment fund over 30 years to Norfolk County Council, who will work collaboratively with local partners to deliver on the county's priorities. As part of this deal, the County Council will adopt a new governance model which will be brought to the Full Council Meeting of the County Council on 23 July 2024.
- 3.42. At its meeting on the 12 December 2023 County councillors voted to stage the first election for a directly elected leader in May 2025. The County Council will carry out extensive consultation with the public, businesses and key stakeholders about the benefits of the deal and how by working together the benefits can be maximised.
- 3.43. After the disappointment of the unsuccessful bids for Levelling Up funding in 2022, NNDC submitted another bid for Round 2 Levelling Up funding and was again unsuccessful. However as part of 23 November 2023 Autumn Statement announcement the Chancellor outlined a major £450 million pound levelling up package as the third round of levelling up. Again NNDC were not awarded any funding. However the following day the Government committed a further £37.5 million for five additional capital projects. The Fakenham Leisure and Sports Hub was one of the projects and the Council will receive £9.9m from the Government to deliver this project.
- 3.44. Whilst COVID seems to be something everyone is learning to live with and it is now not seen as the significant risk that it was, the Council is still catching up on the backlog of work e.g. inspection work, and this may incur some additional cost to achieve this. However there is a sum set aside to cover this and it is expected to be adequate.
- 3.45. The MTFS seeks to identify future estimated budget requirements and funding shortfalls at an early stage of the annual budget process to enable preparation and planning beyond the short term. Service reviews are planned to start prior to the beginning of the new financial year that will support delivery of a sustainable budget for the Council in the medium term.
- 3.46. Budget monitoring throughout the year is critical to ensuring the robustness of the estimates and maintaining a sound financial position. The in-year budget monitoring process is carried out throughout the year with all expenditure and income being monitored monthly. This provides an essential tool for identifying

early on any variances so that mitigating action can be taken. It is also fundamental in enabling the inclusion of the most up to date information in the modelling of future budgets and projections, where budget pressures and additional income and savings are identified during the year.

- 3.47. The regular budget monitoring exercises that take place are also used to inform the annual financial planning and budget process in terms of whether any changes will have an on-going financial impact in future years, or whether they will have just a one-off impact in the current financial year.
- 3.48. As part of the budget monitoring process, budget managers compile monthly variance reports and regular reports are presented to Cabinet and the Overview and Scrutiny Committee detailing the latest projected outturn position for the current year. Regular reviews of expenditure, commitments and income streams are carried out to identify any overspends or shortfalls in income at the earliest opportunity and reported to the Corporate Leadership Team (CLT) and Members along with action plans to mitigate the impact on the Council's overall financial position.
- 3.49. In terms of cash flow monitoring, there have been no major cash flow issues during the year, although the Council has had to take short-term borrowing on several occasions during the year for cash flow purposes. Whilst this has been secured at the best rates available, with the interest rates being significantly higher than they have been for a number of years, this has cost the Council a significant amount in borrowing costs. The need for short-term borrowing indicates that the Council may need to take some external borrowing to replace the internal borrowing that it has been using to fund its capital programme. However with interest rates being high at present now is not the time to do this. The S151 Officer will consider this when interest rates start to fall.
- 3.50. Instead of taking short-term borrowing the Council could have called back some of its investments to meet the cash flow fluctuations. However this would have resulted in a loss of investment income. By maintaining the investments levels the interest income earned will largely cover the short-term borrowing costs.
- 3.51. The annual budgets and the financial projections are prepared by service managers and budget holders, using their expertise and knowledge of the latest developments and changes in their field that may affect their service delivery and consequently the cost of providing their services. Officers of the Council will also seek advice from any external advisors, professional bodies and networks to determine if there is anything that may impact on the Council's financial position.
- 3.52. However, many budgets are related to factors that fall outside the control of the Council, e.g. pay awards, changes in demand led services, changes in inflation and interest rates, and all of these can have a significant impact on the Council's overall budget and financial position both in the current and future years. Forecasting for these external influences is a challenge and a risk for the Council.
- 3.53. There are several financial risks facing the authority which are relevant at both service and corporate level. To manage these risks there are a few key areas within the budget that need to be closely monitored during the forthcoming financial year, as any variances can have a significant impact. These include:
  - a) **The impact of changes in global and national politics and economies** – This is very difficult to predict accurately, but by keeping abreast of developments and

seeking advice from experts in these fields, informed assumptions can be made, and sensitivity analysis can be undertaken so should there be changes in any areas the Council can react quickly and look at options to reduce the impact. Officers will monitor the actual position against that forecast throughout the year. Whilst action will be taken to minimise the impact, if this is not possible, then ultimately shortfalls will have to be covered by using reserves.

- b) **Car park income** – This area generates a significant level of income for the Council which in turn supports the delivery of other services across the Council. As this is a demand led service which is influenced by external factors this area is regularly monitored. The 2023/24 budget currently assumes gross income of £3.03m from all car parking related fees and charges. At Period 10 the level of actual income received was at 97% of the budget, with 2 months left to achieve 100%.
- c) **Planning and building control fees** – The 2023/24 budget includes income totalling approximately £1.363m from planning and building control fees. This income, like car parking, is demand led. This is being monitored and it has identified a significant shortfall in income. This is being closely monitored and will be reported to Members as part of the Period 10 Budget Monitoring.
- d) **Waste fee income and recycling credits** – This is another significant source of income to the Council and reflects the activity across the district in recycling domestic refuse and commercial waste. The 2023/24 total income budget is £4.423m and at the end of Period 10 92% of this had been achieved.
- e) **Future Funding** – With a general election having to take place before January 2025 it is unlikely that the delayed funding reforms, i.e. Business Rates reform and Fair Funding Review outcomes, will be implemented soon. This has resulted in a continuation of the one-year funding settlements, which provides no certainty in our funding position and nor for our medium-term forecasts.
- f) **New Homes Bonus (NHB)** – The NHB grant fell from the £887k received in 2022/23 to only £31k in 2023/24. This fell again for 2024/25 to only £6k for the year. There are two factors that have led to this reduction, the first being that there are no legacy payments now being made and the second is that there was very little overall growth in the council taxbase over the year.
- g) **Investment Returns** – During 2023/24 the Council's investment income has increased significantly because of the significant increases in Bank of England base rate. This has resulted in a healthy return on the Council's investment portfolio. As explained in paragraphs 3.49 and 3.50 above some short-term borrowing has been taken in 2023/24 to cover cashflow needs but the cost of this should be largely covered by the investment income. The Council's short-term borrowing costs (circa £440k) for the 2023/24 financial year will be about 28% of investment income (circa £1.584m). This is substantially higher than for 2022/23 when it was only 10%.

The investment income budget includes interest on loans made to housing associations, investments in various pooled funds, covered bonds and term deposits.

- h) **Employee budgets** – The budget has been updated to include the national pay review and annual increments and assumes a 5% pay award for 2024/25. For 2025/26 onwards the pay award has been assumed to be 2%. As a guide each 1.0% change in the pay award equates to approximately £155k per annum. Both the risk of strike action and higher than budgeted pay awards are significant risks to the Council. There will obviously be a disruption to services potentially should

staff take strike action to secure higher pay awards. A pay award higher than that budgeted for will place additional pressure on the Council's budget.

- i) **Procurement** – Construction procurement continues to bring challenges as costs have continued to rise. However the rate of inflation has reduced markedly with the December 2023 annual rate of inflation being 4.2% (for CPI) compared with a 10.1% for January 2023. So whilst the rate of price increases is falling the actual prices are not coming down. This continues to place pressure on budgets especially with capital projects. The Council will need to closely monitor the budget position particularly where there are any estimates involving construction costs.
- 3.54. Looking beyond 2024/25, the financial projections included in the MTFS indicate that further substantial savings and efficiencies will have to be made. This is based on a forward projection of the 2024/25 levels as there is currently no indication of what the future funding regime will be. It is also assumed that if there is a reset of business rates (thought to be 2026/27 at the earliest) then growth will be taken out and this could lead to a large reduction in this funding stream.
- 3.55. The current financial projections are shown below.
- 2025/26 – a deficit of £1.841m
  - 2026/27 – a deficit of £2.992m
  - 2027/28 – a deficit of £3.322m
- 3.56. The capital programme continues to be funded from external and internal resources i.e. capital receipts, grants, preserved right to buy receipts and revenue. Member preference is to avoid borrowing to fund capital projects. However as other funding sources become scarcer and if this can be demonstrated to provide value for money then borrowing is being used as a source of funding. Prudent estimates are made of the timing of capital receipts and grant funding is always secured before a scheme is included if it is to be a grant funded scheme. A detailed Capital Programme and its funding can be found at Appendix D of the main report and the new capital bids that have been presented for consideration can be found at Appendix E.
- 3.57. Elected Members have been involved in the preparation of the 2024/25 budget. Assistant Directors presented their proposed savings to the Corporate Leadership Team and Cabinet a meeting on 18 December 2023. The Corporate Leadership Team and Cabinet met again in early January to draw up a final list of proposed savings to be included in the budget. These are listed in Appendix B and are for Members to consider.
- 3.58. The Council also takes professional advice from third party organisations concerning technical areas that impact on the budget process, e.g. external advice in relation to the Collection Fund income, treasury management, VAT and insurance. By doing so the Council can monitor the wider implications of changes in interest rates, inflation and employment and take remedial action to mitigate financial risk.

## **Adequacy of the Reserves**

- 3.59. The Local Government Act 2003 also requires the Section 151 Officer to report on the adequacy of the Council's financial balances. The minimum prudent level of reserves that the Council should maintain is a matter of judgement for the Section 151 Officer and cannot be judged merely against the current risks facing the Council as these will change over time.
- 3.60. The Office for Local Government (OFLOG) was established in July 2023 to provide authoritative and accessible data and analysis about local government performance and support improvement. One of the areas of focus is the level of local authority reserves.
- 3.61. In the opinion of the Chief Finance Officer the overall budgeted level of both the General Fund Reserve and the Earmarked Reserves shown in Appendix C are considered adequate in the short term. The forecast General Reserve balance (£2.6m) at the end of 2024/25 would be above the recommended minimum balance (£2.1m). All reserves will continue to be monitored throughout 2023/24 and will be subject to another annual review in 2024/25.
- 3.62. An assessment of the adequacy of the available reserves throughout 2024/25 is based on the potential commitments against the reserves which are either:
- General Reserve
  - Earmarked Reserves.
- 3.63. Where there is budgeted expenditure to be funded from a reserve, this has been included in the reserves statement.
- 3.64. There are three main reasons for holding reserves:
- as a contingency to cushion the impact of unexpected events or emergencies;
  - to cushion against the impact of uneven cash flows and to avoid temporary borrowing; and
  - as a means of building up funds to meet known or predicted liabilities (earmarked reserves).
- 3.65. The review the reserves is a well-established part of the budget setting and monitoring process and financial planning for the Council and is informed by the framework as set out in Appendix G to this report. An updated reserve statement is included at Appendix C to this report.
- 3.66. When assessing the level of reserves the Council should take account of the strategic, operational and financial risks facing them.
- 3.67. There continues to be uncertainty around the funding streams for Local Government and so this continues to be a risk for Councils. The system or Business Rates Retention now means there will be fluctuations of income in year and between years, an element of this risk is mitigated by the earmarked reserve which was established for this purpose.



- 3.68. Other income streams from demand led services remain vulnerable both from economic factors and seasonal factors including weather that can influence income e.g. car parking income. Steps are taken, e.g. reviewing previous year trends, to set prudent estimates of income from these services but the activity that drives the income remains difficult to predict.
- 3.69. The outcome of the assessment of the General Fund Reserve for 2024/25 and forward years is that it is recommended that the minimum level that the reserve should be maintained at is £2.1m for 2024/25. This represents 11% of the net budgeted operating expenditure (excluding parish precepts). The actual level of the General Reserve at the end of the 2024/25 financial year is estimated to be just over £2.6m.
- 3.70. Earmarked reserves are estimated to total around £11.3m by the end of the 2023/24 financial year. The earmarked reserves have been reviewed against the framework in Appendix F, as decisions are made on the utilisation of these reserve, the overall reserves position and projections will be updated accordingly.
- 3.71. All the earmarked reserves follow the protocol at paragraph 2.2 of the Policy Framework at Appendix G to this report.

### **Conclusion of the Robustness of the Estimates and the Adequacy of the Reserves**

- 3.72. In the opinion of the Chief Finance Officer the overall budgeted level of both the General Fund Reserve and the Earmarked Reserves shown in Appendix C are considered adequate in the short term. The General Reserve balance (£2.6m) at the end of 2024/25 is forecast to be above the recommended minimum balance (£2.1m). All reserves will continue to be monitored throughout 2024/25 and will be subject to another annual review in 2025/26.

## **4. Corporate Plan Objectives**

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

## **5. Financial and Resource Implications**

- 5.1. The Council must set a balanced budget for 2024/25 before 11 March 2024. This report presents the budget for 2024/25 which has been achieved through a combination of planned savings, draw down from reserves and a level of savings which have yet to be identified.
- 5.2. The Director for Resources (S151 Officer) is required by section 114 of the Local Government Finance Act 1988 to report to Members if it appears that the expenditure the authority proposes to incur in a financial year is likely to exceed the resources available to it to meet that expenditure.
- 5.3. These duties therefore require a professional judgement to be made by the Director for Resources as the officer ultimately responsible for the authority's finances. As a result, the officer takes a view of the robustness of the Council's budget across the whole period covered by the Medium-Term Financial Strategy,

and this is reported to Members as part of the budget setting process. In view of this duty, and the considerable uncertainty around funding levels after the end of the current one-year settlement, the Council will need to achieve substantial, sustainable savings in 2025/26 to establish a solid platform for the development of a robust budget in future years.

#### **Comments from the S151 Officer:**

The Council must set a balanced budget before the start of the forthcoming financial year.

### **6. Legal Implications**

- 6.1. The Council must set its budget in accordance with provisions of the Local Government Finance Act 1992 and approval of a balanced budget each year is a statutory responsibility. Sections 25 to 29 of the Local Government Finance Act 2003 impose duties on the Council in relation to how it sets and monitors its budget. These provisions require the Council to make prudent allowance for the risk and uncertainties in its budget and to regularly monitor its finances during the year. The legislation leaves discretion to the Council about the allowances to be made and action to be taken.
- 6.2. Section 30(6) of the Local Government Finance Act 1992 provides that the Council must set its budget before 11 March in the financial year preceding the one in respect of which the budget is set.
- 6.3. The provisions of Section 25 of Local Government Act 2003 require that, when the Council is making the calculation of its budget requirement, it must have regard to the report of the Section 151 Officer as to the robustness of the estimates made and the adequacy of the proposed financial reserves.
- 6.4. Where a service is provided pursuant to a statutory duty. It would not be lawful to fail to discharge it properly or abandon it, and where there is discretion as to how it is to be discharged, that discretion should be exercised reasonably.

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

*The annual budget report needs to be considered with reference and in accordance with the following:*

*- Consideration of any consultation responses (including the requirements under section 65 Local Government Finance Act 1992 with regard to consultation with bodies/representatives or persons subject to non-domestic rates, being the statutory budget consultation )*

*- The Council provides both statutory and discretionary services. Where a statutory duty exists to provide a service, there needs to be adequate provision to allow the statutory duty to be exercised so as not to place the Council at risk of failing to discharge a statutory duty. In provision for discretionary services, this should be exercised reasonably, balancing the nature and quality of the service with the cost of provision.*

*- The Council has a fiduciary duty to the taxpayers in its district*

- *As with other Council decisions, the budget decisions must have regard to the Council's public sector equality duties and requirement to reduce crime and disorder*
- *Members must have regard to the section 25 Local Government Act 2003 report of the Council's Chief Finance Officer which comments as to the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves*
- *Any failure to set a legal budget may lead to the issue of a s.114 report or other intervention*

#### **Section 106 Local Government and Finance Act 1992**

*Under Section 106 a Member who has not paid an amount due in respect of their Council Tax for at least 2 months after it became payable is precluded from voting on any matters affecting the level of Council Tax or the arrangements for administering the Council Tax. (The Member is, however, entitled to speak.) Any Member affected by Section 106 is required to make a declaration to that effect at the commencement of the meeting or immediately on arrival if this is at a later time. The Monitoring Officer (or member of the Legal team on behalf of the MO) will complete this section. They will outline any legal advice provided.*

## **7. Risks**

- 7.1. 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.
- 7.2. The main risk in preparing the detailed budgets is that the Council sets an illegal budget (expenditure is greater than income). This is avoided in 2024/25 by using reserves, however the risk that the reserves are being run down to support the General Fund Budget remains unless savings are delivered.
- 7.3. An illegal budget would cause severe reputational damage to the Council; however, members should note that the risk is mitigated by many existing controls and processes. Members should understand though that if further savings are not delivered to close the budget gap, the Section 151 Officer may have no option other than issue a Section 114 notice at some point in the medium term, (a Section 114 notice indicates that the income forecast is not sufficient to meet forecast expenditure for year. If, during the year, the Section 151 Officer realises that the Council does not have the money to meet spending commitments and that it cannot cut spending enough to balance the budget, she will issue a section 114 Notice, which in effect freezes spending).
- 7.4. The delivery of the Financial Strategy will be challenging and is not without risk. Any delays in closing the budget gap will place further pressure on future years' budgets. The 2024/25 budget includes £1.225m of savings most of which are straight forward to achieve. Failure to deliver any of them will place further pressure on future years budgets.

## **8. Net Zero Target**

8.1. This report does not raise any issues relating to climate change.

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

9.1. The Council is legally required to consider the equality duty in its decision making and this includes the budget process. As part of any savings or investments the Council must consider how it can:

- Eliminate unlawful discrimination, harassment and victimisation.
- Advance equality of opportunity between different groups: and
- Foster good relations between different groups by tackling prejudice and promoting understanding.

## **10. Community Safety issues**

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

## **11. Conclusions and Recommendations**

11.1. The General Fund Revenue Budget has been balanced for 2024/25 by £975k of savings and additional income, £250k of savings to be identified and an additional £111k draw down from usable reserves over the level that was planned. However, this is not a sustainable approach in the long term.

11.2. All 2024/25 budgets will continue to be subject to pressure in the forthcoming year. The Council has sufficient reserves to ensure financial resilience, however these balances will continue to reduce as significant budget gaps in the Medium-Term Financial Plan remain. A programme of service reviews will be undertaken during 2024/25 to close the gap and deliver a sustainable financial plan.

11.3. The Council's ability to deliver future capital projects is dependent on funding and affordability. Any new projects will need to be supported by a robust business case and existing schemes will be kept under review for affordability.

11.4. It is recommended that Full Council approve the 2024/25 budget for revenue and capital and to make the statutory calculations in respect of the 2024/25 Council Tax and the corresponding £4.95 increase in the district element for a Band D equivalent property.