Cabinet

Tuesday, 13 February 2024

2024/25 Budget and Financial Strategy

Report of the Director – Finance and Corporate Services

Cabinet Portfolio Holder for Finance, Transformation and Governance Councillor D Virdi

1. Purpose of report

1.1 This report presents the detail of the 2024/25 budget, the five-year Medium Term Financial Strategy (MTFS) from 2024/25 to 2028/29, which includes the revenue budget, the proposed Capital Programme, the Transformation and Efficiency Plan, the Capital and Investment Strategy (with associated prudential indicators), and the Pay Policy Statement.

1.2 It should be noted that this report is based upon the provisional Local Government Finance Settlement (the final settlement is due later in February 2024). Whilst no significant changes are expected in the final settlement, if anything is deemed significant it will be covered in the final report to Full Council.

2. Recommendation

It is recommended that Cabinet RECOMMENDS to Council that it:

a) adopts the budget setting report and associated financial strategies 2024/25 to 2028/29 (attached Annex) including the summarised Special Expenses budget at Appendix 1, Budget Summary at Appendix 2, changes to fees and charges regarding Garden Waste and Car Parking (Appendix 5) and Transformation and Efficiency Plan at Appendix 7;

b) adopts the Capital Programme as set out in Appendix 3;

c) adopts the Capital and Investment Strategy at Appendix 8;

d) adopts the Second Home Premium at Section 3.4 and any notification of further exemptions to be adopted and incorporated into a revised policy;

e) sets Rushcliffe’s 2024/25 Council Tax for a Band D property at £157.88 (increase from 2023/24 of £3.93 or 2.55%);

f) sets the Special Expenses for 2024/25 for West Bridgford, Ruddington and Keyworth, Appendix 1, resulting in the following Band D Council Tax levels for the Special Expense Areas:

i) West Bridgford £59.44 (£55.95 in 2023/24)

ii) Keyworth £4.69 (£4.38 in 2023/24)
iii) Ruddington £3.29 (£3.68 in 2023/24);

g) adopts the Pay Policy Statement at Appendix 6; and

h) delegates authority to the Director – Finance and Corporate Services to make any minor amendments to the Medium-Term Financial Strategy (MTFS) once the final local government finance settlement is received and advise the Finance Portfolio Holder accordingly, to be reported to Full Council.

3. Reasons for Recommendation

To comply with the Local Government Finance Act (1972) and ensuring the budget enables corporate objectives to be achieved. The Council is required to set a balanced budget and demonstrate that it has adequate funds and reserves to address its risks. Recent inflation risks have highlighted the importance of adequate reserves to support short-term shocks.

4. Supporting Information

The Budget and Associated Strategies

4.1 The attached report and appendices detail the following:

a. The anticipated changes in funding over the five-year period including changes to fees and charges and particularly green waste and car parking;

b. The financial settlement for 2024/25 and the significant budget pressures the Council must address over the medium term;

c. The budget assumptions that have been used in developing the 2024/25 budget and MTFS;

d. The detailed budget proposals for 2024/25 including the Transformation and Efficiency Plan (TEP) (and associated programme) to deliver the anticipated efficiency and savings requirement;

e. The recommended levels of Council Tax for Band D properties for the Council and special expense areas of West Bridgford, Ruddington and Keyworth;

f. The projected position with the Council's reserves over the medium term;

g. The proposed Second Home Premium scheme;

h. Risks associated with the budget and the MTFS;

i. The proposed Capital Programme;

j. The proposed Pay Policy Statement; and

k. The proposed Capital and Investment Strategy.

4.2 The salient points within the MTFS are as follows (MTFS report (Annex) references in parenthesis):

a. It is proposed that Council Tax for 2024/25 will increase by £3.93 to £157.88 (2.55%). This still means that Rushcliffe's Council Tax remains the lowest in Nottinghamshire and amongst the lowest in the country (Section 3.4);

b. In line with changes in Levelling-Up legislation, the introduction of a premium for properties classified as second homes. This premium will apply after 52 weeks and will be set at 100% of the amount of Council Tax charged. Approval of this proposal would bring into effect this charge from April 2025 (Section 3.4);

c. Special Expenses increasing to £928k (£861k 2023/24) and taking into effect tax base changes, this results in Band D charges for West Bridgford increasing by £3.49 to £59.44 (£55.95 in 2023/24). Keyworth increases from £4.38 to £4.69 (due to rising closed churchyard maintenance costs) and Ruddington decreases from £3.68 to £3.29 as a result of the tax base increasing while costs remain the same (Section 3.5);

d. Business Rates (Section 3.3) have been affected by the de-commissioning of Ratcliffe on Soar Power Station, reducing income to 50% (£0.41m) in 2024/25 and zero from 2025/26 (£0.83m), this has been mitigated by the growth in business rates within the Borough. Ongoing delay to proposals for a review of the Business Rates system, continues to make forecasting difficult. The Council anticipates that the reset will be delayed until 2026/27 at the earliest and has therefore set a budget of £5.463m in 2024/25 and projections for 2025/26 of £5.676m in retained Business Rates. This reflects the closure of the Power Station and the anticipated delay in Business Rates reset. Thereafter, the budget is reduced to reflect Business Rates reform;

e. The Council no longer receives Revenue Support grant (reduced to zero in 2019/20) and represents a reduction of £3.25m from 2013/14 (Section 3.6). Importantly the Council has mitigated the loss of income through its Transformation and Efficiency Plan;

f. For 2024/25, Councils are permitted to raise Council Tax by the higher of 3% or £5 (this would be £5.18 at 3%); Council tax has been based on an increase of £5 or 2.9% (including special expenses) and £5 each year thereafter. This takes into account increases in Special Expenses. The tax base has been assumed to increase by 2% in 2024/25 and 1.6% thereafter;

g. New Homes Bonus (NHB) was due to cease after 2023/24; however, in the provisional settlement it was announced that the Council would receive a final payment in 2024/25 of £1.509m (section 3.7). It is not yet known if there will be a replacement for this scheme and therefore the Council has assumed zero from 2025/26;

h. The budget reflects the significant increases in inflation offset partially by the positive effect on the Council's investment returns due to higher interest rates but also the further delay in Business Rates reset, which temporarily supports the budget. The budget shows a surplus of £1.124m in 2024/25 and a surplus of £0.889m in 2025/26 followed by three years of an anticipated deficit. Over the five-year period the budget shows a net £1.586m deficit. The budget allows for 5% growth in staffing costs for 2024/25 (with salary costs rising due largely to the impact of the rising minimum national living wage impacting national wage settlements) 3% in 2025/26 and 2% per annum thereafter. Inflationary pressures continue with increases assumed for fuel (8%), contracts (3%-6%) utilities (3%) These pressures demonstrate the cost-of-living challenges facing residents, businesses and the Council;

i. Car parking charges in West Bridgford and Rushcliffe Country Park are to increase following a static post covid recovery period by an average of 27.5%, however this is over a 6-year period, less than 5% per annum (section 3.8);

j. Some fees and charges have been increased to offset increased costs caused by abnormal inflation and pay increases although limiting these in areas for the more vulnerable (such as home alarms);

k. The £5 increase in garden waste charges were previously agreed to be every four years, given what were periods of low inflation and was already included in budget projections. This budget proposes that rather than increasing on a four-year cycle that charges be increased annually by £2 per bin to take into account inflationary pressures and the need to replace vehicles that are lower in carbon emissions;

l. Taking into account resource predictions, spending plans and savings already identified there is a Transformation Programme requirement of an additional £0.733m in 2024/25, a further £0.240m by 2028/29. By 2028/29, even with £1.7m of efficiencies, there remains a £1.089m deficit. Further Transformation savings will need to be identified to bridge the gap although this gives the Council time to understand the financial landscape after the next general election and the deficit is manageable;

m. Commercial investment income will now reach £2m over the period of the MTFS accounting for 16% of fees and charges income. This is continually managed and proportionate given the risks and opportunities associated with such investments. (Appendix 8, Table 16);

n. The Council has a number of earmarked reserves (excluding NHB Reserve), their balance largely stable over five years, slightly reducing from £8.7m to £7.2m mostly as a result of the use of the Organisation Stabilisation Reserve to balance the deficit over the period of the MTFS; The financial environment remains volatile therefore sufficient reserves are essential to ensure the Council can withstand any unexpected shocks. With low levels of external funding anticipated, the Council must identify resources to continue to grow the Borough;

o. This MTFS reports an estimated net deficit over the five-year period of £1.586m. Whilst the Organisation Stabilisation Reserve can accommodate this overall net deficit in the short term, there is a risk that with raised inflation and uncertainty over government reforms this position could worsen very quickly. The Transformation Plan (which has already delivered £5.1m to date) will be critical in ensuring a balanced budget in later years;

p. There is an increased risk of borrowing but positively this can be a mechanism for us to meet future objectives. Externally borrowing would always be the last tool we use and would if considered, need to be properly funded via the budget;

q. Key risks to the MTFS are highlighted, including the potential impact of the Fair Funding Review, NHB, the volatility caused by the various Business Rates issues and the impact of climate change (both on Council commitments to carbon reduction and from costs incurred from flood response), and inflationary pressures and the contraction in demand due to household incomes and supply in areas such as housing and homelessness, all of which can impact on both revenue and capital costs and income streams (section 8); and

r. The Capital Programme is modest with spend over the five years estimated at £24.752m. The Programme focusses mainly on maintaining and enhancing our existing assets including improving leisure facilities. Capital resources are declining, and resources are therefore carefully allocated. Disabled Facility Grants (DFG) remain a pressure with demand exceeding our grant allocation. It is projected that capital resources will be in the region of £4.4m at the end of the five-year life of the Programme. The level of Capital Receipts will be slowly rebuilt by the repayment of capital loans but will only significantly increase if major assets are identified for disposal. External borrowing is currently not anticipated in the medium term but would be considered if necessary.

4.3 The MTFS has been developed at a time of significant economic uncertainty with inflation remaining elevated impacting on residents, businesses and the Council. The process has been rigorous and thorough, with a Transformation and Efficiency Programme that takes into account both officers' and Members' views. Whilst the Council faces financial constraints both the revenue and capital budgets delicately balance the need for efficiency and economy with the desire for growth; and the aim of encouraging economic development in the Borough and supporting the vulnerable, to achieve the Council's Corporate Priorities.

5. Alternative options considered and reasons for rejection

There are other options in terms of increasing Council Tax by a lesser amount, but this would put severe pressure on already stretched Council resources (see Section 11). For example, comparing the difference from no increase to the recommended increase in Council Tax of £5, in 2028/29 the Council Tax income foregone is £0.197m and over the five-year period amounts to £0.955m. Council Tax could be increased by a higher amount up to the maximum 3%

instead of £5 and the additional income raised would be £0.289m over the 5 years.

6. Risk and Uncertainties

6.1 Section 8 of the Annex covers key risks that may impact upon the MTFS. There are a number of reviews that due to economic and political uncertainty have been further delayed such as the Fair Funding review, Business Rates reform and NHB many of which are now unlikely to be concluded before 2026/27. Government policy decisions may also increase demand for services and result in a budgetary impact for example the Environment Bill which confirmed proposals to introduce weekly food waste collections.

6.2 Similarly the need for general housing growth and additional demand created by migration and the impact of increased homelessness may also increase costs to the Council. There are significant expenditure pressures on the Council as a result of increased inflation (mostly pay and utilities) and consequently the risk of falling demand for services, with individual disposable income falling.

6.3 There are also potential future limitations on Government funding for capital projects which may affect the delivery of some schemes. The Council's carbon reduction commitments also add pressure in addition to the rising costs of the capital programme due to inflation. All of these factors make longer term forecasting subject to even more uncertainty. Capital resource by 2029/30 will be significantly reduced and the likelihood of borrowing has increased in the medium term.

6.4 Conversely there are upside or opportunity risks such as the Freeport and Combined Mayoral Authority which should facilitate greater economic growth. The Council will continue to monitor their impact and report via its usual governance mechanism via Full Council, Cabinet and Corporate Overview Group.

7. Implications

7.1 Finance Implications

These are detailed in the attached budget report (Annex). The Council is required to set a balanced budget for the 2024/25 financial year and the proposals present a balanced budget. In the opinion of the S151 Officer, a positive assurance is given that the budget is balanced, robust and affordable. The Capital Programme is achievable, realistic, and resourced, with funds and reserves including the General Fund, adequate to address the risks within the budget.

7.2 Legal Implications

The recommendations of this report support compliance with the Local Government Finance Act 1972.

7.3 **Equalities Implications**

There are no equalities implications associated with the recommendations of this report.

7.4 **Section 17 of the Crime and Disorder Act 1998 Implications**

There are no Section 17 implications associated with the recommendations of this report.

7.5 **Biodiversity Net Gain Implications**

There are no Biodiversity implications associated with the recommendations of this report.

8. Link to Corporate Priorities

Quality of Life	Ensuring services that residents value are maintained and enhanced
Efficient Services	Ensuring efficient use of resources and maximising returns
Sustainable Growth	No direct impact
The Environment	Allocating resources to invest in projects that support the Council's environmental objectives.

9. Recommendation

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For more information contact:	Peter Linfield Director – Finance and Corporate Services 0115 914 8439 plinfield@rushcliffe.gov.uk
Background papers Available for Inspection:	Department for Levelling Up, Housing and Communities (DLUHC) website, 2024/25 Financial settlement papers
List of Annexes and Appendices (if any):	**Annex** to the Budget Report **Appendix 1** Special Expenses **Appendix 2** Revenue Budget Service Summary **Appendix 3** Capital Programme 2024/25 – 2028/29 (including appraisals) **Appendix 4** Use of Earmarked Reserves 2024/25 **Appendix 5** Proposed pricing schedules (car parking and garden waste) **Appendix 6** Pay Policy Statement 2024/25 **Appendix 7** Transformation and Efficiency Plan **Appendix 8** Capital and Investment Strategy 2024/25 to 2028/29