

Report to: Cabinet Meeting: 20 February 2024
 Portfolio Holder: Councillor Paul Peacock, Strategy, Performance & Finance
 Director Lead: Sanjiv Kohli, Director – Resources and Deputy Chief Executive
 Lead Officer: Nick Wilson, Business Manager – Financial Services Extension 5317

Report Summary	
Type of Report	Open Report, Key Decision
Report Title	2024/25 Proposed Revenue Budget
Purpose of Report	To enable Cabinet to consider the spending proposals in the council’s proposed 2024/25 General Fund revenue budget and make recommendations to Full Council for its meeting on 7 March 2024.
Recommendations	<p>That Cabinet recommends to Full Council at its meeting on 7 March 2024 that:</p> <ul style="list-style-type: none"> i. the following amounts be now calculated by the council for the 2024/25 financial year, in accordance with Sections 31 to 36 of the Local Government Finance Act 1992 as amended by the Localism Act 2011: <ul style="list-style-type: none"> 1. £57,602,680 being the aggregate of the amounts which the council estimates for items set out in Section 31A(2)(a) to (f) of the Act, as the District Council’s gross expenditure for 2024/25); 2. £37,723,830 being the aggregate of the amounts which the council estimates for the items set out in Section 31A(3)(a) to (d) of the Act, as the District Council’s gross income for 2024/25); and 3. £19,878,850 being the amount by which the aggregate at (b)(i) above exceeds the aggregate at (b)(ii) above, calculated by the council, in accordance with Section 31A(4) of the Act, as its Net Budget Requirement for the year; ii. the figures shown as i.1. and i.3. above to be increased only by the amount of Parish Precepts for 2024/25; iii. the budget amounts included in the report be the council’s budget for 2024/25; and

	<i>iv.</i> the fees and charges shown in Appendices C1-C21 be implemented with effect from 1 April 2024.
Alternative Options Considered	Not applicable
Reason for Recommendations	To enable Cabinet to make recommendations to Council of the amounts to be calculated in accordance with Sections 31 to 36 of the <i>Local Government Finance Act 1992</i> , as amended by the <i>Localism Act 2011</i> , for the purposes of setting Council Tax levels for the 2024/25 financial year.

1.0 Background

- 1.1 This report sets out details of the council's proposed General Fund revenue budget for the 2024/25 financial year. The GF revenue budget has been prepared in accordance with the council's budget setting strategy for 2024/25 which was approved by Cabinet on 11 July 2023.
- 1.2 The 2024/25 General Fund revenue budget has accordingly been derived from the 2024/25 base budget within the Medium-Term Financial Plan (MTFP) approved by Full Council on 9 March 2023. In accordance with the Budget Strategy, growth and efficiencies have been included based on the engagement with Portfolio Holders throughout the budget setting process. Additionally, changes as described in the Budget Strategy around pay awards and inflation, have also amended that base position.

2.0 Financial Summary

- 2.1 The council's proposed 2024/25 General Fund (GF) revenue budget is shown in further detail, including information on priority areas in **Appendices A1 to A3** to this report. The current overall position is summarised below:

Line in Appendix A1		2024/25 (£)
9	Total service budgets	23,296,120
14	Total other operating income & expenditure	1,517,750
19	Total financing and investment income & expenditure	(1,425,710)
30 & 31	Less capital reversals	(3,509,310)
	Net Budget Requirement	19,878,850
20 to 26	Other government grants	(3,294,000)
27 & 28	Non-Domestic Rates (NDR) (Business Rates)	(9,209,810)
30 to 32	Contributions to or (from) Usable Reserves	794,470
34	Net call on Council Tax	8,169,510
35	Council Tax Adjustments	116,520
36	Amount to collect through Council Tax	8,286,030

2.2 As the total service budgets (line 9 of **Appendix A1**) include capital costs, the table below breaks down the total service budgets for each Committee by the amounts which relate to capital costs and which relate to cash budgets:

Line in Appendix A1	Portfolio	2024/25 base budget (March 2023) (£)	2024/25base budget (February 2024) (£)	Variance (£)
Without Capital costs	Biodiversity and Environmental Services	1,352,660	1,558,200	205,540
	Climate Change	2,432,850	2,528,040	95,190
	Health, Wellbeing and Leisure	736,920	1,180,610	443,690
	Heritage, Culture and the Arts	857,870	1,078,670	220,800
	Housing	618,860	462,600	(156,260)
	Strategy, Performance and Finance	6,840,630	8,496,580	1,655,950
	Sustainable Economic Development	1,579,062	1,727,840	148,778
	Public Protection and Community Relations	2,501,160	2,754,270	253,110
	Cash Service Budgets	16,920,012	19,786,810	2,866,798
Capital costs	Biodiversity and Environmental Services	18,790	18,790	0
	Climate Change	1,125,620	1,125,620	0
	Health, Wellbeing and Leisure	940,890	940,890	0
	Heritage, Culture and the Arts	200,160	203,250	3,090
	Housing	49,620	49,620	0
	Strategy, Performance and Finance	91,340	1,107,910	1,016,570
	Sustainable Economic Development	0	6,480	6,480
	Public Protection and Community Relations	56,750	56,750	0
30 & 31	Capital Service Budgets	2,483,170	3,509,310	1,026,140
1	Biodiversity and Environmental Services	1,371,450	1,576,990	205,540
2	Climate Change	3,558,470	3,653,660	95,190
3	Health, Wellbeing and Leisure	1,677,810	2,121,500	443,690
4	Heritage, Culture and the Arts	1,058,030	1,281,920	223,890
5	Housing	668,480	512,220	(156,260)
6	Strategy, Performance and Finance	6,931,970	9,604,490	2,672,520
7	Sustainable Economic Development	1,579,062	1,734,320	155,258
8	Public Protection and Community Relations	2,557,910	2,811,020	253,110
9	Total Service Budgets	19,403,182	23,296,120	3,892,938

2.3 The table below shows how the 2024/25 base budget approved by Full Council on 9 March 2023, has been adjusted for changes based on paragraph 2.2 above.

Portfolio	2024/25 base budget (March 2023) (£)	Realignments	Salary Uplift	Approved Variations	Inflation	Requested Changes	2024/25 base budget (February 2024) (£)
BES	1,352,660	(30,000)	79,880	100,750	(14,080)	68,990	1,558,200
CC	2,432,850	(75,980)	96,380	40,440	5,400	28,950	2,528,040
HWL	736,920	38,240	8,380	0	7,270	389,800	1,180,610
HCA	857,870	0	119,340	(10)	(8,600)	110,070	1,078,670
H	618,860	44,820	67,580	(4,070)	(25,310)	(239,280)	462,600
SPF	6,840,630	(5,190)	317,680	21,790	95,370	1,226,300	8,496,580
SED	1,579,062	0	41,080	162,610	(8,020)	(46,892)	1,727,840
PPCR	2,501,160	28,110	49,050	82,460	7,260	86,230	2,754,270
Non-Capital	16,920,012	0	779,370	403,970	59,290	1,624,168	19,786,810

3.0 Development of Proposed 2024/25 General Fund Revenue Budget

3.1 The development of the proposed 2024/25 General Fund budget was set out in the Budget Strategy document that was presented to Cabinet on 11 July 2023. This document set out the strategy for the year which was to build upon the notional 2024/25 budget as compiled in the preparation of the MTFP for the period 2023/24 to 2026/27 and was approved by Council on 9 March 2023.

3.2 Directors and Business Managers worked with their allocated Finance Officers to go through the budget and MTFP estimates in order to ascertain whether the actions under each of the 8 Community Plan objectives have already been included in the base budget, are growth items for inclusion either in the budget for 2024/25 or/and MTFP period, or do not require a financial allocation as the activities are to be delivered by a third party with the Council having a facilitating and monitoring role. Cabinet Portfolio Holders then met with responsible Directors and Business Managers to review proposed level of resources to meet the objectives from within the Council's current approved Community Plan for the 2024/25 financial year. The portfolio holder for Strategy, Performance and Finance has also reviewed the overall Council Position. Subsequently, this budget has therefore been proposed for the 2024/25 financial year.

3.3 The proposed 2024/25 General Fund revenue budget collates various types of information, such as the:

- a) level of government grant receivable;
- b) expected level of council tax and business rates income;
- c) expected level of other income, such as from fees and charges;
- d) expected level of spend on employees; and
- e) expected use of reserves.

3.4 The sub-sections in this part of the report summarise these and other areas of importance.

Local Government Finance Settlement: Settlement Funding Assessment (SFA) and Core Spending Power

3.5 The annual Local Government Finance Settlement provides councils with the amount of government grant and other information pertinent for setting the next financial year’s budget. The provisional settlement was announced on 18 December 2023, and the final settlement is still to be announced.

3.6 Core Spending Power (CSP) is a measure of the resources made available to local authorities to fund service delivery, based on the government’s annual Local Government Finance Settlement (LGFS). Government makes assumptions within this based on levels of Council Tax and growth in an authorities Tax Base (the Band D equivalent number of properties to charge Council Tax over).

3.7 As part of the Provisional LGFS Government an increase of almost £4bn or 6.5% in cash terms in CSP over and above the 2023/24 settlement was announced nationally. Within the settlement the Funding Guarantee was maintained as a grant from 2023/24 which ensured that every local authority in England will see a minimum 3% increase in their Core Spending Power, before taking any local decisions to increase Council Tax. The table below shows the Core Spending Power for Newark and Sherwood (as assumed by Government) together with the proposed actual Core Spending power. The Governments assumption works out to be an increase of 4.67% (£0.678m) cash terms increase compared with the 2023/24 settlement, whilst the proposed budget shows an increase of 4.59% in cash terms (£0.668m).

	2023/24	2024/25 draft LGFS	2024/25 Proposed Budget
Business Rates funding	£3.815m	£3.986m	£3.986m
Compensation for under-indexing the Business Rates multiplier	£0.650m	£0.767m	£0.767m
Revenue Support Grant	£0.228m	£0.244m	£0.244m
Council Tax	£7.905m	£8.296m	£8.286m
New Homes Bonus	£0.888m	£0.327m	£0.327m
Funding Guarantee	£0.807m	£1.477m	£1.477m
Services Grant	£0.149m	£0.023m	£0.023m
Rural Services Delivery Grant	£0.045m	£0.045m	£0.045m
Total	£14.487m	£15.165m	£15.155m

3.8 From the table, utilising all grants there has been a 4.3% increase (£0.285m) in cash terms, slightly higher than the 3% minimum increase as described at paragraph 3.7 above.

- 3.9 The difference between the governments draft LGFS and the proposed budget relates to Council Tax. As can be seen the government has assumed Council Tax receivable of £0.010m more than this proposed budget. This relates to the growth in the Councils Tax base, whereby government have assumed a higher amount of number of chargeable properties (hence growth in property numbers) which therefore leads to higher Council Tax receivable.
- 3.10 As can be seen from the table above, New Homes Bonus (which for a number of years has been forecast to be removed altogether) has reduced significantly by £0.561m. This is due to the Government reducing the total size of the allocation to New Homes Bonus nationally. However, in order to maintain the 3% minimum funding guarantee, government have increased the Funding Guarantee grant by £0.670m.
- 3.11 To put this into context, the budgeted increase for a number of base items of expenditure is detailed in the table below:

Base Cost	Increase between 2023/24 and 2024/25
Employees	£0.779m
Fuel	£0.036m
Utilities	£0.291m
Total	£1.106m

3.12 The table above demonstrates that the amount of additional funding raised through government funding (£0.285m as per paragraph 3.8 above) contributes towards 25.8% of the increase in base budget costs. The remainder of the funding that is required, together with any other increases in cost, will therefore need to be funded from local funding.

Proposed 2024/25 Council Tax

- 3.13 Chapter IVA (Limitation of Council Tax and Precepts) of the *Local Government Finance Act 1992* requires billing authorities to hold referenda if their relevant basic amount of council tax for a financial year is in excess of a set of principles determined by the Secretary of State.
- 3.14 An authority’s relevant basic amount of council tax is its average band D council tax excluding local precepts. The relevant basic amount of council tax for Newark & Sherwood District Council (NSDC) includes the levy that Internal Drainage Boards charge the Council.
- 3.15 The proposed core principle for 2024/25 is 3%. The government’s proposed council tax referendum principle for shire district councils therefore permits increases in the council’s 2024/25 relevant basic amount of council tax of up to (and including) the greater of 2.99% or £5.00 without holding a referendum.
- 3.16 The assumed council tax increase within these budget papers is an increase in the band D equivalent of 2.99%, or £5.66 per year based on the band D average. As 73% of the properties in Newark and Sherwood are in bands A to C, the increase for these properties will be less than £5.66 per year. The Council Tax charge for the 2023/24

financial year is £189.16 which therefore means a charge of £194.82 for the year 2024/25 financial year has been assumed within these papers.

- 3.17 The council tax base (being the number of band D equivalent properties within the district) assumes a 1.018% increase on 2023/24. The Tax Base for 2024/25 is set at 42,531.75. This is calculated taking all the properties in the district and weighting them depending on their banding, adjusting for estimated discounts and premiums.
- 3.18 The tax base is then multiplied by the annual charge in order to calculate the total Council Tax receivable for the year being £8,286,036. Where further discounts or premiums are actually charged/awarded during the year and the amount of properties charged Council Tax is different to the assumptions above, the surplus or deficit in the Collection Fund will be calculated and will be distributed/clawed back in the following financial year.

Proposed 2024/25 Business Rates

- 3.19 Under the NDR system, businesses pay councils based on the open market rental value of their business property, as estimated by the government's Valuation Office Agency (VOA). The rate payable by small businesses in 2024/25 will be 49.9p per pound (49.9%) of their property's rateable value, and the rate payable by other businesses will be 54.6p (54.6%).
- 3.20 Within the draft LGFS the government have changed the mechanism for the multiplier. Previously all businesses paid the small business multiplier, with those businesses with a rateable value (RV) of over £51,000 then paying an additional supplement (last year an additional 1.3p hence 51.2p in the pound). Within the LGFS government have separated the multipliers in order to inflate them separately. Therefore, being able to increase the charges to businesses occupying premises with an RV of over £51,000 without having to increase charges to businesses occupying premises with an RV less than that. They have chosen to freeze the multiplier at 49.9p for those properties with an RV less than £51,000.
- 3.21 The original legislation set out that the multiplier should increase by CPI for September in each year, but in practice the multiplier has been frozen since 2021/22. It had also not increased by CPI, but RPI, in some of the preceding years.
- 3.22 The government compensates local authorities for their decisions relating to business rates through s31 grants, and hence the Council does not lose out for the decision to freeze the multiplier (and in the previous years applied RPI increases rather than CPI). As can be seen from the table at paragraph 3.7 the government expects to reimburse the Council by £0.766m (£0.649m 2023/24) for this loss in income.
- 3.23 The table at paragraph 3.7, shows the total amount of business rates that the Council expects. Though the government has allocated £3.986m of business rates to the council for 2024/25, the total amount of business rates retained by the council in 2024/25 may exceed this amount, depending on how the council and other Nottinghamshire Business Rates Pool authorities perform throughout 2024/25. It has currently been forecast that the return funding from the pool for the 2024/25 financial year will be £600,000 which has been built into the council's Medium Term Financial Plan.

3.24 The council is budgeting to retain £9.117m of business rates for 2024/25 (Appendix A1, lines 23 & 24). This includes the £3.986m referred to in paragraph 3.7; additional income, such as local growth above this baseline and from relevant renewable energy projects; and additional expenditure; such as the levy on additional income.

Calculation	Items relating to 2024/25 NDR income budget	Amount (£m)
1	NDR income + section 31 grants	22.756
2	Tariff	(12.566)
3	Levy	(2.218)
4	Renewable Energy	1.145
5	2024/25 NDR income budget	9.117

Proposed 2024/25 Budget – General Principles

3.25 The appropriate bases agreed in the Budget Strategy and used in the preparation of the budget are:

a)	Employees	<p>Some of the main assumptions used to budget for employee costs for 2024/25 are:</p> <ul style="list-style-type: none"> • a 5% increase in 2024/25 basic pay; • an increase in pay point for employees not at the post's highest pay point; and • a 5.0% vacancy rate. <p>5.0% of the council's total salary budget, or £1,053,040, has been budgeted to be saved from posts that remain vacant for a period of time before being filled.</p>
b)	Employer's Superannuation	<p>Pension-related costs have been budgeted for in line with the actuarial review which took place as at 31 March 2022 for the three years between 2023/24 and 2025/26.</p> <p>The council's budgeted pension-related costs have increased, because its total 2024/25 basic pay budgets have increased. The council's primary rate (charged as a proportion of basic salary at employee level) is 18.6%.</p>
c)	General Inflation	<p>Most non-pay expenditure budgets have been uplifted by 5%. Specific budgets have had larger increases on where applicable. Some costs, such as insurance and utilities, are expected to increase by more than 5%; and others, such as fixed-price goods and services, are expected to increase by less than 5%. Income Budgets have been increased where appropriate based on the Fees and Charges schedule.</p>
d)	Average Interest Rate re External Debt	<p>The council's General Fund borrowing will be in accordance with the Prudential Code for Capital Finance in Local Authorities. The cost of borrowing will depend on the rates available at the time that funding is required.</p>

e)	Capital Charges	<p>The proposed budgets for each Portfolio (Appendix A1, lines 1-9) includes the notional costs of assets used in delivering services, so that the council can reflect the true cost of delivering services.</p> <p>Statute, however, requires these capital charges be reversed out (Appendix A1, lines 30 & 31) and replaced with the cost to the council taxpayer of the underlying capital decisions that have yet to be financed (Minimum Revenue Provision (MRP)) (Appendix A1, line 15). Legislation determines that council taxpayers cannot be charged for the notional costs of assets used.</p>
f)	Capital Financing Charges	<p>The council's General Fund (GF) revenue budget is charged when the council borrows to fund the purchase or creation of non-current assets. These charges will be in line with the council's Minimum Revenue Provision (MRP) policy for 2024/25 to be approved by Council on 7 March 2024.</p> <p>MRP is a charge to the taxpayer, calculated by apportioning the value borrowed for assets over their expected useful lives.</p>
g)	Internal Drainage Boards	<p>Despite there being a freeze in cost for the 2024/25 financial year, the anticipated cost of levies to the two Internal Drainage Boards (Trent Valley and Upper Witham) for 2024/25 is £950,000.</p> <p>This cost had increased by 39% from the 2022/23 financial year. During 2023/24 the Council received £239,690 towards contribute towards the increase in cost. The Government announced on 24 January 2024, that it will be distributing similar funding during 2024/25 which has now been budgeted to be received.</p>

3.16 The table below details the council's net budget requirement for **Error! Reference source not found.5**, broken down by gross expenditure and gross income:

Line		Error! Reference source not found.4/25 gross expenditure (£)	Error! Reference source not found.5 gross income (£)	Error! Reference source not found.5 net expenditure (£)
9	Total service budgets (Appendix A2)	59,326,490	(36,030,370)	23,296,120
14	Other operating income & expenditure	1,517,750	0	1,517,750
19	Total Financing and Investment income & expenditure	1,197,750	(2,623,460)	(1,425,710)
30 & 31	Reversal of Capital Charges	(4,439,310)	930,000	(3,509,310)
	Net Budget Requirement	57,602,680	(37,723,830)	19,878,850

3.26 A summary of the main reasons for changes requested in the table at paragraph 3.3 are listed below:

Changes requested for 2024/25 base budget compared to 2024/25 base budget (MTFP as at March 2023)	Variance (£)
Increases in Utilities	199,160
Overall Salary Changes	197,660
Increase in relation to x2 new post for managing Capital Projects	215,760
Various Community Plan objectives in relation to Environmental Services	110,000
Resourcing Quality Air Control Project Management	50,000
Costs associated with the running of Alexander Lodge	60,000
Music and Art and taking Museum objects into the community	95,000
Increased Management fee for A4T re closure of SLC pool	260,000
Recruitment and retention incentives	66,000
Overall Reductions to recharges to HRA	30,890
Increases in budget in relation to the Cost of Living response	150,000
Other Changes	89,698
Total	1,624,168

2024/25 Employee Plan

3.27 The salary budget for the General Fund has been based on 484.05 employees in 2024/25. Any changes to the establishment will require the relevant approvals.

Fees and Charges Review

3.28 The fees and charges for many services administered by the local authority are set by statute. The amounts for these, and their timing and review, are therefore prescribed by central government. There remains, however, many services where the council has the ability to review and if necessary, amend its charges or charging regime.

3.29 In accordance with the council's Constitution, each service area should consider the level of fees and charges to be implemented in the following financial year as part of the process of service planning and budget setting.

3.30 The proposals for the levels of fees and charges to be implemented from 1 April 2024 were reviewed by Directors during November and have now been updated where appropriate. The council is currently budgeting to receive £4.8m of income from fees and charges in 2024/25. This is an increase of £0.306m from 2023/24.

3.31 The table below summarises the services which provide the council with most of its fees and charges income, and the fees and charges income budgeted from these services for 2024/25:

Service	2024/25 base budget (March 2023) (£)	2024/25 base budget (February 2024) (£)	Summary

Trade Waste, Recycling and Garden Bins	1,666,780	1,746,600	<p>Businesses based in Newark and Sherwood have to pay for their waste to be collected and disposed of. Nottinghamshire County Council sets the waste disposal charges for all district and borough councils in the county, through its statutory role as the Waste Disposal Authority for these authorities.</p> <p>Further details of these and the other proposed charges for 2024/25 can be found in Appendix E12.</p>
Car and Lorry Parking	904,990	872,860	<p>The car parking charges proposed for 2024/25 are largely the same as those in 2023/24, though increases have been proposed for lorry parking. Further details can be found in Appendix E15.</p>
Planning	972,840	1,069,700	<p>Planning application fees are statutory, set by the government, whereas pre-application advice fees are discretionary, set by the council. The council categorises its pre-application advice fees by the size and type of developments. Further details, including the statutory fees chargeable, can be found in Appendices E1 & E2.</p>
Culture	572,140	580,380	<p>The charges related to the Palace Theatre Newark, National Civil War Centre, and Newark Castle and Gardens proposed for 2024/25 are largely the same as those in 2023/24. Further details can be found in Appendix E5.</p>
Environmental Health	140,070	212,810	<p>The Environmental Health section provides a range of services, such as food safety and pollution control. Some of these are statutory, and some discretionary. Increases have been proposed for some of the discretionary environmental health fees for 2024/25, to ensure that the council recovers the full cost of services provided. Further details can be found in Appendix E10.</p> <p>The dog warden charges proposed for 2024/25 are the same as those in 2023/24. Further details can be found in Appendix E11.</p>

3.32 Details of the council's proposed charges for 2024/25 for all services can be found in **Appendices C1-C21.**

Total Financing and Investment income & expenditure (**Appendix A1**, line 19)

3.33 Capital financing costs have been estimated based on assumptions of interest rates going forward, taking into account the forecasts of cash balances over the next year. Due to their nature and composition, however, they are subject to change on a regular basis. This reflects movements in the financial markets as well as changes to the predicted cashflow.

- 3.34 The council will seek to borrow money from the most efficient and effective institution in order to support its cash flow position. Regard will be taken to the council's Treasury Strategy (which is subject to a separate report which is to be considered by the Audit and Governance Committee on 21 February 2024 and is due to be approved by Full Council on 7 March 2024) and due diligence through the council's Treasury Advisers.
- 3.35 In previous financial years, decisions regarding capital expenditure have been taken to utilise internal resources and maintain an under-borrowed position against its Capital Financing Requirement. This is not uncommon across the Local Government sector, at a time when budgets have been squeezed, but reserves have existed. The council is proposing to utilise some of its reserves on projects such as the Yorke Drive and the Southern link Road. This means that as cash backed by these reserves will be utilised, there is a potential need to borrow money to ensure that the Council has cash at hand to service its day to day costs.
- 3.36 There is an overall increase in the total net Financing and Investment income & income to £1.004m (**Appendix A1**, line 19) in 2024/25. The 2024/25 interest receivable budget is higher than was budgeted for in March 2023, mainly due to the increase in investment balances and associated interest rates increasing during the year.
- 3.37 All treasury investments are made in line with the Council's Treasury Management Strategy. Advice from the council's external treasury consultants will be sought prior to the investment of any funds to ensure maximum scrutiny is taken on any decision making.

Contribution to or from reserves

- 3.38 Section 25 (Budget calculations: report on robustness of estimates etc) of the *Local Government Act 2003* requires local authority chief finance officers (Section 151 officers) to report on the adequacy of financial reserves in the council's proposed budget and robustness of estimates made.
- 3.39 The council's s151 Officer has reviewed the adequacy of the council's financial reserves to ensure that these are neither too low (imprudent) or too high (over prudent) based on their purpose and likely use.
- 3.40 The table below summarises the amount of council earmarked reserves as at 31 March 2023, and forecasts of these as at 31 March 2024 and 31 March 2025.

	At 31 March 2023 (£)	Forecast at 31 March 2024 (£)	Forecast at 31 March 2025 (£)
Budget Funding Reserves	7,265,838	8,107,988	7,907,988
Earmarked for Known Pressures	7,187,684	4,799,592	4,293,878
Ring Fenced Reserves	2,197,225	2,170,127	2,424,547
Un-ringfenced Reserves	15,671,531	10,249,078	5,350,271
Total Revenue Reserves	32,322,278	25,326,785	19,976,684
Capital Reserves	14,047,491	13,173,335	14,424,244
Total Revenue and Capital Reserves and Balances	46,369,769	38,500,119	33,967,928

- 3.41 The main reductions relate to the usage of the Change Management/Capital Fund over the next two years. Large capital projects (such as the SLR, the Belvoir Ironworks site and the development at Clipstone) are due to utilise the funding over the next two years which will draw down the balances held.

General Fund Balance

- 3.42 The council's £1.500m General Fund balance has been set aside to pay for exceptional items. Officers consistently review the appropriateness (prudence) of this amount in light of internal and external risks identified. For the council to maintain this balance, it is intended that it will only be used to fund expenditure once other appropriate reserves have been fully utilised.
- 3.43 The council's total forecast reserves and general fund balance to 31 March 2024 is £38,500,119. The s151 Officer of the Council is satisfied with the adequacy of the levels of reserves and balances.
- 3.44 The budget has been prepared in accordance with the budget strategy approved Cabinet on 11 July 2023. The draft budget has been scrutinised and challenged by the Council's Senior Leadership Team, the Leader and Portfolio Holders. The draft budget (and Medium Term Financial Plan) has also been scrutinised informally by the ruling administration. The s151 Officer of the council is therefore satisfied by the robustness of the estimates and assumptions underpinning the budget for 2024/25.

Parish and Town Council Precepts

- 3.45 Parish and town councils can raise money to help meet their spending requirements by issuing a 'precept' (mandatory demand) to the district council. The district council must account for such precepts when calculating its council tax requirement. Council tax requirement is the amount of money that councils need to raise from council tax to fund council spending once income from other sources (such as government grants) have been deducted.
- 3.46 The council is still awaiting confirmation from each parish and town council regarding their level of precept for 2024/25. These details will be included in the revenue budget and council tax setting report to be presented to Council on 7 March 2024.

Subjective Analysis

- 3.47 **Appendix A2** contains a breakdown of the council's General Fund revenue budget for 2024/25 by statutory categories used to categorise expenditure and income.

Risk Assessment and Sensitivity

- 3.48 As mentioned in paragraph 3.28, section 25 of the *Local Government Act 2003* requires the council's chief finance officer, currently the Director of Resources and Deputy Chief

Executive, to report on the robustness of estimates made in the council's proposed budget. This section fulfils that requirement.

3.49 In considering the council's proposed budget for 2024/25 and the sensitivity of expenditure and income to changes, it should be noted that:

- a) a 1% increase in Council Tax is equivalent to £80,453 of net expenditure; and
- b) a £1 increase in Council Tax is equivalent to £42,532 of net expenditure.

3.50 Various assumptions were required to be made when preparing the proposed 2024/25 budget. The two areas where it seems that variations between the proposed budget and reality could be greatest are employee pay and income receivable. Further details on each of these are below.

2024/25 Pay Award

3.51 Employee costs form a significant proportion of all district council budgets. As mentioned in paragraph 3.15, the 2024/25 budgets have been prepared assuming a 5% annual increase in basic pay.

3.52 The National Joint Council (NJC) for Local Government Services' pay award for 2024/25 has not yet been finalised. If the 2024/25 pay award agrees a more than 5% increase in basic pay, and if reductions in employee costs elsewhere cannot offset the increase in pay award costs, the additional costs unbudgeted for will need to be funded from council reserves. A 1% increase over and above the budgeted 5% in basic pay for 2024/25 would result in around £206,700 needing to be funded from reserves.

Income

3.53 A significant part of the council's annual net budget is dependent on income from rents; sales, fees and charges; and other receipts. Officers have reviewed the income that services have achieved against the current and previous years' budgets and have considered factors expected to affect future income levels, to ensure the 2024/25 income budgets for services have been set at levels considered achievable.

3.54 Significant underperformance against budgeted income would increase the council's annual net expenditure, and thus place unbudgeted demand on council reserves. A 1% reduction in council income from fees and charges would cost £48,000, or a council tax increase equivalent to £1.36 per property (0.60%).

3.55 Officers closely monitor income levels as part of the council's monthly budget monitoring processes.

3.56 Officers plan to develop a more detailed understanding of the volumes of activity which underpin each of the council's main income sources. This will allow the council to more accurately model changes to expected activity levels, as well as increase assurance regarding the risks of such changes materialising.

Other Significant Potential Risks

3.57 Though less likely, but other assumptions which could result in the council's actual expenditure and/or income varying significantly from its proposed budgets are below:

a)	Interest rates	<p>The proposed 2024/25 budget includes amounts for both interest payable (Appendix A1, line 17) and interest receivable (Appendix A1, line 18). This is because the council expects that it will both borrow money and lend money throughout the 2024/25 financial year.</p> <p>The budgeted amounts for 2024/25 have accounted for factors such as the amount of council funds expected to be available. The actual amounts of council interest payable and receivable for 2024/25 will likely differ from those budgeted.</p> <p>The impact of a 1% change in interest rate would be insignificant on the council's overall budget.</p>
b)	General Inflation	<p>As mentioned in paragraph 3.25, the proposed service budgets for 2024/25 include increases for inflation where appropriate.</p> <p>The most recent month for which inflation data was available at the time of writing is December 2023. There was a 4.2% increase in inflation (Consumer Prices Index (CPI)) from December 2022.</p> <p>Though it is likely that actual inflation rates throughout 2024/25 will differ from the government's own forecasts for 2024/25 and the 5% the council has generally budgeted for, the small differences anticipated are expected to have insignificant impact on the council's budget.</p>
c)	Apprenticeship Scheme	<p>In addition to Apprenticeship Levy payments the council is required to make to the government (Appendix A1, line 10), the council employs apprentices which have been budgeted for within the revenue budget.</p>
d)	Reserves	<p>As mentioned in paragraph 3.38, the council has reviewed the adequacy of the financial reserves proposed in the 2024/25 budget, as statutorily required.</p>

4.0 Proposals

4.1 Officers are proposing to Cabinet that it recommends to Council at its meeting on 7 March 2024:

- a) the council's General Fund revenue budget for 2024/25; and
- b) the 2024/25 fees & charges in **Appendices C1-C21**.

5.0 Digital Implications

5.1 There are no digital implications directly arising from this report.

6.0 Equalities Implications

6.1 Business Managers consider the implications on equalities when assessing how best to deliver the services they are responsible for.

7.0 Community Plan – Alignment to Objectives

7.1 The Community Plan 2023-2027 was approved by Full Council on 12 December 2023 and sets out the Council's objectives over the next three years, building on previous published plans for the same time period.

7.2 The budget proposed within this report seeks to allocate resources in order to ensure the delivery of all the objectives within the Community Plan.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.