

REPORT TO:	OVERVIEW & SCRUTINY COMMITTEE (SPECIAL)	AGENDA ITEM: 6
DATE OF MEETING:	17 JANUARY 2024	CATEGORY: RECOMMENDED
REPORT FROM:	STRATEGIC DIRECTOR (CORPORATE RESOURCES)	OPEN
MEMBERS' CONTACT POINT:	CHARLOTTE JACKSON Charlotte.jackson@southderbyshire.gov.uk	DOC: S/Finance/Committee/2023-24/January/OSC
SUBJECT:	CONSOLIDATED DRAFT BUDGET REPORT 2024/25 AND MEDIUM-TERM FINANCIAL PLAN TO 2028/29	
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: 6.03 (a) (i)

1.0 Recommendations

- 1.1 That the Committee consider the proposed draft budget and associated information and provide feedback to Finance and Management Committee.
- 1.2 That Committee note the proposals considered material.
- 1.3 That Committee note the Indicative Assurance Statement provided by the Section 151 Officer.

2.0 Purpose of the Report

- 2.1 For the Committee to scrutinise the draft budget proposals presented to the Finance and Management Committee on the 23rd November 2023.
- 2.2 The detailed budget proposals were reported for consideration by each of the Council's Policy Committees prior to this Committee. In addition, the Finance and Management Committee will consider consolidated proposals and the updated Medium-Term Financial Plan (MTFP) on the 15th February 2024.
- 2.3 Draft budget proposals and resultant likely General Fund revenue budget Housing Revenue Account (HRA) budget and Capital Programmes for 2024/25 details are contained within this report for consultation with the Council's relevant Committees, ratepayers and the public, as part of the Council's own budget process and statutory and wider consultation.
- 2.4 This report is divided into several sections with corresponding appendices, which are summarised below for ease:

Table 1 - Report Index

Area	Detail	Relevant Appendices
3.0 Introduction	This section of the report sets out the context to how the proposals and draft budget presented have been	N/A

	developed with reference to the external outlook and development of the Council's own forthcoming Medium Term Financial Strategy. It also refers to the consultation timetable the budget process, which will follow after the Finance and Management Committee of 23 November..	
4.0 General Fund	Presents all budgetary changes and proposals concerning the General Fund, overall budget position for 2024/25 and impact to five-year Medium Term Financial Plan (MTFP).	Appendix 1 – Draft General Fund Budget Summary and MTFP Appendix 2 – General Fund Budget Proposals Appendix 7 – Assumptions to the General Fund Medium Term Financial Plan
5.0 Housing Revenue Account (HRA)	Presentation of all budgetary changes and proposals concerning the HRA, overall budget position for 2024/25 and impact to five-year forecasts.	Appendix 3 – Draft HRA Budget Summary and MTFP Appendix 4 – HRA Budget Proposals
6.0 Fees and Charges	Detail around fees and charge variations proposed	Appendix 5 – Draft Proposed Fees & Charges
7.0 Capital Programmes	The proposed additional areas of capital investment for 2024/25 – 2028/29 alongside the existing approved programme.	Appendix 6 – Draft Capital Programme
8.0 Robustness of estimates and adequacy of reserves	The Section 151 Officer's commentary and indicative assessment around robustness of the proposals and draft budgets and estimates of reserves, pending receipt of the provisional local government finance settlement for 2024/25 and confirmation of final budget proposals. This indicative assessment is the early equivalent of the annual report of the Section 151 Officer which accompanies the final budget at Council each February (known as the "Section 25 statement").	N/A

3.0 Introduction

3.1 At the inception of the budget setting process, the following three key principles were agreed with Members and set out to Heads of Service to guide the preparation of budget proposals contained within this report:

- **Budgets should support Service Plan and the Council Plan** – That the budget aligns with Service Plans and the Council Plan to ensure that appropriate funding is in place. The intention is to reduce the need for further reports to Committee for additional funding requests throughout the forthcoming year, unless there are specific requests from Members, or other requirements around procurement or approval considerations.

- **Revenue investment should be based on demonstratable need or be self-funding -** That any cost-pressures (such as inflation pressures on supplies, services, and contracts), additional staff or reductions in income due to lower demand or reduced fees, should, insofar as is possible, be “self-funding”. Services were asked to try as far as is reasonably practical to off-set increases in financial resources by making savings in other areas or alternatively, additional revenue investments should be fully demonstrated. Overall, the budget process sought for proposals that demonstrated an evidence-based business case which set out the service need, how additional revenue funding will seek to meet that need, and where possible, reduce ongoing expenditure or increase income in other areas.
- **Capital growth will be considered based on need and innovation meaning it is essential for the maintenance of service delivery or will improve service delivery by way of revenue improvement –**That when we are investing to create or enhance an asset, it is because it will improve the Council’s financial position through reducing spend or generating income, or because we must to maintain services.

3.2 As part of the Council's commitment to continuous improvement and good financial governance, the process for budget setting undertaken this year has been adapted. These changes were set out in the “Budget Setting Approach 2024/25” report delivered to the Council’s policy Committees and Overview and Scrutiny at their meetings in September and October 2023.

3.3 In line with the principles set out at 3.1, the Council’s Heads of Service and their service managers have been heavily involved in developing proposals for their service area. As such, there is a high volume of proposals which have undergone assessment and refinement by the Council’s Leadership Team, who have challenged, scrutinised and refined proposals in light of the principles and the overall financial position of the Council.

3.4 The revenue budget approach has been ‘incremental’ meaning that the focus is on budget changes compared to the current year (2023/24) position. As such, revenue proposals are categorised to easily explain the changes and also where proposals can be rejected. The categories as set out in the report for the General Fund and Housing Revenue Account (HRA) are below and Appendices 2 and 4 set out the individual changes.

- **Funding** – changes to core funding (council tax, business rates, government grant and new homes bonus for the General Fund and Rental Income and service charges for the HRA);
- **Savings** – savings identified through either a reduction in budgeted expenditure or income that is additional to that budgeted in the current year because of increase in charges and/or a forecast increase in demand.
- **Cost Pressures** – where additional budget provision is required to cover unavoidable cost increases. One-off items will be funded through earmarked reserves (see 3.5 below).
- **Service Developments** – proposals to enhance service provision and which require a decision around investment. One-off items will be funded through earmarked reserves (see 3.5 below).

3.5 Where increases in spending, either as a cost pressure or a service development are one-off, they will be funded by earmarked reserves. This is following the Section 151 Officer’s phase 1 review. This repurposing of earmarked reserves represents an effective way of managing one-off expenditure, given its very nature, and in the context of the Council wishing to close its budget gap and it having a high level of reserves and earmarked reserves that have been identified as no longer required for the original purpose for which they were set aside.

- 3.6 The proposed level of fees and charges are presented in Appendix 5 along with the rationale for the proposed variation on the 2023/24 level.
- 3.7 Proposals for capital investment are set out in the report and appendices along with the existing capital programme commitments.

Review of Management Structure

- 3.8 At the time of writing this report the Chief Executive has confirmed intentions to take forward a restructure of the Council's management structure, which currently comprises of twelve Heads of Service, two Strategic Directors as well as the Chief Executive's role.
- 3.9 Since this timetable is under development, an indicative budgetary estimate for the potential additional costs has been included in this draft budget. This estimate will be refined at the final budget stage once the restructure timetable has been developed, this will include a presentation of the structure to this Committee for approval before the final budget is approved at the meeting of Council in February 2024.

UK Fiscal Policy, the Autumn Statement and Local Government Finance Settlement

- 3.10 Local Government funding is confirmed by central government via the Local Government Finance Settlement process. This usually commences with the Chancellor of the Exchequer's Autumn Statement (typically in early/mid-November) which sets out the major fiscal policy for the UK and can hint at funding for public services (including local government), a provisional local Government Finance Settlement, which sets out funding for individual councils (typically early/mid-December) and the final Settlement which confirms these individual allocations (early-February).
- 3.11 On 5 September, the Chancellor announced that he will present the Autumn Statement 2023 to Parliament on 22 November. The statement will be accompanied by an economic and fiscal forecast prepared by the Office for Budget Responsibility (OBR).
- 3.12 Since confirmation of the statement date, there has been various sector reports around the likely date of receipt of the provisional Settlement, but at the time of writing this report, no date has been confirmed.
- 3.13 Given the ongoing and growing trend of English councils declaring precarious financial positions, there is more prominence around local government finance in national political discussions.
- 3.14 Research and analysis undertaken by both the Local Government Association and District Council Network (DCN) has pointed towards significant in-year and predicted 2024/25 budget gaps for Councils ahead of the Autumn Statement. Specifically for lower-tier councils, the DCN is calling for :
- An increase in district council spending power of at least 6%, through additional grant and freedom to raise money locally independent of the Treasury;
 - The ability for districts to be able to increase their element of council tax by the highest of 4.99% or by £10 without a referendum (vs the current limit of 2.99%/£5);
 - Additional support for homelessness and leisure services; and
 - The implementation of the Government pledge to allow councils to increase planning fees.

- 3.15 Since the publishing of this committee report precedes the Autumn Statement, the Section 151 Officer will provide a verbal update on the statement and any implications of announcements made for local government funding and where possible the Council.

Financial Sustainability and the Medium-Term Financial Plan and Strategy

- 3.16 The approved 2023/24 – 2027/28 General Fund MTFP (approved in February 2023 and updated in June 2023), includes provision for growth and inflationary demands. The assumptions and associated financial risks are considered as a worst-case scenario and there are recurring budget gaps being met by reserves over the life of the plan of in excess of £2m per year. These budget gaps would be met by utilising reserves and these would be depleted based on the forecasts, by 2026/27.
- 3.17 The Council currently reviews and updates its Medium-Term Financial Plan on a quarterly basis as part of budget monitoring, but there have been no changes to the 2024/25 or future years forecast so far in the 2023/24 year.

Table 2, Projected Budget Gaps 2023/24 – 2027/28 – February 2023

	2023/24	2024/25	2025/26	2026/27	2027/28
Predicted Budget Gap as per MTFP Q2 inclusive of contingent sums	3,220,258	3,395,992	3,733,661	3,872,908	4,419,453

- 3.18 The plan has been reviewed and renewed to align with the new proposed budget from 2024. The review has included an assessment of the assumptions that drive the future financial forecasts, but further testing and refinement needs to be undertaken on these pending the provisional local government finance settlement and confirmation of final budget proposals. Further work is also necessary to develop worst- and best-case scenarios against the “base case” to set out the most likely outcome, and this work will now be taken forward as part of the new Medium Term Financial Strategy which is under development.
- 3.19 Notwithstanding that further changes are anticipated on the plan and a more detailed review of the five year assumptions is needed, the revised position over the five year plan is as below. This shows a marked improvement over the five year period compared to the original position, but there is still a significant budget gap presented over the period which must be closed through corrective actions to reduce expenditure and maximise income and funding. The assumptions currently driving these forecasts are set out in Appendix 7.

Table 3 – Revised Projected Budget Gaps 2024/25 – 2028/29 – November 2023

	2024/25	2025/26	2026/27	2027/28	2028/29
Predicted Budget Gap based on this draft budget	670,022	1,867,059	3,830,974	5,226,542	6,751,621

Table 4 – Movement in Budget Gaps 2023/24 – 2028/29

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Predicted Budget Gap as per MTFP Q2 inclusive of contingent sums	3,220,258	3,395,992	3,733,661	3,872,908	4,419,453	
Forecast Outturn 2023/24	1,344,672					

Predicted Budget Gap revised MTFP November 2023	n/a	670,022	1,867,059	3,830,974	5,226,542	6,751,621
Movement (Favourable) / Adverse	(1,875,586)	(2,725,970)	(1,866,602)	(41,934)	807,089	6,751,621

3.20 The new MTFFS will be presented alongside the budget for approval in February. This overarching strategy will consider the future funding expectations and opportunities for increasing the Council's self-sufficiency in the light of diminishing central government grants and an uncertain future funding outlook and a cycle of recurrent 1-year local government funding settlements, whilst ensuring the Council can continue to fund and deliver excellent services.

Budget Development Timetable

3.21 Subject to approval of this report, it will proceed to the Council's relevant Committees as per below, for review of proposals. Where proposals are of a material nature and associated policy decisions are required, this report will be tabled alongside any stand-alone reports. This is specifically the case where there are proposals to add posts to the establishment, and where this is the case, Appendices 2 and 4 make this clear.

Table 5 – Committee Timetable

	Consideration of the draft 2024/25 budget	Consideration of stand-alone policy decisions
Environmental and Development Services Committee	4 January 2024	25 January 2024
Housing and Community Services Committee	8 January 2024	1 February 2024
Finance and Management Committee	11 January 2024	15 February 2024
Overview and Scrutiny Committee	17 January 2024	n/a

3.22 The final budget will be presented to the Finance and Management Committee in February 2024 who will recommend it to Council for final approval in the same month.

Consultation

3.23 In line with the Council's statutory requirement to consult with ratepayers, it is proposed that relevant stakeholders in the business community are written to and views on the budget proposals are sought.

3.24 Between (circa) the early-December 2023 and mid-February 2024 wider public consultation will take place via the Council's website and at Area Forums.

3.25 Feedback received will be collated and reported as part of the final budget report in February 2024.

4.0 General Fund

4.1 The draft net revenue expenditure position for the 2024/25 year is anticipated to be £670k as set out in Appendix 1. This is made up of net revenue expenditure (spend) of £18.3m and funding of £17.64m.

4.2 This is an decrease on the 2023/24 budgeted position of £2.55m. The position is favourable when compared to estimated for the 2024/25 year that are detailed within the former version

of the medium-term financial plan, which at June 2023 was estimated at £3.34m deficit (as per table .

4.3 Since the Council budgets on an incremental basis, the individual changes compared to the 2023/24 position are set out in Appendix 2 is as follows:

- Funding – an increase of £2,783,029
- Service developments – proposed to increase spend by £1,721,027. Appendix 2a.
- Cost pressures – increasing spend by £2,392,793. Appendix 2b.
- Savings (inc. Recharges) - £3,060,585. Appendix 2c.

Funding

4.3 Detailed in the following table is the projected income from Business Rates, Council Tax and Government Grants. The total draft budgetary increase for 2024/25 compared to the budgeted position for 2023/24 is an additional £2,783,029, from £14,032,466 to £16,815,495. This is subject to further review and ratification as the final budget is developed and the reasons for this are set out below.

4.4 Subject to further analysis on the growth trajectory the estimated Business Rates to be retained for 2024/25 budget has been developed using a new strategic finance reporting model that uses a range of forecasting tools and benchmarking analysis. As the forecast of rates retained has been forecast to improve against its budgeted position in 2023/24, predictions are that further growth and benefit from participation in the Derbyshire Business Rates Pool will increase the estimate more favourably. The current growth projections are generic and these will be tested further as part of the final budget process.

4.5 Council Tax funding for 2024/25 is assumed at the maximum increase of 2.99% which represented £5.22 for a Band D for the 2024/25 year. Other options are detailed below with the forgone income for various percentages below 2.99%. As with business rates, a generic growth forecast is included in the calculations, and this will bring further additional revenue for the Council and it's precepting partners, Derbyshire County Council, Derbyshire Police and Crime Commissioner and local Parish Councils. This growth assumption will be tested and further refined as part of the final budget process.

4.6 Pending the Autumn Statement and receipt of the provisional local government finance settlement, the Section 151 Officer has reviewed sector intelligence and taken advice from the Council's appointed funding advisors Pixel Financial on the level of other grant funding to be expected in 2024/25.

Table 6 – General Fund Funding

Funding	2023/24 Budget	2023/24 Forecast Outturn	2024/25 Estimated Budget	Notes
Business Rates	£4,000,000	£5,200,000	£6,377,129	This includes a generic growth assumption for South Derbyshire which requires further testing and analysis, an allowance for the returns from the Derbyshire Business Rates Pool and is also subject to receipt of the provisional settlement.

Council Tax	£6,577,466	£6,577,466	£6,950,114	This is based on a maximum increase of 2.99% and the council's current council tax base and an initial growth assessment of 2.6% and is subject to further growth analysis and approval of the council's tax base for 2024/25. Based on advice received from the Council's funding advisor and sector intelligence available around the continuation and availability of funding.
Services Grant	£100,000	£100,000	£102,000	
Funding Guarantee	£1,800,000	£1,800,000	£1,746,000	
New Homes Bonus	£1,500,000	£1,500,000	£1,480,000	
Collection Fund	£55,000	£55,000	£55,000	
Revenue Support Grant	Nil	Nil	£105,252	
Total	£14,032,466	£15,232,466	£16,815,495	

Table 7 - Council Tax Increase illustrative Options

	2.99%	£5	2%	1%	0%
2024/25 impact to resident	£5.22	£5	£3.49	£1.75	£0
Per Band D Property	£179.86	£179.64	£178.13	£176.39	£174.64
Council Tax Income (includes forecast growth for 2024/25 of 2.2%)	£6,950,114	£6,901,589	£6,843,684	£6,776,589	£6,709,494
2024/25 foregone income	£0	£8,525	£66,430	£133,525	£200,620
Compound impact of foregone income to MTFP (assumed static base for ease of calculation)	£0	£42,624	£332,150	£667,624	£1,003,099

Service Developments – Appendix 2a

4.48 Across the range of proposals service developments have been developed by service areas for review and whilst being tabled as required for the effective delivery of services, they are additional to what the Council currently provide and could be classified as voluntary additional expenditure.

4.9 As detailed above at paragraph 3.5, one-off items will be funded through earmarked reserves.

4.10 All service developments are detailed in Appendix 2. The most significant are:

- Management Restructure £350,000 – to cover the anticipated costs in a forthcoming management structure review, to be brought forward by the Chief Executive
- Local Plan £190,000 – to cover costs associated with Local Plan examination
- Household Waste Collection Service Staffing £308,867 – to consider an additional crew for household waste
- Town Centre Masterplan £100,000 – to cover costs associated with developing a Town Centre Masterplan for Swadlincote Town Centre, in line with the new proposed Council Plan.

Cost Pressures – Appendix 2b

- 4.11 Across the range of proposals cost pressures generally relate to areas where additional budgetary provision is required to continue critical services. There are no proposals that represent developments of service areas or that could be classified as voluntary additional expenditure, except for spend already incurred in relation to non-statutory services.
- 4.12 All cost pressures are detailed in Appendix 2.
- 4.13 Staffing costs represent a significant amount of expenditure on the General Fund, with broadly three quarters of all spending related to staffing. The table below sets out the budgetary pressures in relation to staffing.
- 4.14 Members should note that the assumed pay award for 2024/25 is included in the cost pressures detailed in the report. The assumptions include the agreed 2023/24 pay award and an indicative pay award of 4% for 2024/25, based on Officer for Budget Responsibility (OBR) April 2023 forecast for CPI at April 2024 of 1.5% and a further allowance for risk purposes mitigation purposes. A further OBR forecast will be received for inflation in November 2023 alongside the Autumn Statement and the provision for the 2024/25 pay award will be reviewed as part of the final budget.
- 4.15 The additional salary for Service Development Proposals is the total from all the submitted bids requesting additional staffing resources. These have been included but are subject to separate reporting requirements.

Table 8 – Staffing cost pressure and service developments

Area	Amount	Detail
Pay Award 2024/25	£784,685	Assumed Pay Award @ 4%, inclusive of salary rises of £201,254 (Included in costs pressures)
Service Development Proposals relating to staff	£822,233	There are a number of additional posts requested to be added to the establishment. These are listed in Appendices 2a and are subject to committee review and consideration.

4.16 The most remaining other significant areas of cost pressure are:

- Inflationary £183,728 – This covers inflationary increases the Council is exposed to through it's day-to-day spend with suppliers.
- Utilities £99,268 – Although the Council's prices are largely fixed for utilities for the majority of the 2024 year, the current spend is above the budgeted level and this needs correcting in the budget in order to avoid unexpected overspends.
- Audit £85,336 – Like all Councils who commission procurement services via the Public Sector Audit Appointments process, the Council faces a significant increase in the cost of audit in 2024/25 and beyond.

Savings and Income – Appendix 2c

4.7 Total savings on the General Fund are currently estimated at £3,060,583. Savings are a result of increased income in some areas and a reduction in costs compared to last year's budget the some of the larger saving are detailed below:

- Removal of Capital Contributions £733,530 – alternative funding methods will be utilised to fund the Council's capital programme rather than General Fund contributions.
- Removal of Provisions £157,500 – these are now included in the base budget.
- Removal of Contingent Sums £370,041 – these are now included in the base budget.
- Investment income £414,020 – representing an increase in the forecast interest earned on balances held, based on interest rate predictions from the Council's treasury advisors.
- Recycling income £219,494 – based on performance on recycling income during 2023/24.
- Planning application income £200,000 – This is to reflect the government's recent decision to allow Local Planning Authorities to increase their planning fees.
- Conducting Elections £115,447 – This saving is because the Council is not running a District election next year.
- Fees and charges £59,750 – which reflects increases across a range of fee and charge variations.
- Reduction to MRP £27,262 – this represents the reduction to the Council's CFR. Any new capital expenditure in 24/25 will not be repayable until 25/26.

Other areas of the budget

4.17 The Council currently funds grants to Parish Councils for concurrent functions at a of circa £400,000 per annum to the Council. Parish Councils exercise certain functions in their respective areas, which the District Council must exercise directly in unparished areas. These are known as "concurrent functions" and the term is used to explain that either a district or parish/town council may provide these services. The principle of the funding provided to Parish Councils is around "double taxation" because residents in these areas will pay a precept via Parish Councils and the District Council precept.

4.18 In previous years, the level of concurrent function grants to Parish Councils have been increased in the region of 2% per year. For 2024/25 and considering the 2024/25 and ongoing projected annual budget gap, this amount is proposed to not increase. For 2024/25, this will save the Council £7,000.

4.19 Further, it is proposed a wider review of the continuation of these grants is undertaken as part of the Council's Medium Term Financial Strategy.

Impact on Reserves

4.18 The below shows the impact of the proposed draft budget on the level of General Fund unallocated reserves. The position forecast at March 2024 is based in the current reserves.

Table 9 – Reserves Forecast

Type of Reserve	Opening Balance - April 2023	Estimated use of Reserves 2023/24	Estimated Balance March 2024	Estimated Use of Reserves 2024/25	Estimated balances March 2025
General Fund	£15,222,148	£3,220,257	£12,001,891	£670,022	£11,331,869
Earmarked Reserves	£12,504,150	£241,741	£12,262,409	£3,245,651	£9,016,758

Total Useable Revenue Reserves	£27,726,298	£3,461,998	£24,264,300	£3,915,673	£20,348,627
Capital Reserves	£2,281,797	£1,244,362	£1,037,435	£274,928	£762,507
Capital Grants unapplied	£1,449,529	£381,012	£1,068,517	£458,606	£609,911
Total Useable Capital Reserves	£3,731,326	£1,625,374	£2,105,952	£733,534	£1,372,418
Total General Fund Reserves	£31,457,624	£5,087,372	£26,370,252	£4,649,207	£21,721,045

5.0 Housing Revenue Account

5.1 The draft budgeted position for the 2024/25 year is estimated to be a deficit position of £1.23m as set out in Appendix 3.

5.2 This is an decrease on the 2023/24 budgeted position of £895k.

5.3 Since the Council budgets on an incremental basis, the individual changes compared to the 2023/24 position are set out in Appendix 4 is as follows:

- Service developments – proposed to increase spend by £1,244,775. Appendix 4a.
- Cost pressures – increasing spend by £848,016. Appendix 4b.
- Savings (inc. rent increase) - £2,987,873. Appendix 4c.

Service Developments.

5.4 Across the range of proposals service developments have been developed by service areas for review and whilst being tabled as required for the effective delivery of services, they are additional to what the Council currently provide and could be classified as voluntary additional expenditure.

5.5 All service developments are detailed in Appendix 4a. The most significant is a proposal to increase the budget for repairs and maintenance of void properties, as a one-off, by £797,000 for the 2024/25 year.

Cost Pressures

5.9 Cost pressures are set out in Appendix 4b, with the most significant being:

- Pay Award £96,220
- R&M Fix & Fittings Contracts £153,265 – This represents the contractor's uplift of 7% on the repairs and maintenance contract.
- Contributions County Council £130,000 – Derbyshire County Council have confirmed that they will no longer be contributing to the Careline/Telecare services at Oaklands.

Savings and Income

5.6 Savings, including the additional income from an assumed rent increase is set out in Appendix 4c. The most significant of these are:

- Investment income £239,553 – this is based on anticipated returns on HRA balances.
- Interest payable £270,000 – this is based on a reduction in interest payable on the HRA self-financing loans due to the next repayment of £10m being repaid 28th March 2024.
- Contingent Sums adjustments £612,916 – removal of contingent sums, as items are included in the base budget.
- Additional debt repayments – see below
- Rent increase – see below.

5.7 The assumed additional rental income of £1,102,603 has been included in the budget based on a rent increase in line with the national rent increase formula of CPI + 1%. The anticipated announcement for social rents formula is due in the Autumn budget (22 November 2023). In 2023/24 the cap set on social rents was 7% with SDDC setting their increase at 3%. Work is underway to share comparisons of rent levels with other Councils of similar size and/or region and this will be included in the report in January.

5.8 Rents have been calculated in accordance with the Rent Standard Policy at CPI +1, using September rates the potential increase is 7.3%. below is an illustration of the forgone income in comparison to 3% and 0 %. It must be noted that the comparison figures do account for the reduction of void losses factored into the medium-term financial plan.

Table 10 – Rent Increase Illustrative Options

	CPI + 1% (7.3%)	3%	0%
2024/25 impact to tenant based on average rent	£6.34	£1.74	0
Foregone income over life of MTFP (5 years)	Nil	£391,788	£503,896

5.8 The Additional Debt Repayments of £750,000 would ordinarily be set aside for the purpose of repaying debt. This saving proposed based on the Council not redeeming its next maturity loan of £10m due in 2027, recognising the significant shift in the Housing Business Plan since the loan was taken out in 2012 as part of self-financing (including 4 years of 1% rent reduction and a lower than cap increase on rents for 2023/24) and the revenue pressure this places on the HRA and the ability for the loan to be refinanced.

Impact on Reserves

5.9 The below shows the impact of the proposed draft budget on the level of Housing Revenue Account unallocated reserves. The position forecast at March 2024 is based in the current reserves.

Table 11 – HRA Reserves

Type of Reserve	Opening Balance - April 2023	Estimated use of Reserves 2023/24	Estimated Balance March 2024	Estimated Use of Reserves 2024/25	Estimated balances March 2025
HRA General Reserves	£4,609,000	£2,234,000	£2,375,000	£1,236,000	£1,139,000
Earmarked Reserves	£556,663	£366,941	£189,722	£45,000	£144,722

Total Useable Revenue Reserves	£5,165,663	£2,600,941	£2,564,722	£1,281,000	£1,283,722
Capital Reserves	£3,534,460	£650,000	£2,884,460	£739,000	£2,145,460
Debt Repayment Reserves	£5,693,000	£5,339,000	£354,000	£2,780,000	£3,134,000
Major Repairs Reserve (Ring Fenced)	£4,986,832	£500,000	£4,486,832	£600,000	£3,886,832
Total Useable Capital Reserves	£14,214,292	£6,489,000	£7,725,292	£4,119,000	£9,166,292
Total HRA Reserves	£19,379,955	£9,089,941	£10,290,014	£5,400,000	£10,450,014

5.10 The HRA General reserves remain above the Council's minimum reserve balance of £1m this is due to options being explored around debt reprofiling, capital investment and major repairs reserve.

6.0 Fees and Charges

6.1 The Council charges for a number of its services that are provided to the public. All fees and charges are reviewed on an annual basis as part of the budget process. Charges set by the Council are increased in line with inflation or other factors taken in to consideration, in line with the Corporate Charging Policy:

- Statutory obligations
- Policies objectives of the Council;
- Local market research and competition (where relevant);
- The impact of price changes on activity level of demand;
- Changes in taxation;
- Budget position and any associated gap;
- The cost of providing the service.
-

6.2 Included at Appendix 5 is the proposed charge position, together with of explanation of changes to individual charges.

7.0 Capital Programmes

7.1 The proposed draft Capital Programme for 2024/25 – 2028/29 is set out in Appendix 6.

General Fund

7.2 Proposals funded through 'unsupported borrowing' on the General Fund impact the 'Minimum Revenue Provision' (MRP) estimate for future years, which effectively is a method of calculating the estimated repayment of that internal borrowing. MRP is funded through revenue, and so an increase in capital expenditure plans funded through unsupported borrowing, increases expenditure on the General Fund in respect of MRP.

7.3 The total General Fund programme for 2024/25 is £7,532,201, consisting of currently budgeted and new schemes.

7.4 The proposals below constitute new capital schemes only, whilst the programme at Appendix 6 also includes capital programme items approved as part of previous the year's budget process.

7.4.1 **Swadlincote Events Space - £1,000,000 TBC** – This project, previously considered by Finance and Management Committee in March 2022, will be to take forward original proposals to complete works to the Indoor Market to create a multi-purpose events space in the town centre. The investment will attract a range of cultural events including artisan food fayres, antiques and car boots and pop-up arts and cultural events and shows. The value of the investment is currently approximate, pending further scheme design. The investment will be funded by unsupported borrowing and therefore increase the minimum revenue provision charge to revenue in future years, which is estimated to be in the region of £20,000 per annum. A further report to Finance and Management Committee on the scheme proposals will be required and tabled alongside this budget process.

7.4.2 **Cemetery Infrastructure Replacement - £300,000 over 3 years.** The proposal is to introduce a programme of planned infrastructure refurbishment and replacement to ensure our cemeteries are accessible to all Members of our communities. Currently access is poor with footpaths uneven and breaking up causing problems for funeral directors. Works will include resurfacing footpaths, entrance / access improvements and fencing. The programme will be funded through unsupported borrowing and therefore increase the minimum revenue provision charge to revenue in future years.

7.4.3 **Parks and Green Spaces Infrastructure - £360,000 over 4 years.** The proposal is to introduce a programme of planned infrastructure refurbishment and replacement to ensure our parks and green spaces are accessible to all members of our communities. Currently access is poor with footpaths uneven and facilities such as tennis courts in need of improvements. Items will include resurfacing footpaths, entrance / access improvements to ensure DDA compliance, refurbishment of tennis courts, replacement fencing, replacement bins and benches. The programme will be funded through unsupported borrowing and therefore increase the minimum revenue provision charge to revenue in future years.

7.4.4 **Play Area Refurbishment - £1,083, 000 over 5 years.** The plan is for a rolling programme of play area refurbishments to SDDC owned play areas provides an opportunity to engage with young people and ensure their views are encompassed into the designs. This process helps to create ownership of new facilities which experience show reduces vandalism and ASB. Currently the funding for this project is based on utilisation of unsupported borrowing, however opportunities to allocate Section 106 funds and other external funding sources will be progressed to minimise the Council contribution.

7.4.5 **Stenson Community Centre Air Conditioning - £15,000 on off investment.** Stenson Community Centre is a popular venue which we hire out on a daily basis. Given its location and possible disruption to local residents it is not possible to have windows and doors open. Therefore, it is there proposed to install air conditioning to improve the service user experience with the building. This will be funded by internal borrowing.

7.4.6 **Town Hall Heating, Lighting and AV - £20,000 on one off investment** - The Swadlincote Town Hall in the centre of town can be hired out for various events. The heating and lighting is poor and requires upgrading. A new AV system will enable more talks and meetings to held in the venue. This will be funded by internal borrowing

7.4.7 Fleet Replacement Programme – £TBC. At the time of writing this report, a replacement programme over 7 years is currently under development and will be tabled for consideration by the Environmental and Development Service Committee for approval. The Council is committed to reducing its carbon emissions and will be setting an ambitious target of zero carbon emissions to its fleet by 2030. The Strategy will consider the development and opportunities in alternative vehicle technologies including fuel types and provided estimated costs for inclusion. This will help minimise the Council's impact on the environment and enable it to take a proactive role in assisting the Council to maintain its ISO140001 accreditation. It is envisaged that this programme will be funded in part by revenue and in part by unsupported borrowing.

7.4.8 Swadlincote Town Centre Grant Scheme - £55,169 (funded by an earmarked reserve). The Swadlincote Town Centre Grant Scheme aims to contribute to the further revival of the town centre by enhancing the environment in order to attract greater numbers of shoppers and visitors. The initiative seeks to improve the visual appearance of Swadlincote town centre by incentivising property owners and tenants to invest in their premises. Priority is given to prominent frontages and other aspects that are particularly visible from main public routes.

HRA

7.5 The Capital programme for the HRA has had no adjustments to the rolling 5 year programme currently in place. This is set out in Appendix 6.

8.0 Robustness of Estimates and Adequacy of Reserves

8.1 The Local Government Act 2003 requires the Council's Chief Financial Officer (Section 151 Officer) to comment on the robustness of the estimates and also on the adequacy of the proposed reserves – otherwise known as the "Section 25 Statement". Members must have regard to these comments when making a decision on the budget proposals for the forthcoming year.

8.2 This report has typically been presented at Council in a separate report by the Section 151 Officer, and this is the plan for the final budget in February 2024. The information below is intended to enable Members to consider proposals against an indicative assessment of the robustness of estimates and the adequacy of reserves.

8.3 At this early stage and pending the receipt of the provisional Local Government Finance Settlement, the Section 151 Officer considers that the estimates which form the General Fund and Housing Revenue Account to be robust and prudent, and the proposals are deliverable for 2024/25.

8.4 Spend assumptions have been developed by service areas and robustly tested by finance and the Leadership Team. Many of the estimates at this stage remain provisional.

8.5 Assumptions included in this draft budget around funding for 2024/25 and beyond have been developed and approved by the Section 151 Officer using several sources of independent and external advice. These include forecasts derived from funding models used by the finance team from the Council's funding advisor Pixel Financial Management, the Institute of Fiscal Studies local government finance model, the final Local Government Finance Settlement for last year (2023/24) and sector intelligence shared by the LGA and the DCN. However, it remains that there is a risk that assumed funding is out of line with government confirmations received later in the process.

- 8.6 Based on current estimates for 2023/24 outturn, the draft budget for 2024/25 year and assumptions for 2025/26 – 2028/29 the Council has an adequate level of reserves to balance the budget on its General Fund until 2028/29. This is an improved position – at the setting of the 2023/24 budget, reserves were forecast to be depleted by 2026/27.
- 8.7 The Council is susceptible to volatility in budgetary estimates. A relatively small change in the underlying assumptions can produce significant changes.
- 8.8 If forecasts for the current or 2024/25 year are less favourable than projected, the Council could see its reserves utilised at a greater rate than currently forecast.
- 8.9 Overall, the draft General Fund retains a budget gap. This is a considerable improvement from it compared to its forecast position for 2024/25 and budgeted position for 2023/24. However, the Council must now consider how it will close its ongoing budget gap.
- 8.10 As detailed within this report, the Council is currently developing its Medium-Term Financial Strategy which will set out how it intends to ensure that its future budget gaps are reduced, and the Council manages its spending within its funding means.
- 8.11 One area of significant expenditure relates to concurrent expenses, and it is the recommendation of the Section 151 Officer, that in light of ongoing projected budget gaps, this area of spend is reviewed as a priority. Other expenditure areas must be also reviewed along with income and it is recognised that income enhancements are not a prominent feature within this budget report currently.
- 8.12 Looking further ahead, in the future all local authorities will face a reduction in core funding from the Government once changes to the current funding regime (in particular New Homes Bonus and Business Rates) are introduced. These changes in grant funding are included in the assumptions in this report and MTFP and present significant risk to the Councils ongoing financial sustainability.
- 8.13 Turning to the Housing Revenue Account, the position currently forecasts a budget gap for 2024/25 and this is also projected on an ongoing basis into future years. During the 2023/24-year, additional budgetary pressures have been absorbed for the service to comply to its regulatory requirements.
- 8.14 To ensure the HRA can deliver a balanced budget for the foreseeable future and maintain its reserves at a suitable level, the Council must not continue to set aside the £750,000 additional debt repayment amounts for redemption of the £10m self-financing loan in 2027 is proposed. This will have implications for the ability of the Council to repay this loan when it falls due, however the Council is able to refinance this, recognising that there is no limit on the amount a HRA can borrow.
- 8.15 Since undertaking the self-financing loans in 2012, the Council has significantly less in projected rental income to fund its Housing service, having implemented 4 years of 1% rent reductions between 2016 and 2020 as per central government policy. A below inflation rent cap was also implemented by central government for the rent increase for 2023/24, and South Derbyshire increased its rents below this level. Although subject to Council approval as part of the revised Treasury Management Strategy for 2024/25, this revised strategy will therefore better align with the HRA's financial health and minimise the revenue charges of debt on the HRA. It is proposed a wider review of the HRA debt position is undertaken to support this.

9.0 Corporate Implications

Employment Implications

9.1 There are no direct employment implications arising from this report. However, a number of the indicative proposals will likely have employment implications through the creation of new posts to be added to the council's staffing establishment. These requests will be considered by the relevant committee in January/February 2024 and associated employment implications clearly set out.

Legal Implications

9.2 There are no direct legal implications arising from this report. The draft budget has been developed on a series of requirements of the Council in line with legal and regulatory requirements around service provision. Should indicative proposals have specific legal implications, these will be clearly set out in the forthcoming reports to the relevant committee in January/February 2024.

Corporate Plan Implications

9.3 This draft budget has been prepared to support the delivery of the Council's new Council Plan.

Risk Impact

9.4 This draft budget has been prepared to support the effective management of service risk. A full risk register will be presented as part of the Council Plan for 2024/25.

10.0 Community Impact

Consultation

10.1 As detailed in the report, relevant stakeholders in the business community will be written to and views on the budget proposals are sought, in line with the council's statutory duty to consult ratepayers.

10.2 In addition, between (circa) the early-December 2023 and mid-February 2024 wider public consultation will take place via the Council's website and at Area Forums.

10.3 All consultation feedback received will be collated and reported as part of the final budget report in February 2024.

Equality and Diversity Impact

10.4 A full Equalities Impact Assessment (EIA) will be undertaken on the budget and presented to Finance and Management Committee and Full Council as part of the final budget approval process.

Social Value Impact

10.5 Where relevant, the social value impact of proposals will be set out in any forthcoming papers to relevant committees in January/February 2024.

Environmental Sustainability

10.6 Where relevant, the environmental impact of proposals will be set out in any forthcoming papers to relevant committees in January/February 2024.

11.0 Background Papers

11.1 Report to Finance and Management Committee, 5 October 2023, "Budget Setting Approach 2024/25".

