

**Presentation to the Corporate Scrutiny
Committee 22nd Nov 2023 by**

The Deputy Leader and

Cabinet Member for Resources and Performance

Budget 2024-25 & MTFS

The Financial Challenge

Budget Context

Economic – Inflation driving higher pay and other costs, high interest rates, cost-of-living crisis, geopolitical events driving volatility & uncertainty

National – Public Sector finances under pressure, new Spending Review 2025, local government reforms deferred, increased scrutiny (Oflog, DLHUC, etc.), legislative developments (Waste mgt./ Levelling-up etc.)

Budget Context

Corporate Strategy Review – Reviewing and setting priorities for the next four-years, what do we want to focus our resources on, investment requirements to deliver ambition

Budget Strategy – Low Council Tax authority, delivering a balanced budget over the medium-term, and maintaining financial resilience with prudent levels of balances, but minimising impacts on customers and service delivery

Changes to the MTFS since Feb 2023

	24/25	25/26	26/27	27/28	MTFS
	£k	£k	£k	£k	£k
Budget Gap - Feb 2023	1477	406	151	-	2034
Cumulative	1477	1883	2034		
Pay, inflation, cost pressures & other adj.	1054	-110	181	374	1499
Growth (excl one-off investment)	359	354	132	0	845
Budget gap before savings & income	2890	650	464	374	4378
Green Waste Subscription income	-250	-335	-98	-	-683
Investment income	-840	580	90	-	-170
New Savings & additional income	-296	9	0	-	-287
Business Rate Growth & uplift	-650	-150	-50	-50	-900
Council Tax referendum limit	-	-56	-53	-48	-157
Budget Gap	854	698	353	276	2181
Cumulative	854	1552	1905	2181	

‘Do nothing’ would require around £6m of reserves to legally set a balanced budget across all years of the MTFS period

Key Assumptions & Provisions

- Staff pay award includes the additional cost of the 23/24 pay award (c£600k) and +3% for 24/25, followed by +2% p.a.
- Cost pressures include Housing Benefits, Planning urban design and heritage & archaeological services, positive/ adverse changes in Operational Services income and expenditure, and provision for future vehicle financing costs
- Shortfall in planning income covered by increase in statutory fees
- Provision for Growth (see later slide)
- Green waste subscription income re-profiled based on higher early bird take-up
- Investment income provides short-term 'windfall' gains from higher interest rates and cash balances but reduces over the MTF5
- New savings and additional income (see later slide)
- Business rate growth but with increased risk over future system reset
- Council Tax at referendum limit <3% for 24/25 (followed by c£5 p.a.)

Government Finance Settlement 24/25

What we know:

- Council Tax Referendum Limit <3% (or £5)
- Rollover settlement for RSG and retained business rates with an inflationary increase
- Extended Producer Responsibilities for packaging now deferred
- Business Rate Pooling going ahead (We have already confirmed our intention to stay in the Essex Pool)
- Homelessness Prevention Grant award (2-year alloc.)
- Fair Funding and review of business rates deferred until after next General Election

What we don't know:

- New Homes Bonus
- Funding Guarantee (one-off £449k for 23/24)

Proposed Growth to Base 24/25

New posts

- Corporate Performance Co-ordinator (£50k)
- Gt. Notley AGP/ MUGA Officer (ECC withdrawn) (£35k)
- Senior Building Surveyor (£82k of which 75% chargeable to capital leaving £20.5k revenue cost)

Extra funding for staffing & teams

- HR System Administrator to develop joint HRIS (£9k)
- Customer Services (up to £28k per annum for a two-year period)
- Central provision for dealing with hard to recruit/ retain staffing (£150k)
- Asset Management Surveyor resources (£33.75k)

Other

- North Essex Councils (£20k)/ North Essex Economic Board (£20k)

One-off Investment

One-off Investment to be met from General Fund balances:

- Asset Management Strategy (£20k) – support required to develop our strategy for portfolio management which will help decision-making on invest/ dispose options to maximise benefits

Climate Change Investment

- Full Council agreed Strategy & Action Plan Sept 21
- Initial funding allocation of £500k + top-up from other reserves giving total £624k held in a ringfenced Climate Change Reserve
- Spent £151k and committed £423k, leaving £50k remaining
- Details of investment made is set out in the Climate Change Update report to Cabinet 27th Nov
- External funding leveraged where possible
- Proposed to **allocate £200k from unallocated balances** into the reserve to provide funding to progress further actions

MTFS Future Growth Provisions

Subject to business case & decision being made in future budget rounds

25/26

- Economic Development funding will be required after current reserves have been fully utilised (£191k)
- Landscape Services additional staffing & working budget due to risks and demands on the council (£156k)

26/27

- Strategic Investment Team funding required after existing reserve funding utilised (subject to level of capitalisation) (£160k)

Management Savings or Income (for noting)

Income reflecting current or planned achievement:

- Commercial property rent reviews (£46k)
- Planning Performance Agreements (£60k)
- Bulky & Clinical Waste and other external income (£41k)
- Council Tax Sharing Agreement (CTSA) gainshare (£75k)
- Solar Panels income (£5k)

Savings without impact on customer or service:

- Multi-function printer devices (£4k)
- Environment Services saving on part-time role (£14.5k)
- ICT supplies & maintenance budgets (£23.5k)
- Withdraw under-utilised CWH vending machines (£2k)

Savings and Additional Income Further Options

- Citizens Advice core grant to be reduced to £95,975 (a saving of £10,664 p.a.) and funding to be reviewed for future years after taking account of the recent merger with the South Essex Citizens Advice. (Note: £25,000 is also paid for the Money Advice Service for referrals from the Council)
- Introduce an administration charge of 3% on levies collected for new Business Improvement District schemes
- New charge for Self-Build & Custom Build Register (initial £12k from existing listings plus est. ongoing £1,200)

Community Initiative Schemes

- **Street Scene Partnership** – deferred saving of £29k to be cancelled leaving the current year's budget of £89k payable to parish councils
- **Councillor Community Grants** – continue a scheme in 2024-25 based on the current allowance of £1250 per Councillor and no change to scheme conditions. This will provide another £61,250 of funding to support communities
- **Community Initiative Schemes** – recognising the significant financial challenges facing the Council over the MTFS, a review of community-based spend to be undertaken ahead of the following year's budget

Council Tax Discretionary Policies

Discount policy:

- Nil discount to be applied on empty properties undergoing extensive repairs or unfurnished
- Nil discount to be applied on second homes

Long-term Empty Property Premiums where unoccupied and substantially unfurnished for over two years:

- +100% applied for periods less than five years
- +200% applied for period of at least five years up to less than ten years
- +300% applied for periods of at least ten years
- Refund of premium above the previously prescribed level of 50% for previous twelve months if a property is brought back into use

Council Tax Discretionary Policies

Levelling-Up & Regeneration Act 2023:

- Introduces provision to reduce qualifying period for empty homes subject to levy from two years to one year – but subject to certain exemptions
- Discretionary power to charge levy of up to 100% on second homes
- One year's notice required so earliest introduction would be from 1st April 2025
- Further consideration to be given including how this may support the Council's empty homes strategy
- Recommendations, if any, to be included in the February report

Local Council Tax Support Scheme

- Current scheme supports c4800 working age claimants providing around £3.5m of Council Tax discounts
- Full Council (Dec) to be asked to consider and approve a new simplified banding scheme based on household income and composition
- The new scheme will:
 - Increase the level of support to the lowest income households
 - Make the application process for most claimants easier and quicker with their entitlement notified immediately and reduce volume of changes which disrupt taxpayer instalment plans
 - Reduce the administration of the scheme and help improve collection performance
- Transitional protection for existing claimants limiting reduction in entitlement to no more than £5 per week and further safety net through exceptional hardship fund
- Retirement age claimants unaffected

Council Tax

- Band D Rate for 2023-24 was increased by £4.68 or 9p per week to £194.31, a 2.5% increase and below the 3% referendum limit, and well below inflation
- BDC is still 4th lowest in Essex (average £223.04) and below the shire district average of £204.21
- Referendum limit 2024-25 for BDC will be 'less than 3%'
- The MTFS assumes the maximum increase is adopted giving a Council Tax rate of £200.07 or 11p per week extra
- Council Tax rate impacts future core spending power and setting the rate below the maximum limit increases the budget shortfall which is further compounded in later years
- **No final decision to be taken ahead of receiving the Local Government Finance Settlement**

Balancing the Budget for 2024/25

- Budget shortfall remaining for 2024-25 est. **£854k**
- Budget assumptions and risks continue to be refined and reviewed which may have a positive or adverse impact with an update to be provided in the February report (to be considered at the January scrutiny committee)
- Collection Fund balances projected at 31.3.24 would give a one off £500k to BDC, after allocating £61k for the Councillor Community Grant Scheme
- General Fund unallocated balances would currently need to be used to close the residual gap of £354k
- Estimated reduction in general balances across 2023-24 and 2024-25 would be £1.7m, leaving an estimated balance of c£6.4m
- **The starting budget gap for 2025-26 would be £1.5m**

Transformation Programme

- New approach which will be different from previous exercises
- Service design and delivery will change
- Programme to run across three financial years with key deliverable being no structural deficit by 2028-29 (subject to impact of any LGF reform)
- Transformational activity already underway and will be brought into a single programme and further developed
- Reserve established in 2023-24 budget to support financial investment/one off costs (more funding will be required)
- Work currently underway to identify resource needed to help shape the programme
- Establishing the correct governance structures
- Aligning the programme with others workstreams across the Essex system, including shared services
- Peer Challenge recommends increase in pace

Capital

Context for Capital Programme

- Several years of significant capital investment delivering major strategic projects bringing benefits to the district
- Current capital programme £13.1m, including Maltings Lane, Halstead Community Grants, Town Centre improvements, ICT investment, skate parks etc.
- High construction inflation exacerbated by labour & supply chain issues reducing affordability
- Projects previously agreed impacted by tendered rates (contingency is being recommended)
- Higher interest rates leading to increased borrowing costs
- Council borrowing has increased over recent years but still well below Authorised Limit
- Regulatory changes with greater scrutiny particularly where local authorities are borrowing (DLUHC/ HMT/ PWLB/ CIPFA)

Capital Bids & Provisional Items

Capital Bids 24/25 & Provisional Requests	24/25 Bid £000	25/26 Prov £000	26/27 Prov £000	27/28 Prov £000	External Funding £000
Lifecycle/ Asset Maintenance:					
IT equipment replacement	40	40	40	40	
Arcsave back-up system hardware	50				
Property planned maintenance	0	912	912	525	
Community Facilities					
Play Area refurbishments (4 sites/ 2 p.a.)	280				-26
Replacement of Play Area safety surfaces	80				
Operational Facilities					
Refubish welfare and mess facilities	75				
Wheelie Bins - property growth	50				
Grants					
Major Housing Grants top-up	15	15	15	15	
Disabled Facilities Grants	Net nil				BCF
Councillor capital bids					
Silver End Bowls Club off-road parking	40				
Total	630	967	967	580	-26
BDC Net funding required	604	967	967	580	

Councillor bid subject to further clarifications on the business case

Pipeline Projects (tbc)

- Witham Enterprise Units (Pre-application/ market potential for business case)
- Accommodation Review (options appraisal pending)
- Agile & Flexible working CWH refresh (design options and costings being finalised for business case)
- Transformation/ shared services (tbc)
- Housing investment (funding set-aside + S106)
- Solar canopy (invest to save subject to business case)
- H120 access road & excess soil removal (£tbc)
- Athletics track replacement (potential for external funding and subject to business case)

Next Steps

Next Steps & Timeline

- Cabinet agree initial Budget proposals (27th Nov)
- Full Council consider and approve LCTS working age scheme (11th Dec)
- Provisional Local Government Finance Settlement (prior to Govt. recess from 19th Dec)
- Cabinet Budget Workshop (12th Jan tbc)
- Business Community consultation (Jan)
- Governance & Audit Committee consider draft Treasury Management Strategy (17th Jan)
- Corporate Scrutiny Committee consider updated Budget proposals (31st Jan)
- Final Local Government Finance Settlement (early Feb)
- Cabinet recommend final Budget proposals (maybe subject to final LGFS) (5th Feb)
- Council agree Budget and Council Tax (19th Feb)