

Revenue Budget and Council Tax Proposals 2024/25

Report of the Finance and Resources Portfolio Holder

Recommended:

- 1. That the Forecast for 2023/24, as set out in Column 3 of Annex 1 to the report, be noted.**
- 2. That the Income Generation Proposals, Savings Options and Revenue Pressures, as set out in Annexes 2 and 3 to the report, be approved.**
- 3. That the transfers to or from reserves, as detailed in paragraph 4.34 of the report, be approved.**
- 4. That subject to recommendations 2 and 3 above and taking due regard of the Head of Finance and Revenues' comments in Annex 7 to the report, the budget for 2024/25, as set out in Column 6 of Annex 1 to the report, be approved.**
- 5. That subject to recommendations 2, 3 and 4 above, the revenue estimates for each Service contained in Annex 6 to the report be approved.**
- 6. That a Council Tax Requirement for 2024/25 of £11,012,693 be approved.**
- 7. That a Special Expenses Levy of £343,604 be made in respect of the area of Andover to cover the cost of providing burial grounds, sports grounds and playgrounds.**
- 8. That a general precept of £8,532,991 be levied for the year 2024/25.**
- 9. That the Medium Term Forecast, contained in Annex 5 to the report, be noted.**
- 10. That a Band D Council Tax, excluding Parishes and Special Expenses, of £163.91 in 2024/25 be approved.**

Recommendation to Council

SUMMARY:

- This report presents proposals for the final Revenue Budget and Council Tax for the financial year 2024/25.
- The report takes into account the previous budget information and options for changes in service delivery that were presented to Cabinet in October 2023 and January 2024.
- The headline financial figures in the report are :-
 - ◆ Band D Council Tax (excluding Parishes and Special Expenses) to be increased by £5.00 to £163.91.

- ◆ Income generation and revenue savings proposals totalling £1.204M – Annex 2
- ◆ Additional spending pressures on services of £539,000 – Annex 3
- The final recommendations arising from this meeting for the Budget and Council Tax for 2024/25 will be considered by Council on 29 February 2024.

1 Introduction

- 1.1 Cabinet considered the Budget Strategy for 2024/25 in October 2023. The report showed a best, middle and worst case scenario of the budget gap the Council expected to face for 2024/25.
- 1.2 An update of the budget forecast was presented to Cabinet in January 2024, in light of the provisional Local Government Finance Settlement and further work that had been carried out to identify the savings necessary to balance the budget for 2023/24.
- 1.3 This report presents the proposals for the 2024/25 revenue budget and Council Tax to be considered at this meeting before a final recommendation is made to Council.

2 Background

- 2.1 This report deals with the overall revenue budget and council tax for the Borough for the 2024/25 financial year. The key issue that needs to be considered is how to set a balanced budget with due regard to:-
 - The estimated cost of providing existing services at their current levels
 - Uncertainty as to future levels of inflation
 - The level of savings to be taken into account in setting the budget
 - The availability and use of balances to support revenue spending
 - The level of Council Tax to be set
 - The impact on budget projections for the medium term.
- 2.2 It is impractical to examine every possible permutation of the items set out above. Therefore, this report sets out a specific budget proposal for debate that incorporates all of these items and takes into account discussions that have been held with the Leader and Portfolio Holders.
- 2.3 The following sections provide more detailed information on the final budget proposals that have been put forward. They compare the figures to those presented to Cabinet on 31 January 2024.

3 2023/24 Revised Forecast

Service estimates

- 3.1 Detailed work on the revised forecasts for all services has been finalised, and show an estimated £941,000 positive variance, primarily from salary savings and additional investment income.

- 3.2 This report does not make any recommendations about the possible utilisation of budget variances expected to arise in the current financial year. This will be covered in more detail in the Revenue Outturn report that is expected to be received by Cabinet in July.

4 2024/25 Budget Proposals

- 4.1 Annex 1 sets out the proposed budget for 2024/25. The figures shown take into account changes in the detailed estimates arising from the budget process together with the savings options and budget pressures set out in the annexes to this report.
- 4.2 The Net Cost of Services shown in Annex 1 includes some items of expenditure, such as depreciation and capital grants, that do not form part of the Council Tax calculation. These charges can vary significantly and distort the figures shown against each Service. Annex 4 shows the same figures as Annex 1 with these items removed.
- 4.3 Annex 6 sets out a summary of the estimates by main service area. The figures in Annex 6 exclude capital financing charges and are reconciled to the summary shown in Annex 4.

Overall Budget

- 4.4 All of the changes outlined in this report are reflected in the figures shown in Annex 1 which represents the proposed budget before the Cabinet. The Net General Fund Requirement is £19.227M and the Council Tax Requirement is £11.013M.
- 4.5 The January budget update showed a closed budget gap. Since then, there have been a small number of movements, but the gap remains closed. A summary of the movements is shown in the following table.

	£'000
Budget Gap per January report	0
Additional pressures (see Annex 3)	35
Draw from Capacity Building reserve to offset one-off cost of payroll system	(20)
Reduce contingency	(15)
Additional investment income (see para 4.15 – 4.17)	(429)
Additional government grant (see para 4.13 – 4.14)	(144)
Transfer to Regeneration reserve (see paras 4.14 and 4.17)	573
Final Budget Position – Balanced Budget	0

Council Tax Charge in 2024/25

- 4.6 The Council's Medium Term Financial Strategy aims to keep Council Tax at a comparatively low level, taking into account spending priorities and central government funding. This is set in the context of the government's core spending power calculations which include Council Tax and an expectation that Councils will apply Council Tax increases to sustain their existing spending power.
- 4.7 The current level of Council Tax at £158.91 is still very low when compared to district council tax levels across the country. The Council's ability to sustain this low level means that it is one of only 28 district councils where a £5 increase will be allowable and not trigger a referendum. In 2023/24 the average charge was 27th lowest out of 164 district councils in England and £43 (21%) lower than the average charge.
- 4.8 The Council has ambitious plans to regenerate both Andover and Romsey town centres. With interest rates rising rapidly over the past year, the cost of borrowing is more expensive, and there is a need for the Council to build capacity to ensure that the regeneration plans can be delivered in an affordable manner. The recommended increase in Council Tax levels will help to maintain income levels and support our delivery of those key infrastructure projects.
- 4.9 Looking towards the medium term, the Council faces a number of risks. The Local Government Finance Settlement is for one year only. There is the potential to lose accumulated growth from the business rates retention scheme in a national re-set, and the impact of inflation on expenditure remains a risk. Annex 5 shows a potential budget gap of some £2.1M for 2026/27 which takes each of these risks into account. Some reserves are held to partly mitigate this loss of income, but the Council must sustain its controllable income levels to be able to safeguard frontline services in the medium term.
- 4.10 Against this background, it is recommended that the Band D Council Tax charge is increased by £5.00 from £158.91 to £163.91 for the 2024/25 financial year. This is an increase of 3.14%, which is lower than the current CPI inflation level of 4.0%.
- 4.11 The Council approved its Council Tax Support scheme for 2023/24 at its meeting on 17th January 2024. This scheme helps to protect the most vulnerable households from the full effect of the Council Tax charge. The Council continues to offer up to 100% support for pensioner households and those in receipt of certain benefits. Up to 90% support is available for most working-age households.
- 4.12 Under delegated authority, the Head of Finance and Revenues sets the Council Tax base for the forthcoming financial year. The Council Tax Resolution is reported directly to Council for consideration with the budget proposals.

Local Government Finance Settlement

- 4.13 During the period of consultation on the provisional local government finance settlement, the Secretary of State announced that a further £600M would be added to the total distribution.
- 4.14 The final Local Government Finance Settlement figures were confirmed on 7 February. An additional £143,800 is to be received from the Funding Guarantee grant and the Services grant. As this funding is not guaranteed beyond the coming financial year, it is recommended to transfer this additional income to the Regeneration Reserve.

Investment Income

- 4.15 The Bank of England Monetary Policy Committee voted to hold the base rate at 5.25% on 1 February. Current forecasts are that rates will start to reduce in the 2nd half of 2024.
- 4.16 A detailed review of the council's forecast cashflow, taking into account changes to the capital programme for 2024/25, interest rate forecasts and interest to be received from existing investments, has yielded an additional £429,000 of investment income to include in the budget.
- 4.17 As set out in the MTFS, additional income from investments is recommended to be transferred to reserves to reduce the risk of over-reliance on this income stream. This additional income is recommended to be transferred to the Regeneration Reserve to support the regeneration plans for Andover and Romsey.

Project Enterprise

- 4.18 Project Enterprise was established in 2014 to increase the income generated by the Council from its investments and reduce its reliance on the Government's Revenue Support Grant.
- 4.19 Since 2014, the Council has invested in a number of properties that have sought to generate additional revenue income. This additional income has been generated by investing the cash reserves held by the Council in projects that will yield greater returns than the current cash investment portfolio.
- 4.20 The amount of investment in completed projects is currently £38.278M. Net rental income from these completed investments is forecast to be £2.985M in 2024/25. This represents an average return on investment of 7.8%.
- 4.21 In contrast, the Council's cash investment portfolio is forecast to generate an average return of 4.22% in 2024/25. Had the Council not purchased the additional properties and left the investment in cash reserves, this would be expected to generate £1.615M in 2024/25.
- 4.22 Income from Project Enterprise investments is therefore expected to be £1.370M greater than would have been achieved by retaining the balances in cash. This differential is smaller than in previous years due to the increases in interest rates in 2022/23 and 2023/24.

- 4.23 Some of the income generated from the completed investments is used to replenish the Capital Receipts Reserve over the lifetime of the investment. For 2024/25, £641,000 is included within the Transfer to Capital Balances line in Annex 1 for this purpose. The remainder of the income will be used to support Council services.

Business Rates Retention Scheme

- 4.24 The Head of Finance and Revenues has delegated authority (in consultation with the Finance and Resources Portfolio Holder) to approve the annual National Non Domestic Rates returns to Central Government. In so doing, this effectively sets the initial shares of income to be allocated to the main preceptors and the government from the Collection Fund.
- 4.25 The government introduced the Business Rates Retention Scheme in 2013. It is a complex scheme with baseline assessments, top ups and tariffs, levy payments and safety nets.
- 4.26 If this was not complicated enough, the government has introduced a further layer of complexity in awarding grants to offset the impact of policies aimed at protecting small businesses and the retail, hospitality and leisure sector. This can create apparent surpluses or deficits in both the Collection Fund and General Fund and volatility in yearly cashflows.
- 4.27 A national business rates revaluation took effect from 1st April 2023 which led to increases in the estimates for the income that the Council expected to receive for 2023/24. Assumptions were built in for transitional payment protection and levels of reliefs but there was a level of uncertainty around the figures and there was little expectation that it would be a continuing increase in income.
- 4.28 However, updated estimates for 2023/24 and initial forecasts for 2024/25 now show that these increased levels of income are expected to continue in 2024/25, and provisionally into 2025/26 which is expected to be the last year of the current ratings list. The final confirmation of these additional levels of income will take three financial years to feed through into the General Fund, with net income relating to 2024/25 being reconciled in the outturn workings in June 2025 and being built in budget forecasts for 2026/27.
- 4.29 It is recommended that this volatility in Collection Fund accounting for business rates is mitigated by transferring surpluses and deficits arising from these timing differences to an earmarked reserve, the Collection Fund Equalisation Reserve, until there is reasonable certainty that the income can be retained.
- 4.30 The Collection Fund Equalisation Reserve therefore serves two purposes:
- To mitigate against volatility in income during the lifecycle of the current rating list, to allow for successful appeals by ratepayers and / or timing differences in cashflows caused by, for example, new reliefs.

- To build capacity against a potential loss of all retained income when a re-set of the business rates accounting arrangements takes place. This will enable any losses to be tapered in over several years, reducing the need for major budgetary overhaul in one financial year.

4.31 It is estimated that income due to the Council in each of the next 3 years will be as per the following table:

	2024/25 £'000s	2025/26 £'000s	2026/27 £'000s
Business rates income	6,987	6,987	3,586
Section 31 grants	5,437	5,437	0
2022/23 surplus on collection fund	3,237	0	0
Provision for levy payable to government	(3,876)	(3,876)	0
Renewable energy rates 100% retained	984	984	984
Draw from Collection Fund Equalisation Reserve to mitigate against loss of growth	0	0	1,106
Total income from business rates retention scheme	12,769	9,532	5,676
Less income from business rates retention scheme included in January report	5,675	5,675	5,476
Increase in retained income from business rates retention scheme	7,094	3,857	200

- 4.32 The assumption built into the table above is that a full re-set of the business rates financing mechanism is implemented ahead of the 2026/27 financial year. This removes the Council's share of accumulated growth in rates income since 2013 (£4.401M) and instead assumes that the baseline income forecast of £2.586M plus £1.0M in transitional or damping support and local retention of rates from renewable energy schemes (£984,000) only are built into the ongoing base budget.
- 4.33 This income is built into the Medium Term Forecast. It is extremely vulnerable to both the level of appeals that may occur as a result of the 2023 revaluation exercise and the potential re-set of the Business Rates Retention Scheme which has been delayed until at least 2026/27.

Transfers to / from Reserves

- 4.34 The following table details the recommended transfers to or from reserves. Draws from reserves are expected to be for one-off or specific expenditure.

Reserve	Transfer to / (from) £'000s
Regeneration reserve (net of £1.473M to and £178,000 from)	1,295
New Homes Bonus reserve (net of £1.2M to and £166,000 from)	1,034
Leisure contract equalisation reserve	318
Environment Act reserve (net of £688,000 to and £228,000 from)	460
Chantry Centre planned maintenance reserve	192
Borough elections reserve	75
Housing reserves	(662)
Local Development Fund reserve (net of £500,000 to and £419,000 from)	81
Collection Fund equalisation reserve	7,094
Other earmarked reserves*	(38)
Total transfers to earmarked reserves	9,849
Transfer to Asset Management Plan reserve	2,000
Transfer to Capital Receipts reserve	3,643

* includes small draws from reserves including the capacity building reserve and budget carry forward reserve.

Robustness of Estimates and Adequacy of Revenue Reserves

- 4.35 Section 25 of the Local Government Act 2003 requires the Chief Financial Officer (Head of Finance and Revenues) to report on the robustness of the budget estimates and adequacy of reserves at the time the Council is deciding the level of Budget Requirement and Council Tax for the forthcoming year. This is shown in full detail in Annex 7.

Andover Special Expenses Levy

- 4.36 The background to the Andover Special Expenses Levy was detailed in the 2023/24 budget report to Cabinet on 22 February 2023. The calculation is reviewed on a triennial basis.

- 4.37 The last recalculation of the Andover Special Expenses Levy was undertaken as part of the budget setting for 2023/24 in February 2023 (see Annex 9 to the budget report, Cabinet 22 February 2023).
- 4.38 For 2024/25, it is recommended to be increased by £0.15 per Band D property from £19.70 to £19.85.
- 4.39 The overall income to be generated by the Levy in 2024/25 will be £343,604, which is a minimal reduction on the £343,667 in 2023/24.
- 4.40 The reason that the charge has gone up whilst the overall cost has stayed virtually the same is due to a decrease in the tax base in the special expenses levy area.

5 Medium Term Forecast and Beyond

- 5.1 Annex 5 sets out the Medium Term Forecast for the General Fund budget up to the 2026/27 financial year. The figures shown in Annex 5 are reconciled to the revenue summary shown in Annex 4.
- 5.2 In order to maintain a balanced budget, current forecasts indicate a deficit of £321,900 in 2025/26 increasing by £1.8M to a deficit of £2.122M in 2026/27. This is the level of cumulative savings needed to close the forecast budget gap and assumes a full reset of business rates takes place from April 2026 in which all accumulated growth is lost.
- 5.3 Work to identify options for Councillors to consider meeting these savings targets will begin in the summer. An initial forecast for 2025/26 based on a best, middle and worst case scenario will be presented to Cabinet in October 2024 as part of the update Medium Term Financial Strategy.
- 5.4 Many external factors will have an effect on this longer term view, e.g. uncertainty over interest rates, inflation, government policy on local government finance. Cabinet is encouraged to keep this longer term uncertainty in mind when recommending a sustainable level of Council Tax for 2024/25 to Council.

6 Corporate Objectives and Priorities

- 6.1 The Budget encompasses all elements of the Council's activities and therefore contributes to all the Council's Corporate Objectives and Priorities.

7 Consultations

- 7.1 Consultation on the Budget has been carried out with the Leader, Deputy Leader, individual Portfolio Holders, Overview and Scrutiny Committee, local business groups (as detailed in the report to Cabinet in January 2024) and Heads of Service.

8 Risk Management

- 8.1 A risk assessment was undertaken in accordance with the Council's Risk Management methodology as part of the preparation of the Medium Term Financial Strategy.

- 8.2 The risks identified in that report remain relevant. No additional risks have been identified in the preparation of this report.

9 Equality Issues

- 9.1 No equalities issues have been identified in the preparation of the report and no potential for unlawful discrimination or negative impact has been identified, therefore a full EQIA has not been carried out.

10 Conclusion and reasons for recommendation

- 10.1 This report is the culmination of a process that started in the summer of 2023. It shows the savings and additional income that have been identified to enable the Council to propose a balanced budget for 2024/25.
- 10.2 If approved, the recommendations of this report will be considered by Council on 29 February 2024.

Background Papers (Local Government Act 1972 Section 100D)

[Final local government finance settlement 2024/25](#)

Confidentiality

It is considered that this report does not contain exempt information within the meaning of Schedule 12A of the Local Government Act 1972, as amended, and can be made public.

No of Annexes:	7	File Ref:	N/A
----------------	---	-----------	-----

(Portfolio: Finance and Resources) Councillor M Flood

Officer:	Jenni Carter	Ext:	8236
----------	--------------	------	------

Report to:	Cabinet	Date:	28 February 2024
------------	---------	-------	------------------