Cabinet

23 January 2024

2024/25 Budget and 2024-29 Medium Term Financial Strategy – Updated Information

Recommendations

That Cabinet:

1) note the latest resource and spending information, the advice and the impact on the emerging budget proposals presented in this report;

2) note the Executive Director for Resources' risk assessment on the level of general reserves, as detailed in Appendix A; and

3) publish, in light of the information provided, their 2024/25 budget resolutions for recommendation to Council on 8 February 2024.

1. Introduction and Background

1.1. The Cabinet meeting on 14 December 2023 considered a report outlining all the information underpinning the development of the 2024/25 budget and 2024-29 Medium Term Financial Strategy (MTFS) alongside options from Corporate Board as to what should/could be funded and/or reduced to enable a balanced budget for 2024/25 to be agreed.

1.2. The proposals focussed on ensuring the Authority remains robust, ambitious and resilient in setting the MTFS, given the economic uncertainties that will continue to exist. As at December this meant that the budget for 2024/25 was balanced with a 2.99% council tax increase plus a 2% adult social care levy in 2024/25 but that sustainability over the period of the MTFS required a material programme of budget reductions.

1.3. The budget for 2024/25 is a refresh of the five-year rolling MTFS approved in February 2023, with an additional year added, that will continue to align the resources of the Authority to the objectives and ambitions set out in the Council Plan. The use of a rolling MTFS ensures plans for the use of resources are responsive to changes in the context within which the Authority is operating, something that has been critical during 2023/24 as we continue to be dominated by rapidly rising demand and unit costs for statutory services as households and communities struggle with the lingering impacts of the Pandemic, high inflation and interest rates, and the rising cost of living.

1.4. The key assumptions underpinning the options presented to Cabinet on 14 December 2023, were:

- a 2.99% increase in the basic level of council tax in 2024/25 and 1.99% for the remaining four years of the MTFS;
- a 2% adult social care levy in 2024/25;
- a 4% provision for pay inflation and 2% for price inflation in 2024/25 with both assuming a 2% annual uplift over the medium term plus a provision for contractual commitments above this level, collectively estimated to cost £31.869m in 2024/25 and £89.899m over the period of the MTFS;
- on-going allocations of £27.652m and time-limited allocations of £5.503m in 2024/25 to meet the growing demand and cost pressures, with indicative further allocations in future years bringing the investment over the period of the MTFS to £93.606m and £10.114m respectively;
- setting aside £18.000m in 2024/25 to provide financial cover for the gap between the Dedicated Schools Grant (DSG) funding for pupils with Special Educational Needs and Disabilities (SEND) and the estimated level of spend, but making no provision to set aside further resources beyond 2024/25 and instead taking advantage of the statutory override from April 2025 onwards and committing to implementing the options available to make good the accumulated deficit when the statutory override is lifted; in the absence of clarity from Government about future arrangements to make good the cumulative deficit, which is a major national issue, beyond the statutory override in March 2026, this represents the key risk to the MTFS;
- budget balancing options of £69.414m that will help ensure the Council remains financially sustainable and resilient over the medium term; and
- a reserves strategy that balances retaining sufficient resources to manage financial risk whilst identifying £29.257m of reserves that could be made available to support the MTFS, through controlling the amount of the Council's scarce resources held in reserves.

1.5. These proposals were based on the best information available at the time. In a number of areas final information was either unknown or has changed over the intervening period. These areas are:

- the provisional Local Government Finance Settlement and other Government funding announcements;
- the impact in 2024/25 of the revised 2023/24 forecast outturn that has emerged as part of the quarterly budget monitoring and is reported elsewhere on today's agenda;
- the level of business rates expected to be generated locally in 2024/25;
- the council tax taxbase for 2024/25;
- the surplus/deficit on council tax collection from previous years;
- the sustainability of schools and the proposals for use of the Dedicated Schools Grant (DSG) in 2024/25; and
- the latest reserves forecasts and the impact of the Strategic Director for Resources' reserves risk assessment.

1.6. The December Cabinet report also set out how the Office of Budget Responsibility's forecasts, published alongside the Autumn Statement 2023, included an assumption that on average Council Tax will increase nationally by an average of 4.3% a year over the MTFS period. These forecasts suggested that further Council Tax flexibility beyond 2024/25, either core or through the extension of the adult social care levy, was likely. However, further clarity was not included as part of the Local Government Finance Policy Statement and due to the timing of setting the 2024/25 budget within the national electoral cycle we are unlikely to get further certainty before February. If this does happen it will provide Members with more flexibility in their medium-term Council Tax strategy and greater choice between levels of Council Tax and future budget reductions.

1.7. This report updates members on the latest information for each of these areas. It sets out a framework for a risk-based approach to incorporating the potential Council Tax flexibility that will mean the MTFS remains both balanced and sustainable but does not increase the Council's financial risk to beyond what is prudent. In doing so the report provides Cabinet with the opportunity to issue their 2024/25 revenue and capital budget resolutions.

2. Impact of the Local Government Finance Settlement

2.1. The provisional Local Government Finance Settlement was announced on 18 December 2023, with all Members provided with a briefing the following day. There were three elements of the announcement that had an impact on the financial position reported to Members earlier in December: New Homes Bonus; the reduction in the Services Grant; and the business rates uplift compensation grant.

2.2. Much of the detail in the Settlement confirmed things already built into the resource figures included in the December Cabinet report. The recent trend has continued, with the Local Government Finance Settlement remaining a one-year settlement. This means the authority is not benefitting from the additional financial certainty a multi-year settlement would have provided but it does provide Government with the ability to respond positively to pressures that emerge before the next Settlement.

2.3. The provisional Local Government Finance Settlement gave the Authority £1.232m more in government grants in 2024/25 than the level included in the December Cabinet report, comprised as follows:

- £0.414m additional New Homes Bonus;
- £2.082m less Services Grant compared to the £2.490m estimated in the December Cabinet report due to the top-slice of funding nationally to fund increases to other settlement grants such as resourcing the 3% minimum funding guarantee for all authorities and equalisation of the adult social care precept; and
- £2.900m estimated additional Section 31 grant to compensate authorities for business rates income not increasing in line with inflation.

2.4. However, both the New Homes Bonus and Services Grant are due to be withdrawn by the end of the MTFS period, and therefore the **net overall increase in funding available to support the MTFS by 2027/28 is £0.410m**.

2.5. The Settlement confirmed announcements in the Autumn Statement that the fair funding review and consideration of any business rates reset would be delayed until after the next General Election. The review, when implemented, may result in the level of our government funding increasing or decreasing compared to 2024/25 levels for the remainder of the MTFS. The delay suggests the earliest any change is likely to be introduced is now 2026/27.

2.6. Any gains from the fair funding review, when known, would be available to support the MTFS in the relevant year. Any losses would mean there may be a need to identify additional savings in future years.

Social Care Grants

2.7. The Authority will receive £48.021m of social care grants in 2024/25 that form part of the Local Government Finance Settlement. Each comes with a different distribution methodology and more/less stringent grant conditions. Table 1 shows the breakdown of these grants, the amount to be received in 2024/25 and the high-level conditions for the use of the grant. There will be a need to reflect the Government's expectations around the use of this funding in the Council's performance management framework.

Table 1: Social Care Grants in the 2024/25 Local Government Finance Settlement

Grant	Amount £m	Conditions of Use
Discharge Grant	3.537	Ring-fenced to adult social care and to be used to get people out of hospital into care settings, freeing up NHS beds. Allocation of funding to be agreed with Health.
Market Sustainability and Improvement Fund	9.276	Ring-fenced to adult social care to address issues such as discharge delays, social care waiting times, low fee rates and workforce pressures. Reporting requirements will cover performance and use of the funding to support improvements against the objectives.
Social Care Grant	35.208	Amalgamation of the repurposed social care reform funding and the existing Social Care Grant and Independent Living Fund Grant. Use of the funding is ring-fenced to adults' and children's social care.
Total Social Care Grants	**48.021**	

2.8. If agreed, the spending allocations included in the proposals in the December Cabinet report are sufficient, even after netting off the savings options, to comply with the grant conditions for the amount of additional funding going into social care.

3. Local Taxation

Council Tax

3.1. In the December Cabinet report the recommendations were based on an increase in the taxbase of 1.65% in 2024/25. The districts/boroughs have now confirmed their council tax base for 2024/25 and these are showing a year-on-year increase of 1.65%. In terms of actual numbers of households it is 6.5 Band D equivalent properties lower than estimated in the December Cabinet report and will generate a reduction in on-going resource of £0.011m. The breakdown of the 2024/25 taxbase across the districts/boroughs is shown in Table 2.

Table 2: A Comparison of the 2023/24 and 2024/25 Council Tax Taxbase

	2023/24 Taxbase Band D Properties	2024/25 Taxbase Band D Properties	Variation Band D Properties	Variation %
North Warwickshire	21,786.83	21,869.06	+82.23	+0.38%
Nuneaton and Bedworth	39,224.90	40,085.80	+860.90	+2.19%
Rugby	40,434.65	40,975.91	+541.26	+1.34%
Stratford-on-Avon	60,188.21	61,704.13	+1,515.92	+2.51%
Warwick	57,669.62	58,280.77	+611.15	+1.06%
Total	**219,304.21**	**222,915.67**	**+3,611.46**	**+1.65%**

3.2. However, as has been raised in previous reports on the MTFS, the level of uncertainty over the future taxbase remains high. Of particular concern is the potential impact on future taxbase growth from any downturn in the housing market as a result of continued high rates of increase in construction costs, lower levels of affordability due to higher interest rates and wider inflation/cost of living impacts. The MTFS assumes the taxbase beyond 2024/25 will recover to nearer the historic trend of about a 2% annual increase. There is a risk that if growth in the housing market does not recover this will reduce the resources available to support the 2025/26 MTFS refresh. For example, a third year of a 1.65% increase in the taxbase would equate to a reduction of income of up to £1m compared to current estimates.

Business Rates

3.3. The partial localisation of business rates is still volatile with annual changes to the schemes of discounts and allowances continuing to make it difficult to make any realistic assumption about the likely level of income. This continues to be exacerbated by the range of grants and reliefs provided to businesses to support growth in the business rates taxbase and to protect them from having to meet annual increases in line with the prevailing inflation rate.

3.4. We do know that for small businesses the business rates multiplier (the provision for inflationary uplift) has been frozen again for 2024/25 but for larger businesses subject to the standard rate multiplier business rates will rise in line with inflation (6.7%). Local authorities will be compensated for the loss of income from freezing the small business rate multiplier through an additional grant. The Council's individual compensation rate for 2024/25 is 4.8% and is based on 72% of Warwickshire businesses paying the standard rate.

3.5. In the December Cabinet report the options were based on local authorities receiving compensation for a 2% uplift, as it was not known how the composite rate would be calculated at individual authority level. The actual uplift, at 4.8%, is higher than this. This is the reason for the £2.900m estimated additional Section 31 grant shown in paragraph 2.3. However, this figure is still an estimate. The final level of this grant is currently unknown as it will depend, in part, on the taxbase returns submitted by billing authorities at the end of January 2023.

3.6. The statutory deadline for the districts/boroughs providing details of our share of expected business rates in 2024/25 is 31 January 2023. Given the level of uncertainty within which they are operating no figures have been received to date. It is therefore recommended that the current estimates, as included in the December 2023 Cabinet report plus the additional £2.900m Section 31 grant, are used for budget setting. Any variation will then be managed through the use of, or a contribution to, the provision set aside in reserves for this purpose. Any material variation will be reported to Cabinet in April as part of the Service Estimates report and will form the starting point for the 2025/26 MTFS refresh.

Surplus/Deficit on Collection

3.7. As part of setting the council tax we also have to take into account any surplus/deficit on collection of council tax from previous years. The breakdown of the surplus/deficit across the districts is shown in Table 3 and shows a deficit to be funded in 2024/25 of £0.360m.

Table 3: 2024/25 Collection Fund Surplus/Deficit	
	Deficit/ (Surplus) from 2023/24 £m
North Warwickshire	0.079
Nuneaton and Bedworth	0.330
Rugby	(0.185)
Stratford-on-Avon	(0.636)
Warwick	0.772
Total	**0.360**

3.8. The deficit will increase the use of reserves to fund the 2024/25 budget.

4. Council Tax Flexibility

4.1. The Cabinet report setting out the background information to the 2024/25 budget and the options available to Members was considered on 14

December 2023. It set out a range of options that would provide for a balanced budget in 2024/25 and a balanced MTFS. This was only achieved by:

- a 4.99% council tax increase in 2024/25 (2.99% core council tax and 2% adult social care levy);
- the delivery of £64m savings over the next five years including taking savings Members have used the available headroom to take out in the past; and
- using all bar £1m of the Available for Use Reserve to fund 2023/24 overspend, DSG deficit and other time-limited allocations.

4.2. The Office of Budget Responsibility's forecast, published alongside the Autumn Statement 2023, is for the 2.99% core council tax uplift plus a 2% adult social care levy for each year of the MTFS period. The Government's position is that any referendum limits beyond 2024/25 will be a matter for the new Government after the General Election which will take place no later than January 2025. It is therefore a risk-based choice for any local authority to use some/all of the potential headroom from a higher council tax increase in 2025/26 and beyond.

4.3. In light of this Corporate Board have considered to what extent Members could choose to use some of the potential (but unconfirmed) future council tax flexibility and still approve a budget and MTFS that is both balanced and sustainable but does not increase financial risk to beyond what is prudent.

4.4. The result is the following framework for Members to take into account if they want to use some of the additional flexibility:

i.) The 2024/25 budget must be balanced using 2024/25 resources and cannot rely on uncertain future increases in council tax. Based on the figures in the December Cabinet report, this means increasing the council tax by at least 4.92% in 2024/25.

ii.) A maximum council tax increase over the period 2025/26 to 2028/29 of 3% a year would mean the Executive Director for Resources would be content to sign off a budget resolution as balanced and sustainable.

iii.) For each 0.5% increase in the council tax above 2%, £0.750m must be used to increase the provision for future pressures as part of a risk mitigation approach.

iv.) If the council tax flexibility in future years does not emerge Members must acknowledge they will need to identify where they are prepared to see additional budget reductions.

4.5. Table 4 shows the financial impact of taking up to 1% additional council tax each year. In planning their budgets and MTFS Members should note the additional resources can only be used in the year identified or in a later year. They cannot be used in an earlier year because, as reported in the December Cabinet report and unlike previous years, there is insufficient funding remaining in the Available for Use Reserve to manage any timing differences between when additional spend is incurred and when the resources to fund that spend are available.

Table 4: Additional resources available from using future council tax flexibility					
	2025/26 £m	**2026/27 £m**	**2027/28 £m**	**2028/29 £m**	**Total £m**
4.99% council tax in 2024/25, 2.5% thereafter					
• Additional Council Tax income	1.983	2.146	2.316	2.515	8.960
• Less additional provision for future indicative pressures	(0.750)	(0.750)	(0.750)	(0.750)	(3.000)
• Net additional resources to support the MTFS	1.233	1.396	1.566	1.765	5.960
4.99% council tax in 2024/25, 3.0% thereafter					
• Additional Council Tax income	3.946	4.291	4.674	5.077	17.988
• Less additional provision for future indicative pressures	(1.500)	(1.500)	(1.500)	(1.500)	(6.000)
• Net additional resources to support the MTFS	2.446	2.791	3.174	3.577	11.988

5. Reserves

5.1. The primary purpose for holding reserves is to manage financial risk and promote financial sustainability whilst recognising that there is a need to control the amount of scarce resources held in reserves to ensure we are using taxpayers’ money to deliver services to residents and communities.

5.2. The Authority continues to have a robust reserves position, with reserves in the latest monitoring report to Cabinet forecast to be £192.698m at the end of 2023/24. As part of the MTFS agreed in February 2023 Council reconfirmed its reserves strategy with the objective of ensuring we are using all our resources effectively, providing increased transparency and accountability around reserves and ensuring the framework is in place to align decision-making around the use of reserves with the Council Plan.

5.3. Some minor amendments to how the Authority provides for the financial risk of services overspending – moving from directorate-level to a single corporate provision – were included in the updated strategy reported to Cabinet in December 2023. There are no further proposals to change the Reserves Strategy for 2024/25 other than to update the strategy that will be considered by Council in February to reflect the reserves position forecast as at the end of Quarter 3.

5.4. When looking at short-term funding to support the 2024/25 budget we need to consider the known calls on reserves. The 2023/24 Quarter 3 forecast outturn position, reported elsewhere on today’s agenda, is an overspend of £18.765m. £11.484m of this overspend relates to earmarked/ring-fenced funding that cannot be used to support the budget more widely. The balance (an overspend of £7.281m) has been taken into account when determining the

£25.569m reserves that could be released to support the 2024/25 budget, in line with the report to Cabinet in December 2023.

5.5. The 2023/24 Quarter 3 forecast position of a £7.281m overspend is an increase of £2.425m compared to the Quarter 2 position reported to Cabinet in November 2023. This level of change reflects volatility and uncertainty around forecasts of spend in the current economic climate. At this stage, the only additional reserves, beyond the £25.569m, available to fund the MTFS are the £20.551m Investment and Invest-to-Save Funds. It is recommended that any use of these funds to bridge timing differences between spending allocations and the delivery of savings in the 2023/24 budget and the MTFS is carefully considered, to ensure funds remain available to invest to support the delivery of the Council’s priorities and further efficiencies over the medium term, particularly to invest in mitigating the areas of particular pressure (SEND, Home to School transport, and children’s and adults’ social care).

5.6. Legislation requires that the Chief Finance Officer makes an annual statement on the adequacy of general reserves and provisions. The risk assessment relates to the short-term financial risks that could impact on the authority in 2024/25 to deliver core services and drive forward the ambitions set out in the Council Plan. The Executive Director for Resources has now completed the risk assessment for 2024/25. The risk assessment confirms that the minimum level of general reserves it is prudent to retain is £26.0m. A summary of the risk assessment is attached at **Appendix A**.

5.7. The minimum level of general reserves of £26.0m is unchanged the position assessed at this time last year. However, there have been changes to the specific reasons for the provision:

- increases in demand have continued to increase above expected levels in 2023/24 and, whilst significant additional allocations will be included as part of the spending allocations for 2024/25, there is an increased risk this trend will continue for both core funded services and the SEND/high needs DSG deficit;
- this increased risk is offset by a reduction in the risk of inflation in excess of the level provided for in the budget, reflecting the national trends;
- a new risk is included to cover the potential financial consequences of a successful cyber-attack and any subsequent fines and compensation for the loss of personal data;
- cost-of-living pressures will continue to impact communities, households and organisations across Warwickshire, in some cases, such as with the ending of the Household Support Grant, there is a risk this will increase demand and pressure on income levels for the Authority; in other areas, such as the ability to repay loans or the risk of organisation failure, the risk will reduce as the economy both locally and nationally stabilises and begins to grow; and
- the cost of major emergencies, such as flooding, that will incur immediate costs for the Authority before Government support is available is increasing.

5.8. The approved budget will be expected to reflect the minimum £26.0m General Reserves provision required as a result of the Executive Director for Resources risk assessment. In his capacity as Chief Financial Officer (S151 Officer), his statement on whether the budget is balanced and sustainable will include reference to whether the required General Reserves provision is maintained.

6. Changes to Proposed Allocations

6.1. There are two changes to the proposed allocations, a time-limited allocation for 2024/25 is no longer required but a new permanent pressure from 2025/26 onwards has been identified.

6.2. In 2024/25 the £0.081m time-limited allocation for Admissions in Education Services is no longer required as a result of the changes to structures and roles being introduced. This will reduce the call on the Available for Use Reserve in 2024/25 by £0.081m.

6.3. A £0.400m shortfall has been identified in the resources required to deliver the service offer from our children and family centres. One-off resources have been identified in 2024/25 to meet the cost, but this funding is not available from 2025/26 onwards and should Members agree to maintain current levels of service provision and reject the possible saving on children and families centres a permanent allocation will be needed. A review of the service, aligned to when the current contracts come to an end, is underway and this will provide reassurance, as part of the 2025/26 MTFS refresh, that the estimate of the additional resource required is correct.

7. Dedicated Schools Grant

7.1. At the same time as the Local Government Finance Settlement was announced the Department for Education also announced a Dedicated Schools Grant of £622.224m for 2024/25 to provide funding for services to schools and pupils. A report seeking approval for the allocation of the Dedicated Schools Grant can be found elsewhere on today’s agenda.

7.2. The Council’s policy is to expect the cost of funding schools and relevant pupil-related services to be contained within the level of the Dedicated Schools Grant. However, meeting this policy aspiration in relation to high needs services and support is both not possible and unaffordable even over the medium term in the absence of further additional Government funding or fundamental system change; given the national rapid growth in demand for services at a rate well in excess of funding levels, and the wider lack of capacity in the system. Any decisions to manage the deficit position on high needs will need to be included as part of the budget resolution to be agreed by Council in February 2024. This represents a fundamental risk to the MTFS.

8. Capital Strategy and Programme

8.1. Each year Council is required to approve a capital strategy as part of its budget proposals. Much of the content is specified, however the strategy is an important document in setting out the Council's ambition to ensure capital and revenue spending on the asset portfolio is directed efficiently and effectively.

8.2. As a suite of documents, the capital strategy sets out:

- Our strategic intent – the aspiration and direction for our capital investment, defining the outcomes we are seeking to achieve through investment (why) (**Appendix B**);
- The draft programme – the activity programmes and projects funded from our capital investment (what) (**Appendix C**); and
- The governance framework – the way we will manage capital spend and the capital programme (how) (**Appendix D**). It is this technical appendix that ensures we meet with statutory guidance. It also sets out how we will optimise delivery by strengthening of performance, adopting commercial principles and practice and robust benefits realisation.

8.3. The documents reflect the ambitions and priorities of the Council Plan strategic priorities and the Areas of Focus. They have been updated to reflect CIPFA policy requirements, the management of risk, Quarter 3 monitoring and the Warwickshire Recovery and Investment Fund and the Warwickshire Property and Development Group 2024 business plans.

8.4. The three documents will need to be included, subject to any changes proposed by Members, as part of the capital resolution to Council in February.

8.5. The refreshed capital strategy and capital technical annex (Appendices B and D) include one recommended change of approach to the way capital funding is allocated and a further change of approach as to how the capital programme is financed to bring to Members' attention.

8.6. The lack of capacity in the revenue budget to resource the additional revenue costs of taking out additional borrowing, combined with government and developer contributions being insufficient to meet need to the same extent as in the previous years, has resulted in a need to restructure how the capital programme is determined. It is proposed that moving forward there is a hierarchy of schemes structured around the level of choice for the Authority in the decision being made. Proposed capital investment schemes will in future fall into one of three categories:

- **Category A – 'Must Do', highest priority** – those schemes where the Authority has minimal choice about whether to invest, with the focus being on ensuring value for money in how the scheme is delivered. The main areas of capital investment in this category are expected to be the sufficiency of school places and investment required to ensure the continued delivery of existing services.
- **Category B – 'Should Do', secondary priority** – invest-to save schemes that deliver savings in the Authority's revenue budget and/or generate

additional income to support the revenue budget. The main areas of investment in this category are expected to be expanded resource provision in schools to reduce the deficit on the DSG High Needs block, the expansion of our own children's homes to reduce the reliance on the independent sector and estate rationalisation.

- **Category C – 'Optional', third priority** – investment to deliver on the Council's wider ambitions and support the delivery of the Council Plan.

8.7. The second material change to the documents is to include the option to use temporary borrowing to forward fund developer contributions for the provision of school places, but only where the developer agreements are in place, the funding is yet to be received and there is no other source of funding available. This change increases the financial risk being faced by the Authority in a number of ways:

- Revenue funding to meet the temporary borrowing costs will need to be set aside until the developer contributions are received. This cost will be met by setting aside the additional interest earned on our cash investments whilst interest rates remain above the long-term trend. Without this change of approach the additional income earned would have been available to support the MTFS, so reducing our financial flexibility.
- If the receipt of the developer contributions is delayed for longer than planned provision will need to be made in future MTFS refreshes to meet the extended costs of temporary borrowing.
- If the developments do not proceed to the extent approved and the developer contribution is lost permanently then on-going provision for the additional borrowing costs will need to be identified. This will either be through reducing the unallocated Capital Investment Fund by an equivalent amount or providing for the borrowing costs as an additional unavoidable revenue pressure.

8.8. The alternative to using temporary borrowing would be to reduce the Capital Investment Fund on a temporary basis until the developer contributions are received. This approach would reduce the need to provide for additional borrowing costs, as set out in paragraph 8.7, but would result in the timing of other elements of the capital programme being dependent as to when developer contributions are received. Given the potential wider financial impact of deferring the provision of the investment needed to deliver the invest-to-save benefits this approach is not recommended at the current time.

9. Outstanding Issues for 2024/25

9.1. Section 3 of the report highlighted where information is still outstanding on the final level of resources that will be available to the authority in 2023/24. Where this information is available before 23 January 2024 it will be included in a revised report and/or the 2024/25 budget resolutions. Where any information is not known when the papers for Council in February are published, any variation to the estimated figures will be managed through reserves for 2024/25 and picked up as part of the preparation for the 2025/26 refresh of the

MTFS. Any areas of concern will be specifically reported to Members as part of the Service Estimates report to Cabinet in April 2024.

10. 2024/25 Budget Resolutions

10.1. In putting forward their proposals, Members are reminded that local authorities are required by law to set a balanced budget. An intention to set a deficit budget is not permitted. However, what is meant by ‘balanced’ is not defined in law. A prudent definition of a sustainable balanced budget is a financial plan based on sound assumptions which shows how income will equal expenditure over the short- and medium-term, acting in a way that considers both current and future local taxpayers.

10.2. If the budget is unbalanced then the Executive Director for Resources (as Chief Finance Officer), in consultation with Corporate Board, would have to consider issuing a Section 114 notice. Such a notice is only given in the gravest of circumstances, as during that time the ability to incur new spending that is not an existing contractual or salary commitment is suspended, the External Auditors would investigate and publicly report on the circumstances and the Department for Levelling Up, Housing and Communities (DLUHC) may take over the running of the Authority.

10.3. Because Members decide on the council tax before the year begins and cannot increase it during the year, there is a need to consider risks and uncertainties that might force them to spend more on their services than they planned. Allowance is made for these risks by making prudent allowance in the estimates for services and ensuring that there are adequate reserves to draw on if the service estimates turn out to be insufficient.

10.4. To avoid setting an unbalanced budget the Local Authority has to be financially resilient. Setting a clear MTFS helps clarify expected income and expenditure. Awareness of the funding available in the forthcoming years means the Council stands a better chance of balancing the budget. Reserves are a useful option for balancing the budget in the short-term. However, reserves should not be used to pay for day-to-day expenditure, and it is important that they are replenished, in accordance with the reserves strategy, when the short-term need has passed. Therefore, the MTFS needs to be fully balanced on an ongoing basis, with no ongoing spending funded from one-off resources, meaning the next MTFS does not start from a deficit position.

10.5. It is important that the Authority complies with its obligations under the Equalities Act 2010 - the public sector equality duty (PSED) - to promote equality and to reduce discrimination in relation to any of the nine ‘protected characteristics’ (age; disability; gender reassignment; pregnancy and maternity; marriage and civil partnership; race; religion or belief; sex; and sexual orientation). The Council must have ‘due regard’ to the PSED when taking any decisions on service changes whilst recognising that local authorities have a legal duty to set a balanced budget. Similarly, if proposals are likely to have adverse impacts on customers, public consultation should be undertaken before any final decisions are made and consideration given to the outcomes of those consultations. This may mean that some proposals are not implemented, and alternative solutions may need to be sought. Legal challenges to local authority budget setting processes have tended to turn on whether the authority has complied with these duties. Where required Equality Impact Assessments have been prepared and made available to Members.

10.6. Using the information contained in this report, Cabinet is asked to approve their 2024/25 budget resolutions for recommendation to Council on 8 February 2024. Cabinet is also asked to authorise the Executive Director for Resources to update the budget resolutions to Council to reflect the final resource information.

11. Financial Implications

11.1. There are no direct financial implications for the Authority arising from this report. The report is part of a series of reports that will culminate in Council agreeing the 2024/25 budget and council tax at their meeting on 8 February 2024.

12. Environmental Implications

12.1. There are no immediate environmental implications for the Authority from this report. There will be environmental implications that flow from the individual allocations and proposals agreed as part of the Council's approved budget and these should be considered by Members as part of reaching their decisions.

13. Background Papers

13.1. None.

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Elected Members have not been consulted in the preparation of this report.