

BABERGH DISTRICT COUNCIL

COMMITTEE: Council	REPORT NUMBER: XXXX
FROM: Councillor John Ward, Cabinet Member for Finance	DATE OF MEETING: 20 February 2024
OFFICERS: Karen Watling, Interim Corporate Manager: Finance (Deputy S151 Officer) Sean Coulter, Senior Finance Business Partner	KEY DECISION REF NO. Item No.

GENERAL FUND BUDGET 2024/25 AND FOUR-YEAR OUTLOOK

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present the General Fund Budget for 2024/25 and four-year outlook.
- 1.2 To enable Council to consider key aspects of the 2024/25 Budgets, including Council Tax proposals, in order to approve the budget recommendations.

2. OPTIONS CONSIDERED

- 2.1 Setting a balanced budget is a statutory requirement: options for balancing the budget are proposed within this report.

3. RECOMMENDATIONS

3.1 That Council approves:

- a) The General Fund Budget proposals comprising:
 - the 2024/25 revenue budget estimates as set out in Table 1 including the savings proposed in Table 3.
 - The options proposed for funding the 2023/24 budget and to establish new reserves as set out in Appendix A.
 - The 2024/25 to 2027/28 capital programme and it's funding as set out in Appendix B.
 - The movement in, and creation of, reserves as set out in Table 7.
- b) A 2.99% increase in the Band D Council Tax for 2024/25 from £182.64 to £188.10, an increase of £5.46.
- c) The new income bands and contribution rates for the 2024/25 100% Local Council Tax Reduction (Working Age) Scheme as set out in Table 5.
- d) The 2024/25 Council Tax resolution set out in Appendix C.

3.2 That Council notes:

- e) The Medium-Term forecast set out in Table 9.
- f) The section 25 report on the robustness of estimates and adequacy of reserves in Appendix D.

REASON FOR DECISION

To bring together all the relevant information to enable Council to review, consider and approve the Council's General Fund budget for 2024/25.

4. KEY INFORMATION

Background

- 4.1 In February 2023 Babergh District Council approved the General Fund Budget 2023/24 and Four-Year Outlook. The budget setting approach for 2023/24 took place against a background of several years of Covid funding helping the Council balance the budget with Government support assisting costs and covering income losses.
- 4.2 Managers have traditionally used a worst-case scenario when putting their budget proposals together. Amalgamating these assumptions across the whole organisation has, in recent years, resulted in underspends. The unintended consequence is that resources are committed during the budget process that could be used for other priorities or alternatively savings must be made that are not actually needed.
- 4.3 For 2023/24 stretching, but realistic, assumptions were used when putting budget proposals together across both expenditure and income. However, global events, rising inflation, rising interest rates, and reduced demand for Planning services leading to reduced income have created an unprecedented financial challenge for the Council resulting in a likely overspend position in 2023/24 as detailed in 4.6 below.

National Economic Position

- 4.4 The OBR (Office for Budget Responsibility) set out its latest national economic forecast in November 2023. The main points are as follows:
 - The economy has proved to be more resilient to the shocks of the pandemic and energy crisis than anticipated. By the middle of this year, the level of real GDP stood nearly 2% above its pre-pandemic level. But the OBR now expects the economy to now grow more slowly at 0.6% this year and 0.7% next year. They forecast that growth then picks up to 1.4% in 2025 and an average of 1.9% 2026 and 2028.
 - While inflation (as measured by the Consumer Price Index) has more than halved from its 40-year peak of 11% at the end of last year it is expected to be more persistent than previously thought, falling below 5% by the end of this year but not returning to the Bank of England's 2% target until the first half of 2025.

- Consequently, there are continuing increased cost pressures for both the council and our core stakeholders such as the district's residents, local businesses, and the council's service users. In budgetary terms these pressures are being realised directly through increased unit costs for items such as energy, fuel and utilities, alongside inflation linked contractual cost increases and also the need to agree a fair and affordable pay offer for staff.
- Markets now expect that interest rates have peaked but will need to remain higher for longer to bring inflation under control. The Bank of England's Monetary Policy Committee (MPC) at its meeting on 31 January 2024, voted by a majority of 6 to maintain the Bank Base Rate at 5.25%. The high interest rates have meant that our financing costs, particularly in obtaining short term loans, have increased significantly.
- In terms of the national public finances: higher and more domestically fuelled inflation – and in particular the interplay between higher nominal earnings and frozen tax thresholds – has raised nominal tax receipts and has reduced the underlying borrowing forecast by around £60 billion by 2027/28. But higher inflation and earnings have also pushed up the cost of inflation-linked welfare benefits and the triple-locked state pension by around £20 billion. And higher inflation and interest rates have added £15 billion to the cost of serving the government's debts. But because the Chancellor left departmental and other spending largely unchanged in his Autumn Statement the overall forecast net position is a £27 billion net fiscal windfall in 2027/28.
- The Chancellor announced that he would spend this windfall on cuts in National Insurance Contributions, permanent up-front tax write-offs for business investment, and a package of welfare reforms, which together provide a modest boost to output of 0.3% in 5 years.
- No major changes to departmental spending plans were announced in the Autumn Statement despite significantly higher inflation. Departmental expenditure limits (or DELs) account for around 40% of public spending and are allocated out between departments in periodic Spending Reviews. The current Spending Review period comes to an end in 2024/25, and the next review is not scheduled until 2025.
- Government will announce a Spring Budget on 6th March 2024, and there may also be an Autumn fiscal event, depending on the date chosen for the General Election. However, given the forecast state of the public finances it is not likely that significant increases in funding will be given to local government over the medium term even if there is a change in national government.

2023/24 Budget and Forecast Outturn

- 4.5 On 24 February 2023, the Council set a balanced budget for 2023/24. The budget comprised of £22.8m gross expenditure and £10.2m income, to give a £12.6m cost excluding housing benefits payments and income. The net cost of services budget, which includes housing benefits payments and income was £12.5m, which is primarily funded from council tax, business rates and government grants. Chart 1 below shows how the £22.8m gross expenditure is allocated across the services and Chart 2 below shows the breakdown of the £10.2m service income.

Chart 1: Expenditure by Service Area (excl. housing benefits) 2023/24 (£22.8m)

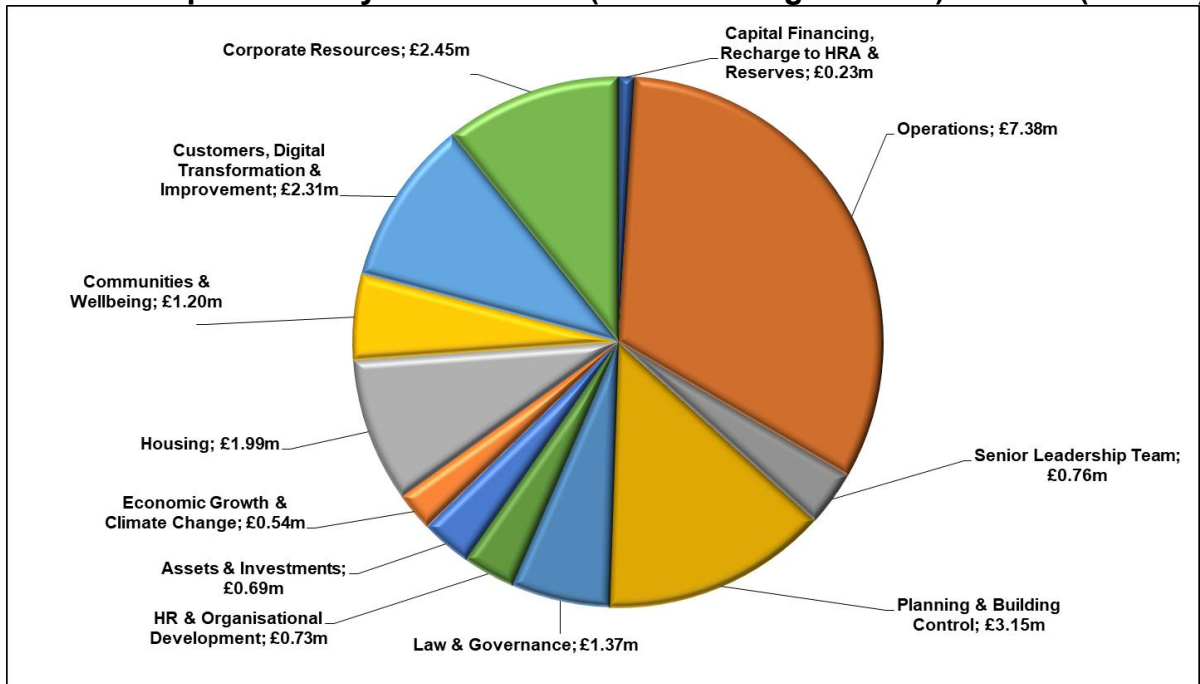
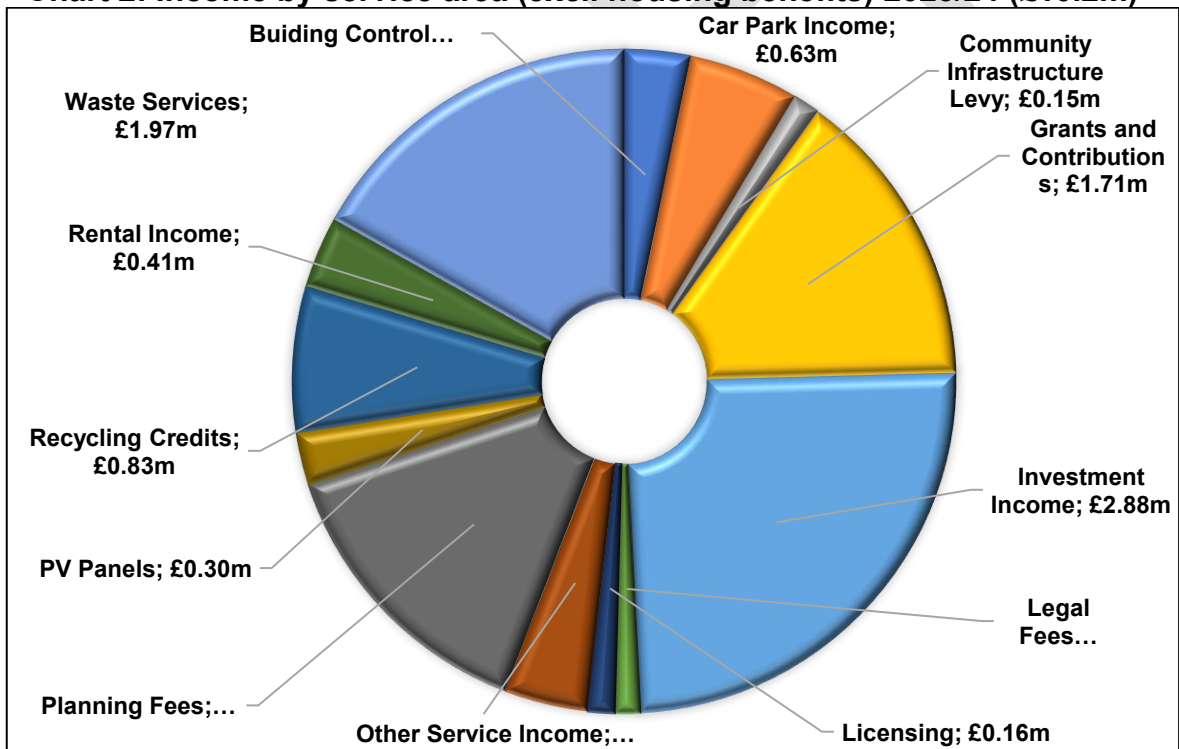


Chart 2: Income by service area (excl. housing benefits) 2023/24 (£10.2m)



- 4.6 The second quarter 2023/24 budget monitoring report was presented to Cabinet on 4 December 2023 showing a forecast overspend of £922k against a budgeted surplus of £22k.
- 4.7 The largest single variance is planning income which is £420k below budget, However, statutory increases to planning fees will take effect in year reducing the deficit.
- 4.8 The third quarter position will be presented to Cabinet on 5 March 2024. The latest but not yet final forecast position is a budget deficit of £716k for 2023/24.

5. 2024/25 PROPOSED BUDGET

- 5.1 The approach to the budget setting for 2024/25 has been to take the 2023/24 forecast outturn position as a starting point as the most up to date position of the Council's financial requirements going forward. A number of budget items have also been forecast for the new financial year from a zero-base, including the employees' budget, grant income from central government, financing costs, interest income, and Business Rates/ Council Tax income. Advice on key and complex estimates has also been sought from expert external advisers.
- 5.2 The Finance Team have worked closely with budget managers and the Senior Leadership Team to update the Council's budget requirements for 2024/25, taking into account known pressures and identifying efficiencies, savings and income opportunities to help balance the budget position. Proposals for balancing the budget and to strengthen the short-term financial resilience of the council are set out later in section 6 of this report.
- 5.3 The summary in Table 1 below shows the breakdown of the Council's net cost of service for 2024/25 (£14.1m) compared to 2023/24 (£12.5m), an increase of £1.6m (12.8%). For clarity, the £12.6m in paragraph 4.5 excludes Housing Benefits which are included in the council's Net Cost of Service but are not included in the Income & Expenditure.
- 5.4 The Council's 2024/25 gross expenditure is £24.7m and service income is £10.5m. giving a net cost of service of £14.1m. Funding equates to £14.2m leaving a forecast surplus of £0.1m (£64k) for 2024/25.

Table 1: General Fund Budget Summary 2023/24 and 2024/25

5.5 The charts below show the breakdown of gross expenditure and service income excluding Housing Benefits payments and compensating subsidy income. Chart 3 below shows how the £24.7m gross service expenditure is allocated across the services, and Chart 4 shows the breakdown by expenditure type. Chart 5 shows the breakdown of total service income of £10.5m.

Service Area		Budget 2023/24	Budget 2024/25	Movement 2023/24 to 2024/25
		£'000	£'000	£'000
Service Expenditure	Employees	11,613	12,369	756
	Premises	1,197	1,192	(5)
	Supplies & Services	4,800	5,293	493
	Transport	353	418	65
	Contracts	4,612	4,828	217
Grants & Income	Grants and Contributions	(1,461)	(1,507)	(46)
	Sales, Fees & Charges	(4,075)	(3,837)	238
	Savings from Savings Programme	-	(540)	(540)
Housing Benefits	Rental & Other Income (incl. PV panels)	(1,848)	(1,937)	(89)
	HB Transfer Payments	11,769	12,401	632
	HB Grants and Contributions	(11,885)	(12,398)	(513)
Net expenditure on services as above		15,074	16,283	1,209
Recharges	Charge to HRA/Capital	(1,937)	(1,843)	94
Capital Financing Costs	Interest Payable - CIFCO	208	198	(10)
	Interest Payable - Other	1,271	1,651	380
	Minimum Revenue Provision (MRP)	1,708	1,665	(43)
Investment Income	Pooled Funds Net Income	(569)	(569)	-
	Interest Receivable - CIFCO	(2,187)	(2,172)	14
Reserves	Interest Receivable - Babergh Growth Ltd	(15)	-	15
	Transfers to / (from) Reserves	(1,025)	(1,100)	(74)
Total Net Cost of Services		12,528	14,113	1,585
Government Grants	New Homes Bonus	(825)	(910)	(85)
	Revenue Support Grant (RSG)	(130)	(119)	11
	Services Grant	(86)	(14)	73
	Rural Services Delivery Grant	(266)	(308)	(42)
	Funding Guarantee	(68)	(156)	(88)
Business Rates	Baseline Business Rates	(705)	(716)	(12)
	Business Rates Pool share of Growth Benefit	(457)	(364)	93
	Business Rates Pool - Removal of Top Slicing		(300)	(300)
	S31 Business Rates Grant	(3,283)	(3,647)	(364)
	Business Rates - Renewable Energy	-	(95)	(95)
Council Tax	Enterprise Zone income	(319)	(276)	43
	B/R Prior Year Deficit/(Surplus)	25	(584)	(609)
	Council Tax	(6,416)	(6,741)	(325)
	Council Tax Prior Year Deficit/(Surplus)	(21)	(15)	6
Total Funding		(12,551)	(14,245)	(1,695)
Net Position Before Reserves		(22)	(132)	(110)

Chart 3: Gross Expenditure by Service Area (excl. housing benefits) 2024/25 (£24.7m)

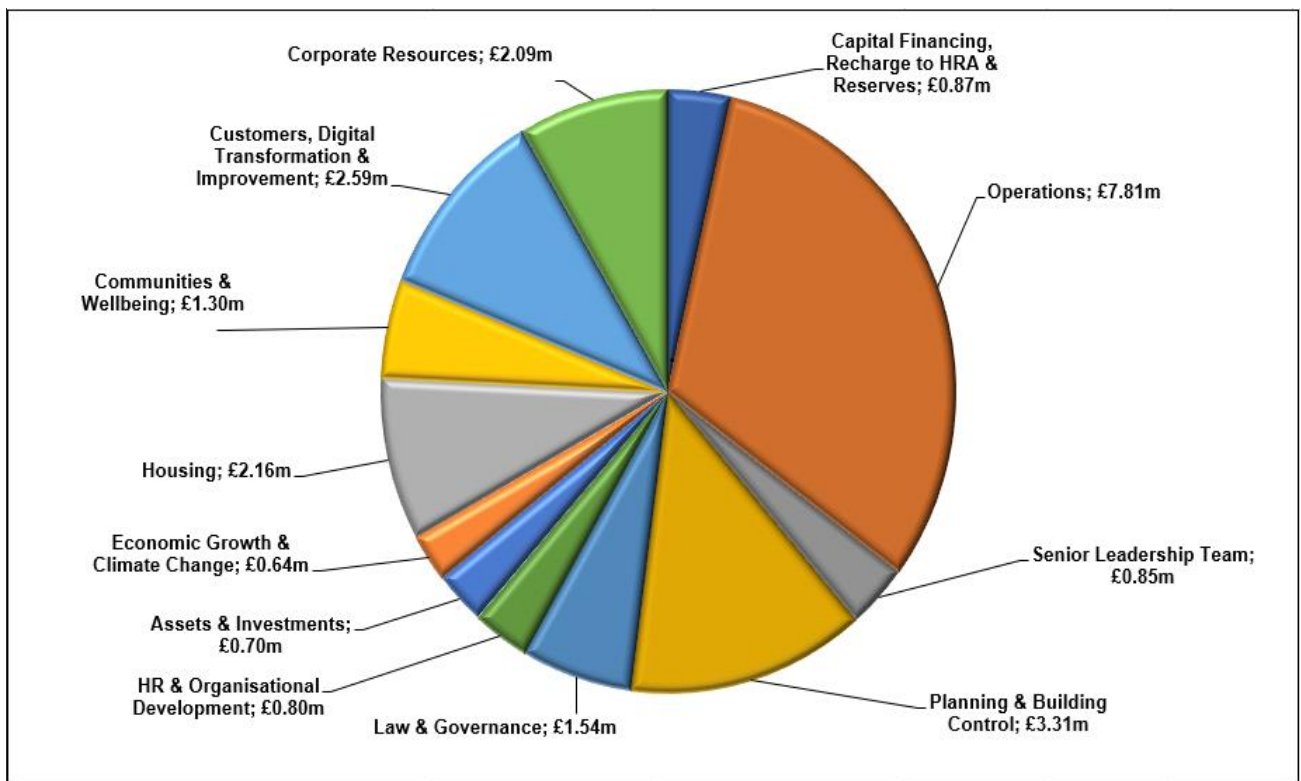


Chart 4: Expenditure by Type (excl. housing benefits) 2024/25 (£24.7m)

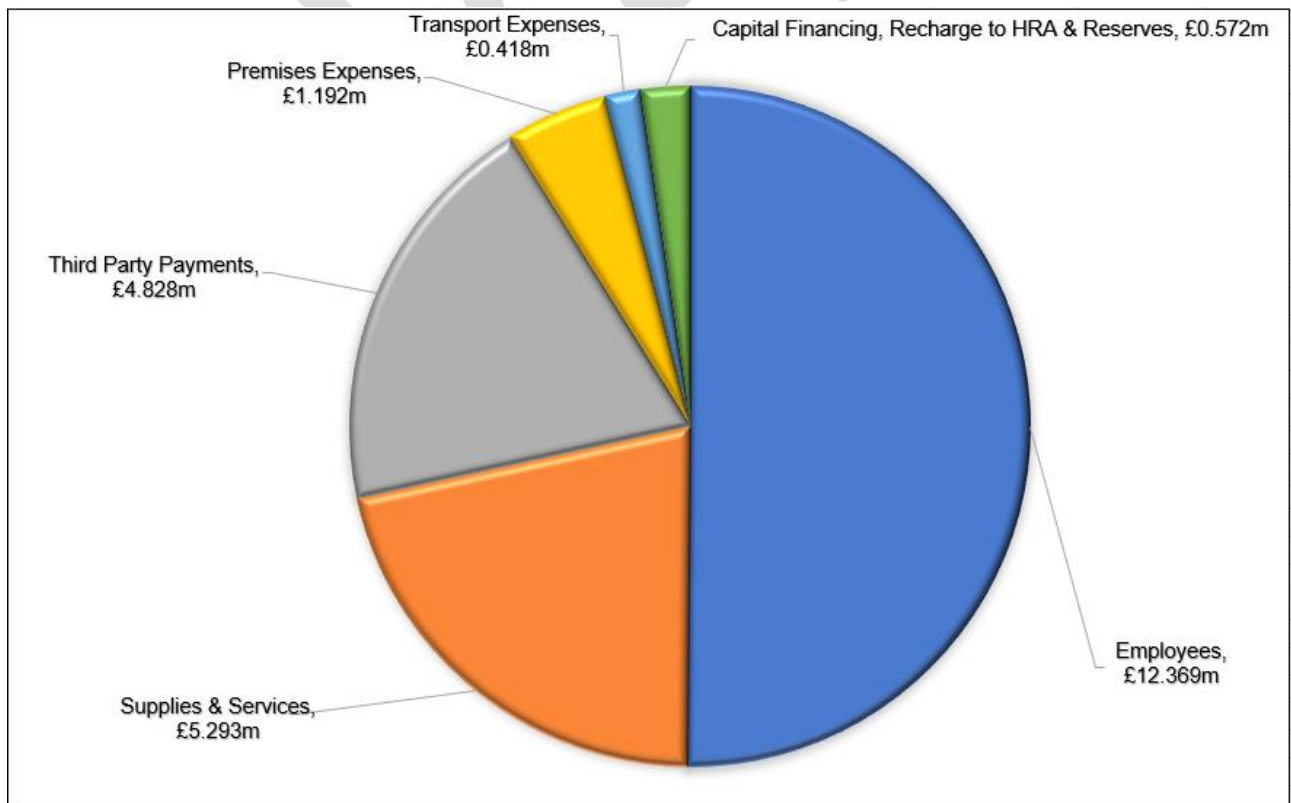
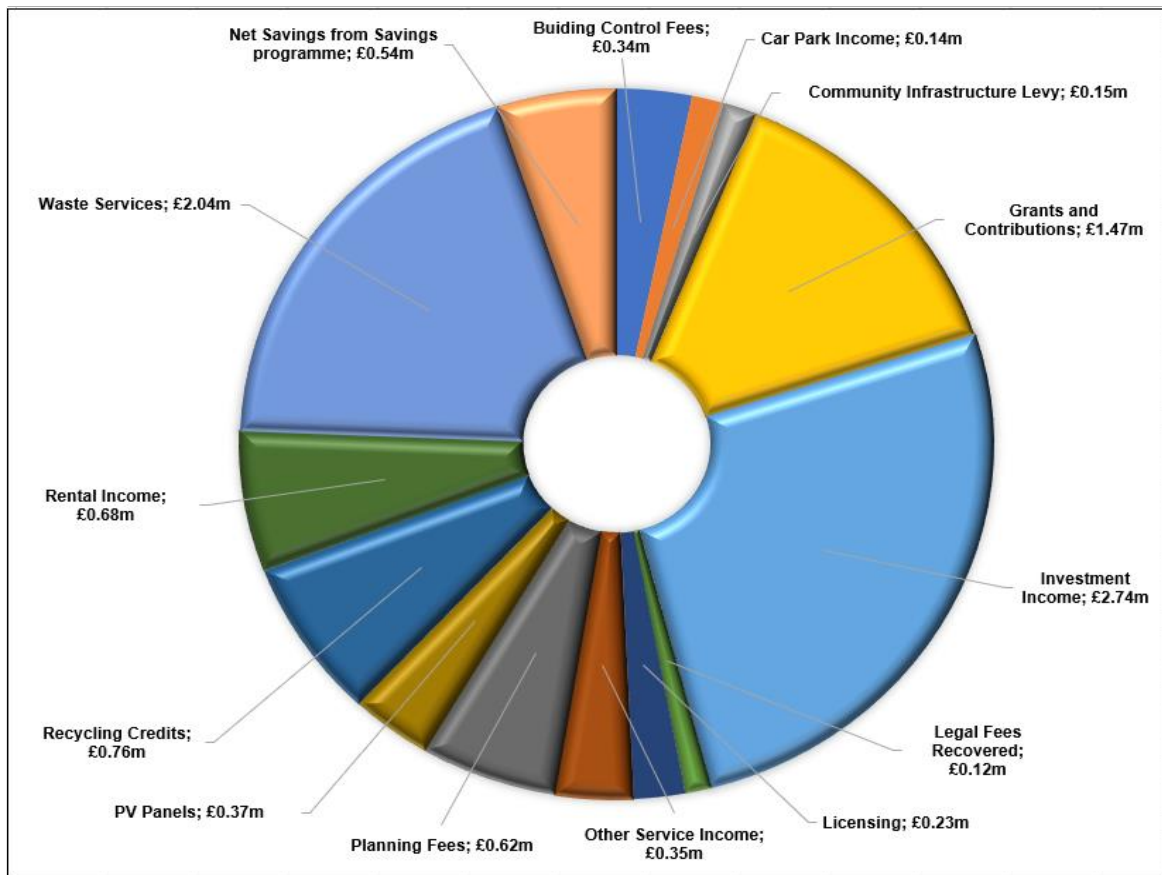


Chart 5: Total Income (excl. housing benefits) 2024/25 (£10.5m)



- 5.6 Table 2 below shows the key changes proposed from the approved budget for 2023/24 (£22k surplus) to the proposed budget for 2024/25 (£64k surplus) in terms of additional budget costs and additional income and/or savings. The overall change is an beneficial £42k.
- 5.7 This bottom-line position has changed significantly since that reported at Overview and Scrutiny in January 2024 (report reference BOS/23/05). The explanations for the key changes from Overview and Scrutiny to the main February Cabinet budget report (report reference BCa/23/39) are found in paragraph 5.31 for the increase in the Business Rates forecast and paragraph 5.16 for the increase in interest income budget from CIFCO Ltd. The further changes from the Cabinet main budget report to these proposals in this Council report are shown in Table 6.

Table 2: General Fund Overall budget changes from 2023/24 to 2024/25

	£'000	£'000
Budget Surplus 23/24		(22)
Salary Costs Increases	756	
Overall net Interest Payable	380	
Reduction in Planning Fees	358	
Investment in Savings Programme	300	
Overall net increase in interest costs	119	
Serco Contract uplift	94	
Charges to HRA/Capital	94	
Decrease in Transfers from Reserves in Housing Services	91	
Increase in IT Contract Costs	78	
Equipment & Vehicle Hire in Public Realm	76	
External Audit Fees	62	
Reduction in Neighbourhood Plan Income	60	
Interim Staff cover in Commissioning & Procurement	49	
Increases in Member Allowances & responsibilities.	48	
Fixed Term roles in Planning no longer funded	42	
Reduction in Building Control Fees	41	
Additional transfer to reserves for Neighbourhood Plans	39	
Climate Change posts added to core budget	39	
Reduction in Land Charges Income	35	
Increase in Shared Revenues Partnership Contract	34	
Health & Safety posts moved to core budget	33	
HR & organisational Development Costs	31	
Increased Fuel Costs	31	
Fixed Term roles in Economic Development to be funded from BRRP	29	
Gas, Electricity & Water	27	
Increase in Transport Costs in Housing Solutions	26	
Rent & Rates on land adjacent to old HQ Building	22	
Other Pressures	251	
Total Pressures from above:		3,246
Savings forecast from Savings Programme	(540)	
Transfers From Reserves	(300)	
Increase in Fees and Charges for Garden Waste, Bulky Items & Bins for	(134)	
Use of Commuted Maintenance Reserve	(95)	
Revenue improvements from the Car Parking Strategy	(70)	
Increase in Homelessness & Rough Sleeping Grants	(68)	
Dog & Litter Bins, Licencing & Footpaths	(60)	
Drawdown on Waste Reserve to offset contract increases	(56)	
Discount realised on Car Parks Non-Domestic Rates	(51)	
Reduction in MRP reflecting Slippage in Capital Programme	(43)	
Funding for usage of Guaranteed Rents Scheme	(34)	
Roles in Communities to be mitigated by external funding	(33)	
EVCP Income	(32)	
Increase in Housing Benefits	(32)	
Other Savings	(135)	
Total Savings as above:		(1,682)
Funding Changes		(1,696)
2024/25 Forecast Surplus		(132)

2024/25 Key Budget Assumptions and proposals

- 5.8 Constructing a budget that runs to 13 months beyond when it was approved means that several assumptions have to be made about the conditions that are likely to exist over an extended period. Assumptions made when constructing the budget for 2024/25 were reviewed and assessed by the Overview and Scrutiny Committee in November 2023 (report reference BOS/23/01), and in January 2024 (report reference BOS/23/05). The key assumptions are summarised below.
- 5.9 **Employees' Budget:** The council's pay structure is primarily based on national negotiating body pay spines and nationally negotiated settlements. An award for 2023/24 (£1,925 per pay point) was agreed in November 2023, being a rise of up to 9.42% for the lowest paid through to 3.88% for those on the highest bands. For 2024/25 a 4% Pay Award increase has been assumed. It should be noted every 1% increase in the pay-award creates a permanent and additional budget pressure of approximately £119k. Given that pay costs form a significant proportion of the council's budget and the uncertainty over future pay awards, this is a key budget risk. As in previous years we have assumed that, due to retirements, resignations, creation of new posts and turnover, a 5% vacancy management factor will be achieved (which equates to a £630k saving).
- 5.10 **Inflation on supplies & services and contractual costs:** Many of the council's contracts have inflationary increases incorporated within them and therefore the significant increases in CPI and RPI measures have created a clear pressure on the budget position. Inflationary increases have been applied across the council's main contracts. The major increases due to inflation are in insurance (6%), the refuse contract (5%), the Shared Legal Service contract (4%) and Shared Revenues Partnership (3%) contract.
- 5.11 **Financing Costs:** These comprise of interest charges and MRP (Minimum Revenue Provision) costs and arise when the council borrows money for funding capital expenditure, for refinancing existing external loans at the end of their term, and for financing short term cash needed to keep the council liquid.
- 5.12 The Finance Team has done a preliminary review of the existing model for estimating the financing costs. The team recommends that the model can be enhanced to give more accurate estimates by incorporating additional detailed cash flow forecasts into the model. These improvements will however take some time to undertake and cannot be done in time for setting the 2024/25 budget, and therefore this work will progress in-year.
- 5.13 However, the preliminary review has established that whilst the HRA (Housing Revenue Account) has been charged its share of interest costs arising from the estimated short-term borrowing needed to keep the council liquid, the General Fund estimates currently do not contain the corresponding credit amount. Therefore, interest costs in the General Fund 2024/25 budget have decreased by £633,400.
- 5.14 **Fees and Charges Income:** These have been reviewed by budget holders as part of this budget setting process and were agreed by Cabinet in January 2024 (report reference BCa/23/32). The impact of the charges agreed have been built into the budget for 2024/25. Possible changes to car parking fees were not included in the

January Cabinet report nor are they in these budget figures. A report on this matter will go to Cabinet in March 2024.

- 5.15 **Savings Programme:** Total savings of £540k have been included in the budget proposals as shown in Table 3 below. These will be monitored, and progress reported to Cabinet in the quarterly budget monitoring reports.

Table 3: 2024/25 Savings Programme

	£000
Staff reductions through deleting vacant posts – budgeted reduction of 5 FTE (either removed or reprofiled to MSDC)	285
Review of internal ad hoc specialist support and whether it could be outsourced and / or whether external support would be cheaper in-house. Also maximising use of capitalisation of staffing costs	30
4% target reduction of contract spend or at least absorbing inflation costs	200
Revised approach to residents' survey	15
Miscellaneous - reduce conference, awards, Suffolk Show & 'Navigating our future' and colour printing costs	10
TOTAL	540

- 5.16 **Investment Income:** More detailed information on this income will be found in the annual Treasury Management, Investment, and Capital Strategy report that will be presented to Council on 20 February 2024 which will also give information regarding the council's subsidiary companies. The key points to highlight in this report are as follows.

a) **Interest income from CIFCO Ltd:** A reduction of £232k in the interest income budget received by the council from its lending to CIFCO Ltd was shown in the January 2024 Overview & Scrutiny Committee report. This reduction has been reversed in the figures included in this report following the completion of budget forecasting work by CIFCO Ltd and their advisers. CIFCO Ltd are now in a position to pay rather than defer the interest from 2024/25 onwards.

b) **Accounting for Loan Impairments:**

- Where local authorities finance capital expenditure from borrowing, including any borrowing undertaken to finance capital loans to third parties, they must set aside an amount of money each year to ensure that the loan amount can be repaid in the future. This amount of money is called the Minimum Revenue Provision (MRP). In practice, the application is more complex, but the 2003 Local Authority (Capital Finance & Accounting) regulations were introduced with the aim of ensuring that councils do not borrow more than they can afford. This is because MRP is a cost that must be met from a council's revenue budget which has to be balanced each year. Therefore, in deciding whether any new capital expenditure is to be funded by borrowing a council must consider whether it can afford the cost of the associated MRP (and interest charged on the borrowing) from its revenue budget.
- In recent years, central government has been concerned that many councils employ practices which result, in its view, in the underpayment of MRP. They are therefore currently consulting on changes to the regulations governing

MRP. Given that this is the third consultation undertaken over the last couple of years on this issue – it is highly likely that their final proposals will be introduced in April 2024.

- The changes likely to be introduced include regulations relating to the treatment of a loan impairment, more properly called an Expected Credit Loss (ECL). The word “expected” in this term comes from probability theory: it is the arithmetic mean of the possible values a random variable can take, weighted by the probability of those outcomes. It doesn’t mean that the expected value will definitely happen.
- Councils already account for expected or actual losses of loans not being repaid in their annual Statement of Accounts. If these are not capital loans that have been funded by council borrowing, then under existing rules these are “reversed out” of the accounts so that they do not impact on the revenue budget.
- If the loan is a capital loan funded by the council undertaking borrowing, then under the existing regulations councils are required to make an MRP charge of at least equal to the expected credit loss or actual loss and charge this to the revenue budget over the estimated useful life of the asset starting in the year after the asset/s become operable.
- Under the government’s revised proposals any expected credit loss or actual loss arising from a loan lent to a third party must be charged to the revenue budget in the year the loss is recognised, with no option to spread the cost over future years. The amount charged however only needs to be equal to any increase from the previous year’s calculated loss and not the total cumulative loss. If the calculated ECL has decreased from the previous year, then the credit can be applied to the Capital Funding Requirement (the amount of indebtedness the council holds) to reduce future MRP payments to the revenue budget.
- The proposed changes from government in accounting for ECLs have implications for the council in terms of the lending it has undertaken to CIFCO Ltd and Babergh Growth Ltd. Arlingclose has undertaken ECL calculations and advise that, given current assumptions regarding the agreed deferment of interest income owing to the council in 2022/23 and 2023/24 from CIFCO Ltd, and the forecast loss from developing housing at the former council offices at Hadleigh by Babergh Growth Ltd, a sum of £538k and £400k respectively needs to be set aside to fund the ECLs if the proposed regulations come into effect in 2024/25.
- They further advise that the council could minimise its risks if it sets aside these amounts in the current, i.e. 2023/24, financial year with the objective of making a voluntary overpayment of MRP at year-end as part of the annual Statement of Accounts preparation. It may be known then whether government has introduced the regulatory changes and whether there are any transitional arrangements to dampen the impact of the changes. In order to do this the council will be asked to change its MRP Policy Statement for both this financial year and for next. This Statement is part of the annual Treasury Management,

Investment and Capital Strategy report which is a separate report on this Council's meeting agenda.

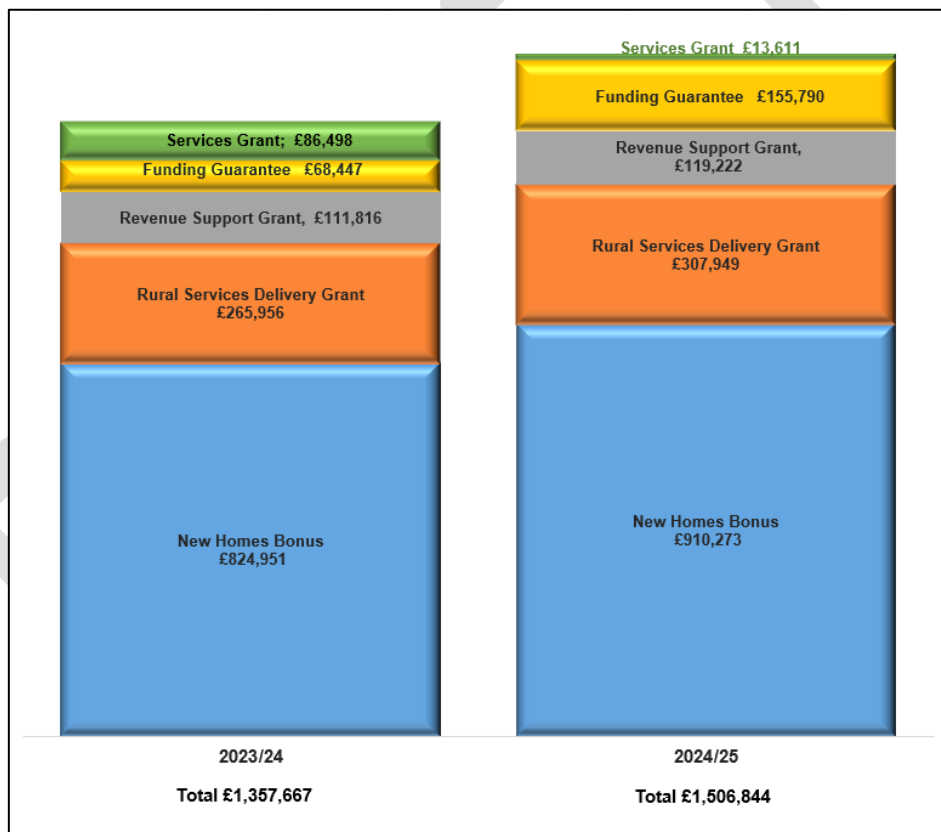
Local Government Funding

5.17 The provisional local government finance settlement for 2024/25 was announced on 18 December 2023. The key headlines for District Councils are as follows:

- For the sixth time, the settlement is for one-year only.
- The small business rates multiplier will be frozen at 49.9p. The standard business multiplier will rise by CPI to 54.6p. The Government will compensate local authorities for the loss of income for this decision up to the level of the September 2023 Consumer Prices Index (CPI), meaning that, taken together, the increase in the Baseline Funding Level (BFL) and the multiplier under-indexation grant for 2024/25 provide an increase of 6.7%.
- For District Councils' council tax can be increased by the higher of 2.99% or £5
- The current approach to the New Homes Bonus (NHB) is being applied to 2024/25 with a further one-year allocation for housing growth between October 2022 and October 2023. There will be no legacy payments as was the case in 2023/24.
- Revenue Support Grant (RSG) to be increased by CPI (6.7%).
- Rural Services Delivery Grant was announced as being maintained at the same level as 2023/24 in the provisional settlement (however see paragraph 5.19 below).
- The Services Grant will decrease from its 2023/24 level of £483.3 million to £76.9 million for 2024/25. This will be distributed through the Settlement Funding Assessment, in the same way as in 2023/24
- The Government has announced that as in 2023/24 it will pay a Funding Guarantee to ensure that all councils will see at least a 3% increase in their Core Spending Power before any decisions about organisational efficiencies, use of reserves or council tax levels. This has now been increased (see paragraph 5.19 below)
- All current enhanced business rates retention areas. e.g., Suffolk Business Rates Pool will continue for 2024/25.
- The Government has asked authorities to continue to consider how they can use their reserves to maintain services over this and the next financial year, recognising that not all reserves can be reallocated, and that the ability to meet spending pressures from reserves will vary between authorities.
- The Government also states that it is their view that now is not the time for fundamental reform of the local government finance system, for instance implementing the Review of Relative Needs and Resources or a reset of accumulated business rates growth.

- 5.18 On 24 January 2024 the Department of Levelling Up, Housing and Communities (DLUHC) announced that Councils across England will receive a £600m support package, in addition to funding outlined at the provisional settlement, to help them deliver key services.
- 5.19 The majority of the money (£500m) will go into the Social Care Grant. All councils will see an increase in Core Spending Power of at least 4% through the Funding Guarantee - an increase from the 3% announced at the provisional settlement. An additional £15m Rural Services Delivery Grant will also be given.
- 5.20 The final financial settlement was received on 5 February 2024. This confirmed the increases announced by DLUHC on 24 January for the Funding Guarantee Grant and the Rural Services Delivery Grant. The total increase for this council from the provisional settlement is £103k.
- 5.21 The Council's overall 2024/25 final grant allocations have increased by £149.2k (11%) compared to 2023/24

Chart 6: Government final grant allocations 2023/24 and 2024/25



New Homes Bonus (NHB)

- 5.22 Since NHB was introduced in 2011/12 the Council will have received £13.6m in total. The Council continues to be reliant on NHB to support the budget but was in the past able to use some to supplement the Strategic Priorities reserve. For 2024/25 Babergh will be using the entire £910k allocation of NHB to balance the budget.
- 5.23 As shown in Table 4 below, the use of NHB to balance the budget has increased from 34% in 2022/23 to 100% in 2023/24 and 2024/25.

Table 4: New Homes Bonus used from 2016/17 to 2024/25

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
Amount of NHB received	1,779	1,212	866	683	1,055	835	802	825	910
NHB used to balance the budget	1,559	1,197	866	683	343	692	275	825	910
% of NHB allocation to balance budget	88%	99%	100%	100%	33%	83%	34%	100%	100%

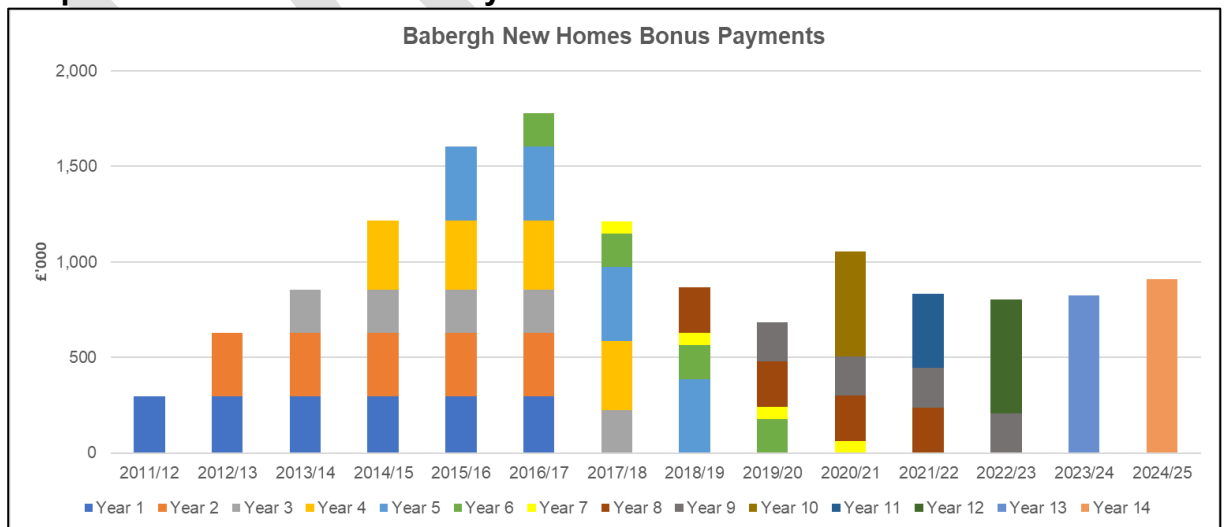
5.24 Table 5 and Graph 1 below shows the NHB over the last fourteen years. This shows how NHB has declined from a peak of £1.8m in 2016/17 to £910k in 2024/25, as a consequence of the Government announcing that it would reduce the allocation from 6 years to 5 years in 2017/18 and to 4 years in 2018/19 and it continuing to phase out legacy payments, as well as it introducing a 0.4% growth baseline in 2017/18.

5.25 For 2024/25 the 0.4% growth baseline for Babergh means that the first 163 new homes built will receive no payment.

Table 5: New Homes Bonus sums per year

Payments	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Year 1	295	295	295	295	295	295								
Year 2		334	334	334	334	334								
Year 3			226	226	226	226	226							
Year 4				360	360	360	360							
Year 5					387	387	387	387						
Year 6						177	177	177	177					
Year 7							63	63	63	63				
Year 8								239	239	239	239			
Year 9									205	205	205	205		
Year 10										548				
Year 11											391			
Year 12												597		
Year 13													825	
Year 14														910
Total	295	630	856	1,215	1,602	1,779	1,212	866	683	1,055	835	802	825	910

Graph 1: New Homes Bonus Payments



Council Tax

- 5.26 The taxbase for 2024/25 has increased from 35,437.40 to 35,834.64 or 1.12%. Whilst there has been growth of dwellings built and occupied from October 2022 to October 2023, the taxbase growth is impacted by discounts and reductions for things like the single person discount and the council tax reduction scheme. This growth in taxbase generates £72k for 2024/25 based on a band D equivalent.
- 5.27 Given the significant budget gap forecast next year the maximum amount of permissible increase in council tax of 2.99% without a referendum is recommended for 2024/25. The decision to raise council tax influences not just the 2024/25 budget but future years.
- 5.28 The 2.99% increase will take the band D equivalent from £182.64 to £188.10 per annum, an increase of £5.46 or 10p per week. This will generate an additional £195k for 2024/25.
- 5.29 A surplus of £15k is currently projected for the Collection Fund in 2023/24, which is £6k less than the previous year. The way that the Collection Fund operates means that this will be recognised in the Council's budget in 2024/25 but will be funded from the business rate reserve.

Local Council Tax Reduction Scheme

- 5.30 The Council introduced an ongoing 100% Local Council Tax Reduction Scheme last year. It is proposed to update the Income Bands by the Consumer Price Index (6.7%) as for other welfare benefits to ensure the scheme continues to support the most vulnerable households. The contribution rates will be increased by indicative council tax increases to control the cost of the LCTR Scheme. This ensures that the scheme remains affordable and sustainable. The proposed criteria for 2024/25 are summarised in the table below.

Table 5: 2024/25 Proposed Income Bands

Income Bands (Monthly)	monthly contribution	Income Bands (Weekly up to)	Weekly contribution
Not in work or less than £309	£0	Not in work or less than £71.30	£0
£309 - £649.99	£41	£150.00	£9.46
£650 - £1236.99	£87	£285.46	£20.08
£1237 to £1967.99	£128	£454.15	£29.54
£1968 - £2527.99	£195	£583.38	£45.00
£2528 - £2999.99	£254	£692.30	£58.62
Over £3000	No entitlement to LCTR	over £692.31	No entitlement to LCTR

Business Rates

5.31 The headlines for Business Rates are as follows:

- An increase of just £1.098m in total from the 2023/24 budget.
- The finalisation of the government return (NNDR1) that is required to be submitted by 31 January 2024, has resulted in changes to the business rates estimates from those reported at the January 2024 Overview and Scrutiny Committee. The external advisers, Wilks, Head and Eve, have recently updated their advice regarding the level of appeals and the impact of these on the forecast income levels. They advise that at the end of March 2023 agents put through speculative appeals nationwide against the 2017 valuation list, as this list was closing due to the 2023 revaluation. The national process is that if the Valuation Office Agency (VOA) rejects these claims then agents have a 4 month period to appeal against the rejection. Wilks, Head and Eve did not anticipate the level of the March appeals that would come through and the VOA did not reject a lot of these appeals until July 2023 – which is when the 4-month period for agents to appeal against the VOA rejections started. Now that the 4-month period for most of the March claims have ended they have been removed from the appeals listing – which means that the provision for the impact of successful appeals can be reduced, and the forecast income levels increases. With updated KPI's from Government, and the updated figures on the Collection Fund balance, the overall Business Rates total income has increased by an additional £680k from that reported in the Overview and Scrutiny Committee.
- The benefit from being part of the Suffolk business rates pool will decrease by £93k. In addition, it has been agreed that the top slice awarded annually to Suffolk Public Sector Leaders Group (SPSLG) to fund county wide projects would instead be retained by each council in the pool to help fund each council's budget. Babergh will benefit from an additional £300k from this in 2024/25.
- The Collection Fund forecast balance at the end of March 2023 is a surplus position of £584k, which is £609k more than the previous year. This will be an impact on the budget in 2024/25 due to the way the collection fund operates.

6. PROPOSALS FOR BALANCING THE BUDGET AND CREATING RESERVES

- 6.1 Appendix A sets out the proposals to balance the 2023/24 budget and to create resources to fund an Expected Credit Loss reserve (see paragraph 5.16) and a Financial Resilience Reserve (the justification for which is set out in section 7).
- 6.2 The proposals are to repurpose some of the existing earmarked reserves and to make changes to the capital programme to save interest costs in the 2024/25 budget. Appendix A shows the impact of taking these decisions.
- 6.3 Given the need to make significant proposals and changes to the estimates late in the budget process table 6 shows the changes made and being proposed since the main budget report to Cabinet on 8 February 2024 (report reference BCa/23/39).

Table 6: Changes and proposals made after main Cabinet report

	£	£
2024/25 Budget Gap in main Cabinet report	£846,000	
Changes since main Cabinet report		
• Reduction in financing charges (HRA/GF)	-£633,400	
• Increase in grant funding from government	-£102,952	
• Proposed savings in financing charges from capital budget changes (Appendix A)	-£173,186	
2024/25 forecast surplus for Council approval		-£63,538
Other Resources needed		
• ECL on loan to Babergh Growth Ltd	£400,000	
• ECL on loan to CIFCO Ltd	£537,850	
• Current Q3 deficit forecast for 2023/24 (not yet finalised)		£716,000
Total resources needed	A	£1,653,850
Proposed repurposing of earmarked reserves as shown in Appendix A	B	-£3,035,054
Total resources then available to set aside into a new Financial Resilience Reserve (exclude 24/25 forecast)	B-A	-£1,381,204

7. RESERVES

- 7.1 Section 43 of the Local Government Finance Act 1992 requires that, when setting the budget for the forthcoming year the Council must have regard to the level of reserves needed to provide enough resources to finance estimated future expenditure plus any appropriate allowances that should be made for contingencies.
- 7.2 Table 7 shows that at the start of this financial year (2023/24) the Council held £11.2m of earmarked reserves. As a result of the proposals set out in Appendix A for repurposing reserves, as well as the budgeted use of reserves agreed by Council in February 2023, a net £3.4m of reserves are planned to be used this financial year, leaving a forecast reserves position of £7.8m at the start of 2024/25. This in-year use of reserves includes funding the 2023/24 forecast deficit of £716k and establishing a new reserve for funding Expected Credit Losses of £938k.
- 7.3 In 2024/25 the Council is currently planning to use a net £2m from earmarked reserves assuming the options in Appendix A for repurposing reserves are agreed. This would leave forecast reserves at the end of 2024/25 at £5.8m and this would include a balance of £1.4m in the newly created Financial Resilience Reserve. This reserve is needed as a source of funding for potential budget pressures and overspending in 2024/25 as well as being a funding source for the 2025/26 budget (however see paragraph 7.7 below).
- 7.4 There are a small number of reserves that the Council is budgeting to top up to cover future commitments, £131k in total. Comprising £30k to the Elections Reserve, £90k to Neighbourhood Planning Reserve and £11k to the Climate Change & Biodiversity Reserve.

- |
- 7.5 Any use of reserves is a one-off funding resource as once used the reserve is gone. It should therefore be noted that over the 2023/24 and 2024/25 financial years the council is forecast to use 48% of its earmarked reserves, and the Council will find it challenging to replenish these reserves to meet the continuing financial pressures over the medium term.
- 7.6 The council also has a General Fund reserve balance of £1m on top of the earmarked reserves reported in table 7. This is totally uncommitted and acts as a contingency to fund unforeseen costs. There is no statutory minimum level for such a reserve; it is a matter for each local authority's own judgement after taking into consideration the strategic, operational, and financial risks it faces. Many councils set a minimum reserve provision of between 6% to 10% of the Net Revenue Budget. This council's General Fund balance is about 8% of the Net Revenue Budget.
- 7.7 As noted in the next section of this report looking at the medium-term projections, there are budget deficits forecast from 2025/26 onwards. The total amount of reserves that could be used to fund future years' deficits totals £2.4m (£1.4m in the Financial Resilience Reserve, assuming no use of this reserve is needed in 2024/25, and £1m in the General Fund balance). If no mitigating action is taken to balance forecast expenditure with forecast income, then this amount is almost depleted in funding the 2025/26 budget gap leaving the Council with minimal useable and uncommitted reserves at the start of that financial year.
- DRAFT

Table 7: Earmarked Reserves

Reserve	Budget Balance as at 31/03/24	Forecast Balance as at 31/03/24	To Reserves 2024/25	From Reserves 2024/25	Estimated Balance 31/03/2025	Committed 2025/26	Committed 2026/27	Committed 2027/28	Balance as at 31st March 2028
Business Rates & Council Tax	3,545,890	1,353,389	0	0	1,353,389	0	0	0	1,353,389
Business Rates Retention Pilot (BRRP)	732,182	784,477	0	-580,789	203,687	-37,124	0	0	166,564
Carry Forwards	147,258	107,658	0	0	107,658	0	0	0	107,658
Climate Change and Biodiversity	182,680	107,147	11,301	0	118,447	11,866	12,459	13,082	155,853
Community Housing Fund	94,194	122,309	0	-31,480	90,829	-32,425	-33,397	-24,005	1,002
Commuted Maintenance Payments	1,346,309	1,384,831	0	-123,050	1,261,781	-123,050	-126,478	-127,637	884,616
COVID 19	1,367,852	17,742	0	-17,742	0	0	0	0	0
Elections Equipment	35,000	35,000	0	0	35,000	0	0	0	35,000
Elections Fund	110,386	0	30,000	0	30,000	30,900	31,827	32,782	125,509
Expected Credit Loss Reserve		937,850	0	-937,850	0	0	0	0	0
Financial Resilience Reserve	-	256,708	1,124,496	0	1,381,204	0	0	0	1,381,204
Financing the Budget Reserve	-	0	0	0	0	0	0	0	0
Government Grants	239,491	259,376	0	0	259,376	0	0	0	259,376
Homelessness	190,999	170,999	0	-28,404	142,595	-28,404	-28,404	-28,404	57,383
Neighbourhood Planning Grants	73,418	75,739	90,000	-26,523	139,216	63,477	63,477	63,477	329,647
Planning (Legal)	600,808	597,805	0	-428,000	169,805	-56,602	-56,602	-56,602	0
Planning Enforcement	92,848	92,848	0	0	92,848	0	0	0	92,848
Rough Sleepers	16,592	16,592	0	0	16,592	0	0	0	16,592
Strategic Planning / Joint Local Plan	322,466	85,000	0	-10,000	75,000	-10,000	-10,000	0	55,000
Strategic Priorities	1,582,486	962,245	0	-655,374	306,871	-111,914	-77,386	-77,386	40,186
Temporary Accommodation	160,981	226,981	0	-217,637	9,344	0	0	0	9,344
Waste	235,932	235,932	0	-235,930	2	0	0	0	2
Well-being	78,655	4,223	0	0	4,223	0	0	0	4,223
TOTAL	11,156,427	7,834,850	1,255,797	-3,292,780	5,797,867	-293,276	-224,504	-204,692	5,075,395

*2023/24 contains £716k going into the Financing the Budget reserve and out of the reserve to fund the current estimate for the 2023/24 budget deficit

8. MEDIUM TERM PROJECTIONS

- 8.1 Table 9 below shows the forecast position for the period 2024/25 to 2027/28. Over the forecast period to 2027/28, the net cost of service is forecast to increase by £2.3m (16%) from the 2024/25 proposed budget, mainly due to forecast pay awards, increments, inflationary increases on major contracts, and capital financing charges. For a summary of the major cost assumptions used see Table 8 below but the underlying assumption taken is that inflation will decrease from 2024/25 onwards but this is not certain.

Table 8: Cost assumptions 2025/26 to 2027/28

Description		2025/26 £'000	2026/27 £'000	2027/28 £'000
Employee Costs	Pay Award- 4% 24/25 then 3%	477	342	355
	Increments - 2%	202	171	223
	Insurance Premiums - 3%	18	10	10
Contracts	Refuse Contract 5% reducing to 2%	70	73	50
	Shared Revenues Partnership - 3%	33	34	35
	ICT Contract -4%	78	20	20

- 8.2 A 2.99% annual increase in council tax, along with forecast growth in the council tax base (of 0.94% in 2025/26, 0.93% in 2026/27 and 0.93% in 2027/28) is included and would generate extra Council Tax income of £946k (14%) from 2024/25 to 2027/28 but this only covers 41% of the forecast increase in the net cost of service budget.
- 8.3 There is significant uncertainty however over local government funding in the medium term in the absence of a longer-term Spending Review and the outcome of other significant reforms to Local Government funding, for example the Fair Funding review and reforms to the business rates regime including a base line reset of accumulated business rates growth.
- 8.4 When forecasting the expected level of government funding for the next four years, we have assumed that local government will still receive funding but at a reduced rate given the current state of the public finances and the possible effects of the financial reforms. We have therefore assumed that all the grant income we currently receive from government will continue in 2025/26 but at half the current amount – an overall reduction in grant income of £754k in each year.
- 8.5 We have not considered however the impact on Business Rates income levels arising from a possible baseline reset. The current baseline was set in 2013, when all councils were given a share of Business Rates equal to their calculated needs. Since then, councils have been allowed to keep a share of their growth. For authorities who have had significant business rate growth and are significantly above their current funding baseline, such as Babergh, this will have a significant impact if the baseline is reset as we will lose this growth, subject perhaps to any damping arrangements, on existing funding levels through the business rates retention scheme. However, the actual impact on the council is difficult to calculate with any robustness without any guidance from government on the possible changes that may be implemented.
- 8.6 The forecast position overall therefore shows that the Council faces a significant financial challenge moving forwards as there are increasing differences between forecast expenditure and income from fees & charges, central government grants, Business

Rates, and Council Tax receipts. Even if one were to assume central government funding remaining at 2024/25 levels, and therefore add back into the forecast £754k of grant income each year, there would still be significant forecast budget deficits from 2025/26 onwards.

- 8.7 Cabinet Members and the Senior Leadership Team will need to identify proposals for savings, efficiencies, and new/increased income streams in the next few months for implementation in the 2025/26 budget (or earlier if that can be achieved). As advised earlier in the report (Section 7 on reserves) the proposal to repurpose earmarked reserves in the 2023/24 and 2024/25 budgets (as set out in Appendix A) will not be an option for fully financing the forecast budget gap from 2025/26 as most of the remaining earmarked reserves are now committed and using the uncommitted reserves would deplete them.
- 8.8 The total amount of reserves that could be used to fund future years' budget gaps totals £2.4m (£1.4m in the Financial Resilience Reserve (assuming no overspending happens in-year during 2024/25) and the £1m general fund balance). Most of this, if no mitigating action is taken, would need to be used to fund the 2025/26 budget gap leaving the Council with no useable and uncommitted reserves at the start of the 2025/26. This would result in a S114 notice needing to be issued.
- 8.9 The longer-term financial position remains very uncertain however, particularly with regards to central government support from 2025/26 onwards, which does not allow the council to effectively plan for the future. These projections should not therefore be seen as firm figures although they clearly show the direction of travel.

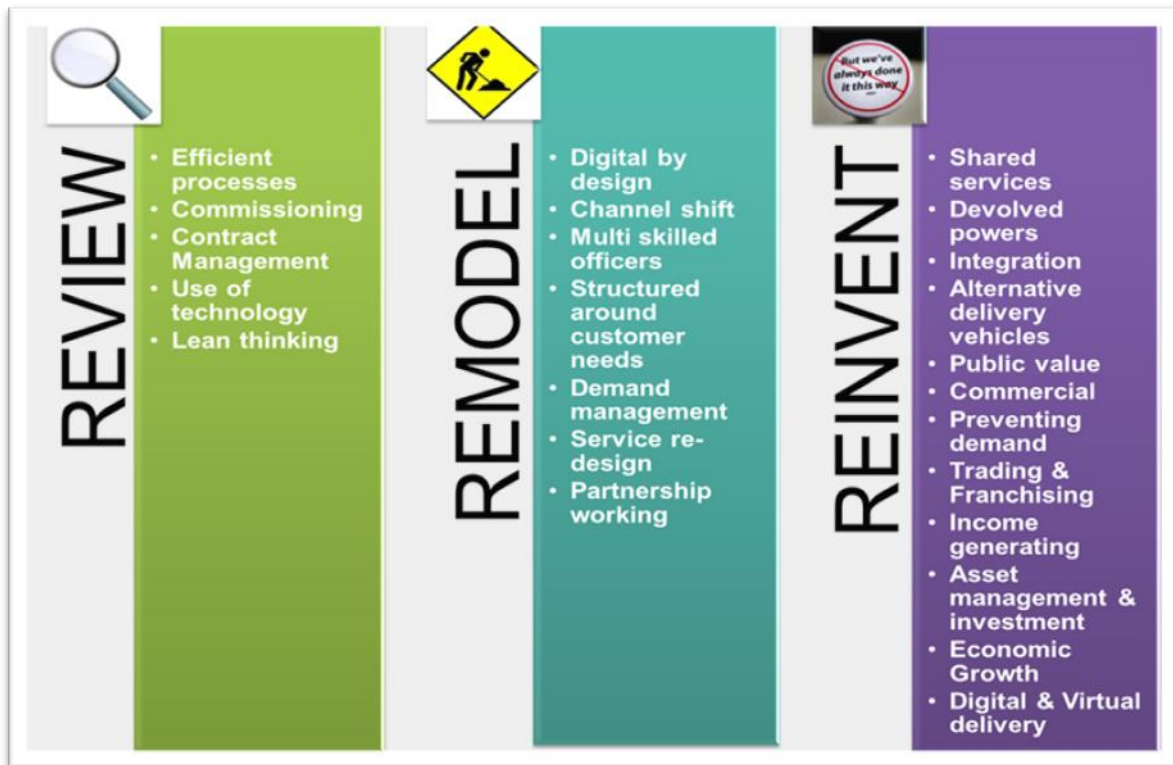
Table 9: Forecast Position 2024/25 – 2027/28

Service Area		Budget 2024/25	Forecast 2025/26	Forecast 2026/27	Forecast 2027/28
		£'000	£'000	£'000	£'000
Service Expenditure	Employees	12,369	12,770	13,298	13,945
	Premises	1,192	1,172	1,147	1,152
	Supplies & Services	5,293	5,031	5,058	5,092
	Transport	418	411	418	425
	Contracts	4,828	4,977	5,098	5,194
Grants & Income	Grants and Contributions	(1,507)	(1,488)	(1,478)	(1,490)
	Sales, Fees & Charges	(3,837)	(4,085)	(4,578)	(5,083)
	Savings from Savings Programme	(540)	(692)	(497)	(597)
	Rental & Other Income (incl. PV panels)	(1,937)	(1,942)	(1,945)	(1,948)
Housing Benefits	HB Transfer Payments	12,401	12,401	12,401	12,401
	HB Grants and Contributions	(12,398)	(12,398)	(12,398)	(12,398)
Net expenditure on services as above		16,283	16,155	16,523	16,692
Recharges	Charge to HRA/Capital	(1,843)	(1,840)	(1,716)	(1,373)
Capital Financing Costs	Interest Payable - CIFCO	198	187	177	166
	Interest Payable - Other	1,651	1,902	1,957	1,774
	Minimum Revenue Provision (MRP)	1,665	1,961	2,136	2,180
	Pooled Funds Net Income	(569)	(569)	(569)	(569)
Investment Income	Interest Receivable - CIFCO	(2,172)	(2,160)	(2,146)	(2,132)
	Interest Receivable - Babergh Growth Ltd	-	-	-	-
Reserves	Transfers to / (from) Reserves	(1,100)	(421)	(353)	(333)
Total Net Cost of Services		14,113	15,216	16,010	16,405
Government Grants	New Homes Bonus	(910)	(455)	(455)	(455)
	Revenue Support Grant (RSG)	(119)	(60)	(60)	(60)
	Services Grant	(14)	(7)	(7)	(7)
	Rural Services Delivery Grant	(308)	(308)	(308)	(308)
	Funding Guarantee	(156)	(78)	(78)	(78)
Business Rates	Baseline Business Rates	(716)	(626)	(626)	(626)
	Business Rates Pool share of Growth Benefit	(364)	(364)	(364)	(364)
	Business Rates Pool - Removal of Top Slicing	(300)			
	S31 Business Rates Grant	(3,647)	(3,647)	(3,647)	(3,647)
	Business Rates - Renewable Energy	(95)	(95)	(95)	(95)
	Enterprise Zone income	(276)	(538)	(567)	(578)
	B/R Prior Year Deficit/(Surplus)	(584)	57	57	57
Council Tax	Council Tax	(6,741)	(7,141)	(7,422)	(7,714)
	Council Tax Prior Year Deficit/(Surplus)	(15)	(15)	(15)	(15)
Total Funding		(14,245)	(13,277)	(13,587)	(13,890)
Net Position Before Reserves		(132)	1,939	2,423	2,515

9. MEDIUM TERM FINANCIAL STRATEGY (MTFS) 2024-2027

- 9.1 To achieve its ambitions, the Council needs to take a medium-term view of budgeting through a robust financial strategy that is focused on delivering the priorities in the new corporate Plan.
- 9.2 The Council's main strategic financial aim remains to become self-financing i.e., not reliant on Government funding. The Council's parallel aim is to generate more funds than are required purely for core services, to enable additional investment into the district.

- 9.3 There are 3 key elements that need to be carefully balanced to ensure success, which are:
- Cost management
 - Income generation and
 - Service levels.
- 9.4 The approach over the medium term is to transform the Council into an organisation that is thriving and not just surviving, by continuously reviewing, remodelling, and reinventing the way the Council operates. For the Council to thrive, a strong focus is placed on the wellbeing of our staff and residents.
- 9.5 The following overarching principles are considered when evaluating ideas and opportunities for change:
- Reduce our costs (both internally and across the wider system)
 - Increase our income
 - Provide better / “best” value
 - Increased social value
 - Provide a better service for our customers
 - Reduction in administration costs, without compromising service
 - Reduced climate change and biodiversity impact
- 9.6 The focus is on:
- internal efficiencies and improvements
 - continuously streamlining work and reducing waste in processes
 - greater cross-functional working and multi-skilling
 - improving ways of working to move away from ‘professional silos’ and toward integrated services for the public
 - customer demand understood, analysed, and met through new services and business models
 - demand is re-shaped and managed while engaging service users to ascertain priorities.
- 9.7 The approach below shows in more detail for each element the methodology that has been adopted to achieve this.



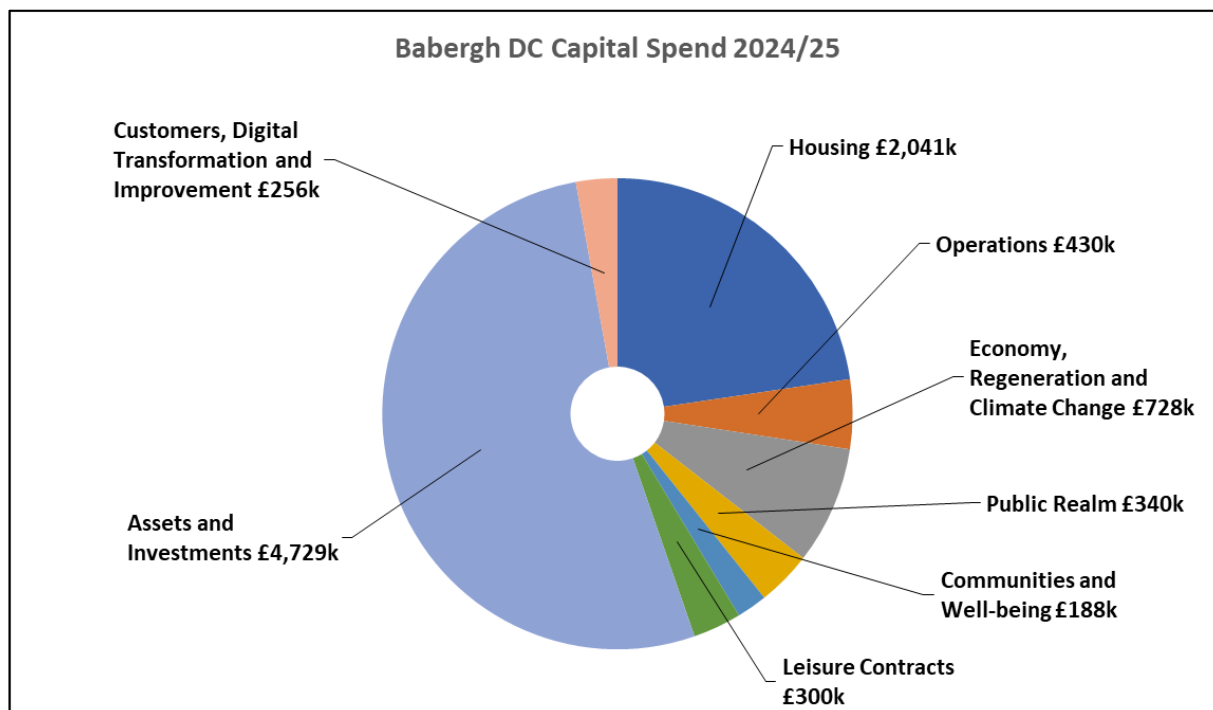
- 9.8 Over the three-year period from 2025/26 the Council's increasing budget deficits must be addressed through delivering further savings and generating additional income. The Council acknowledges that it can still benefit from further work across the organisation to create efficiencies through driving down cost and cutting out work that does not add value. Opportunities exist in terms of improving digitisation and automation of some processes.
- 9.9 As part of the 2024/25 budget setting work, Corporate Managers and Directors identified areas where further savings and efficiencies could be made across the organisation. This work will continue during 2024/25 to develop a delivery and implementation plan to support the MTFs and to enable the development of a financially robust, risk based, transformation programme.
- 9.10 It is likely that additional resources and investment will be required in order to deliver efficiencies and savings in the longer term. £300k of investment into the savings programme is included in the budget proposals. The Council will continue this approach to further transform the way it operates over the next three years.
- 9.11 A further key element of the Strategy is having adequate reserves available to manage any unexpected changes to spending and funding plans. They are a fundamental part of the way the Council manages its business risks and maintains a stable financial position.

10 CAPITAL PROGRAMME

- 10.1 The proposed Capital Programme is attached at Appendix B. The estimates shown assume that the proposed changes to the Capital Programme, shown in Appendix A, are approved by Council. Revised Estimates for 2023/24 of £9.265m are proposed and new approvals of £7.016m for 2024/25. This means that along with slippage of £1.996m from this year, the 2024/25 capital budget is forecast to be £9.012m. This will be financed by

using £0.76m of grants, £0.232m CIL, £0.331m of capital receipts and by borrowing of £7.689m.

Chart 7: Capital Budget 2024/25 (including forecast carry forwards) of £9.012m



- 10.2 The most significant items included in the proposed budget over the medium-term planning period are the construction of a new depot to be shared with Mid Suffolk District Council (£6m), Roadside Workspace Development at Hadleigh (£1.8m), the refurbishment of Belle View (£1.5m), and funding for Babergh Growth Ltd (£9.2m) to undertake housing developments at the former council offices site in Hadleigh. Budgets are also included to continue a range of annual capital initiatives such as housing and community grants.
- 10.3 Work is currently being undertaken on reviewing the best way of financing the building of the new depot with the aim of bringing a report on this matter to each Council in March 2024. At this point in time the budget figures presented in this report assume that this is a jointly shared budget being financed through borrowing with the resultant financing charges impacting equally on the General Fund revenue budget of each council.
- 10.4 Following review by Joint Audit and Standards Committee in January 2024, the Capital and Investment Strategy will have further details of the Council's borrowing capacity and the impacts of the capital programme, and this will be presented to Council in February along with the final budget report.

11 LINKS TO THE CORPORATE PLAN

- 11.1 Ensuring that the Council makes best use of its resources is what underpins the ability to achieve the priorities set out in the Corporate Plan and aligns to the corporate outcomes against a backdrop of efficiency, and sound financial robustness. The underlying principle of the Medium-Term Financial Strategy is to be financially sustainable.

12 FINANCIAL IMPLICATIONS

12.1 These are detailed in the report.

13 LEGAL IMPLICATIONS

13.1 The provisions of the Local Government Finance Act 1992 (LGFA 1992) require the Council to set a balanced budget with regard to the advice of its Chief Finance Officer (Section 151) in relation to the level of reserves, the robustness of the estimates, and the risks associated with the proposed budget.

14 RISK MANAGEMENT

14.1 Key risks are set out below:

Key Risk Description	Likelihood 1-4	Impact 1-4	Key Mitigation Measures	Risk Register and Reference
The income projections for the Councils investment in the Capital Investment Fund (CIFCO) may not be met.	2 - unlikely	3 - Bad	Implementation of strong corporate governance. Engagement of independent professional advisers and preparation of annual audited accounts. Business Plan 23/24 approved by Council. Review by Overview and Scrutiny Committee. Council oversight of trading companies' management accounts.	Significant Risk Register - SRR001
Babergh District Council may be unable to react in a timely and effective way to financial demands.	3 - probable	3 - Bad	Monitoring and reporting of financial forecast. Capital reserves. SLT position review workshops. Cabinet briefings to review position and budget options. Budget approval. Internal and external audits.	Significant Risk Register - SRR004 BDC

<p>Babergh District Council may fail to be financially sustainable.</p>	<p>3 - probable</p>	<p>4 - Disaster</p>	<p>Sharing of integrated workforce with Babergh. Single efficient office space with agile working strategy. The Plan for Babergh. Development of medium term financial strategy and creation of long term financial strategy. New outcomes framework. Joint performance and risk monitoring. Shared policies and procedures. Joint Cabinet briefings, audit and standards, overview and scrutiny.</p>	<p>Significant Risk Register - SRR008BDC</p>
<p>Babergh District Council may suffer a significant overspend that needs to be funded from reserves.</p>	<p>3 - probable</p>	<p>3 - Bad</p>	<p>Reporting of impacts of inflationary pressure forecast to SLT and early warning cabinet and monitored through the quarterly outturn reports. Review level of reserves with SLT. Quarterly financial monitoring.</p>	<p>Significant Risk Register - SRR0013BDC</p>

<p>Babergh District Council may expose itself to financial risk through its own subsidiary companies and other commercial activities.</p>	<p>3 - probable</p>	<p>4 - Disaster</p>	<p>Directors representing the Council Shareholders on the board. Non-Exec Directors Management accounts shared with the Council Finance team monthly. Director of Assets and Investments is a Director on each Company Board. Director of Finance is provisioned with Company accounts annually in addition to receiving quarterly financial reporting. Quarterly risk briefing attended by Risk Management Lead.</p>	<p>Significant Risk Register - SRR0017BDC</p>
<p>The councils may face significant increases in their borrowing costs.</p>	<p>3 - probable</p>	<p>3 - Bad</p>	<p>Regular review of current interest rates and ongoing advice from Arlingclose. Review as part of treasury and investment strategy, and budget setting to ensure further decisions that incur borrowing are affordable.</p>	<p>Significant Risk Register - SRR0025BDC</p>

15 CONSULTATIONS

- 15.1 Consultations have taken place with Directors, Corporate Managers and other Budget Managers as appropriate.
- 15.2 The Council launched a 6-week consultation on the 4th October 2023 to give people the opportunity to provide feedback on the Councils long term vision and strategic priorities for the district.
- 15.3 The consultation also includes engagement around how the Council currently spends its money by presenting the budget by % spend in different areas. Respondents were

shown a breakdown of the councils' (combined) spend and asked to what extent they agreed or disagreed this was the right mixture of spending activities. Views were mixed: with 38% agreeing (6% 'strongly'), 35% disagreeing (13% 'strongly') and 23% neutral. Four per cent gave a 'Don't know' response.

- 15.4 One-in-five felt spending should be increased on climate change and a similar proportion felt spending should be reduced on 'running the organisation'. Between 6-8% each felt that spending should be increased on economic growth, housing/affordable housing and communities and wellbeing.
- 15.5 A number (5%) felt that the presentation of spend data needed more information / better explanation or that they did not have sufficient understanding or expertise to judge (3%).

16 EQUALITY ANALYSIS

- 16.1 An Equality Impact Assessment (EIA) initial screening has been completed. This determined that a full EIA was not required. The proposed budget does not include any proposals that have a differential impact upon protected characteristics. If proposals are brought forward 'in year' then Directors and Corporate Managers will undertake an Equality Impact Assessment for any individual budget proposals that have the potential to impact any of the protected characteristics under the Equality Act 2010.

17 ENVIRONMENTAL IMPLICATIONS

- 17.1 Directors, Corporate Managers and other Budget Managers will continue to consider the environmental impact of their budgets and take the opportunity to reduce their carbon footprint as opportunities arise.
- 17.2 In support of the Council's commitment to be Carbon Neutral by 2030, several initiatives have and are being undertaken from a combination of the Council's own resources and those secured from external sources. Some of these are set out below.
- 17.3 The Councils' Sustainable Travel Vision and Local Cycling and Walking Infrastructure Plan (LCWIP) was approved by cabinet in April 2022. The Sustainable Travel Vision will be used to inform the public about our key values, aims, ambitions and narrative around Sustainable Travel. The key functions of the LCWIP are to inform SCC Highways and our own planning team of our active travel infrastructure ambitions, in order to capture opportunity for delivery. To compliment the LCWIP, the [Quiet Lanes Suffolk](#) project continues to support Parishes across the district to identify and designate suitable rural lanes as 'Quiet Lanes' to make them safer for people to use for exercise and more active forms of travel.
- 17.4 In December 2022, funding of £300k was secured from the Office for Zero Emission Vehicles (OZEV) for the installation of EV charge points in 12 car parks across both Mid Suffolk and Babergh Building upon the bid's success, the Councils are working in partnership with SCC to create an EV charge point infrastructure plan. The plan will cover:
- Place of Business destination charging
 - Provision for existing social housing residents
 - Provision of rapid charging for taxis

- 17.5 In conjunction with Suffolk County Council the Council is engaging with local primary schools, running theatrical workshops, to highlight the issue of poor air quality and to promote sustainable travel.
- 17.6 Following completion of the solar carports, 40 of our existing car parking spaces now help to power Kingfisher Leisure Centre in Sudbury providing just over 16% of the centre’s annual electricity demand. Babergh, alongside Mid Suffolk are among the UK’s first rural local authorities to trial the technology, which will reduce the centres’ reliance on the grid and cut carbon emissions. The site also includes battery storage so excess energy produced during sunnier periods can be saved for later, as well as electric vehicle charging points.

18 APPENDICES

Title	Location
Proposals to fund budget gap and to create new reserves	Appendix A
Capital Programme	Appendix B
Budget, Funding and Council Tax Requirements	Appendix C
Robustness of Estimates and Adequacy of Reserves	Appendix D

19 BACKGROUND DOCUMENTS

Provisional Local Government Finance Settlement 2024/25

General Fund Financial Monitoring 2023/24 – Quarter 2 - BCa/23/27

Draft General Fund 2024/25 assumptions – BOS/23/01 and BOS/23/05

Fees and Charges 2024/25 - BCa/23/32

EQIA Screening assessment

APPENDIX A: Proposals to fund budget gap and to create new reserves

OPTIONS	SAVING	IMPACT
USE OF EARMARKED RESERVES		
Covid Reserve – uncommitted balance	£1,426,016	Repurposing this reserve to balance the Council's budget will result in a significant reduction of available reserves and so a less robust financial position overall.
Strategic Priorities Reserve - uncommitted balance	£485,128	There are no project plans in place in relation to this reserve. However, using this to balance the Council's budget will mean that the Council's overall financial position is less robust. Importantly the Council will have no dedicated financial reserve to support delivery of the new corporate plan priorities.
Strategic Priorities - Locality Awards	£10,000	Councillors' locality award funding is funded from a reserve each year. This £10,000 is forecast underspend where not all of the locality funding has been allocated in 2023/24. As a result, this amount would not be carried forward into 2024/25.
Strategic Priorities - Economic & Business	£80,000	This relates to funding for Freeport, but Babergh is not required to input so no impact in releasing this reserve to fund the overall budget.
Planning Reserve	£300,000	This reserve fulfils a dual purpose of providing for costs of appeals and 'softening' changes in fee income. Appeals can cost significant sums to defend so this reserve should be replenished over time.
Temporary Accommodation	£160,980	The savings are taken from reserves which have been held and used to maintain the temporary accommodation. Any maintenance requirements in the future will feed into our capital programme and therefore will still be carried out.
Waste Reserve	£35,930	No reserve available to fund in year fluctuation to gate fees driven by external waste market commodity price variations.
BRRP - Belle Vue / Hamilton Road	£109,000	No further funds would be available for any feasibility work or match funding for local or government funding bids.
BRRP - Angel Court	£167,000	No impact the scheme has completed, and funds should be drawn down.
BRRP - Delphi Site/Newton Road	£112,000	No funds would remain for any feasibility work to bring this site forward.
BRRP - Inclusive growth engagement officer	£60,000	Removal of this reduces the Council's opportunities to engage with communities around growth proposals and places greater onus upon locality officers.
BRRP - Market Town Vision	£89,000	No funding would remain for any town centre improvements.
TOTAL USE OF RESERVES	-£3,035,054	THIS IS THE TOTAL PROPOSED TO BE REPURPOSED

OPTIONS	SAVING	IMPACT
CAPITAL BUDGET OPTIONS		
Renovation Home Repair Grants – remove unused amount from capital budget	£51,000	Limited impact as it appears to be a larger budget than is required.
Kingfisher Leisure Centre planned improvements – works to start in 2025/26 and not 2024/25	£479,000	£250k kept in 2024/25 proposed capital budget further expenditure will be deferred.
Hadleigh Leisure Centre planned improvement - works to start in 2025/26 and not 2024/25	£555,000	£50k kept in 2024/25 proposed capital budget further expenditure will be deferred.
Hamilton Road Regeneration – remove unused amount from capital budget	£73,000	No further feasibility funding for work to bring this regeneration site forward.
Strategic Investment Fund - reprofiled from 2024/25 into 2025/26	£2,777,000	Limited spend incurred to date however removing this capital will reduce the ability to respond to opportunistic acquisitions at a market pace which may result in the Council missing opportunities to acquire key assets.
Roadside Workspace Development - works to start in 2025/26 and not 2024/25	£1,778,000	Delays to the project may result in higher build costs and wider strategic impact on small business access to unit supply. £100k remaining in 2024/25 for planning fees.
Parking Implementation Strategy – rephase from 2024/25 into 2025/26	£150,000	Initial funding to implement parking quality, sustainable travel and parking improvements outlined within the strategy had been allocated. This can be rephased to 2024/25 and affordability reassessed in line with any proposals to vary tariffs that may or may not be accepted.
Belle Vue refurbishment/replacement – rephase from 2024/25 into 2025/26	£754,000	Includes new park entrance.
TOTAL	£6,783,000	THIS IS THE TOTAL TO BE TAKEN FROM THE 2024/25 CAPITAL BUDGET
TOTAL SAVING TO THE REVENUE BUDGET	£173,186	THIS IS THE TOTAL SAVINGS IN FINANCING CHARGES

APPENDIX B: Capital programme

Babergh District Council - General Fund Capital Budget 2024/25 to 2027/28	2023/24 Revised Estimates	2023/24 C/Fwds to 2024/25	2024/25 New Approvals	2024/25 Total Budget	2025/26 Forecast (including C/Fwds)	2026/27 Forecast	2027/28 Forecast
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Housing							
Mandatory Disabled Facilities Grant	760	240	760	1,000	760	760	760
Renovation / Home Repair Grants	70	0	100	100	100	100	100
Empty Homes Grant	0	441	100	541	100	100	100
Grants for Affordable Housing	0	0	400	400	0	0	0
Total Housing	830	681	1,360	2,041	960	960	960
Operations							
Replacement Refuse Freighters - Joint Scheme	217	0	315	315	420	335	335
Bins	90	15	100	115	100	100	100
Total Operations	307	15	415	430	520	435	435
Economy, Regeneration and Climate Change							
Belle Vue Refurbishment / Replacement	12	728	0	728	754	0	0
EV Charge Points in Car Parks	203	0	0	0	0	0	0
Total Economy, Regeneration and Climate Change	215	728	0	728	754	0	0
Public Realm							
Vehicle and Plant Renewals	120	0	200	200	100	175	175
Planned Maintenance / Enhancements - Car Parks	57	0	15	15	15	15	15
Parking Strategy Implementation	15	0	0	0	150	0	0
Pin Mill - Planned Maintenance	36	100	25	125	25	25	25
Gaol Lane, Sudbury toilet refurbishment	60	0	0	0	0	0	0
Total Public Realm	288	100	240	340	290	215	215
Communities and Well-being							
Play equipment	285	18	50	68	50	50	50
Community Development Grants	120	0	120	120	120	120	120
Total Communities and Well-being	405	18	170	188	170	170	170
Leisure Contracts							
Kingfisher Leisure Centre Planned Maintenance	90	0	250	250	579	100	100
Hadleigh Leisure Planned Maintenance	19	0	50	50	605	50	50
Total Leisure Contracts	109	0	300	300	1,184	150	150
Assets and Investments							
Corporate Buildings - Planned Maintenance / Enhancements	33	179	30	209	30	30	30
Corporate Buildings - New Joint Depot	0	0	500	500	5,500	0	0
CIL Funded Infrastructure Grants	1,019	0	0	0	0	0	0
Borehamgate	145	110	60	170	60	60	60
Hamilton Road Regeneration	35	0	0	0	0	0	0
Strategic Investment Fund	0	0	0	0	2,777	0	0
A1071 Roadside Workspace Development	12	100	0	100	1,778	0	0
Housing Delivery - Capital Loan to Babergh Growth Ltd	5,464	0	3,750	3,750	0	0	0
Total Assets and Investments	6,708	389	4,340	4,729	10,145	90	90
Customers, Digital Transformation and Improvement							
Replacement Finance Management System	356	0	39	39	0	0	0
ICT - Hardware/Software Refresh	48	65	153	218	225	95	95
Total Customers, Digital Transformation and Improvement	404	65	191	256	225	95	95
TOTAL General Fund Capital Spend	9,265	1,996	7,016	9,012	14,248	2,115	2,115
GF Financing							
External Grants and contributions	958	0	760	760	760	760	760
s106/CIL	1,019	232	0	232	0	0	0
Capital Receipts	277	276	55	331	400	0	0
Reserves	51	0	0	0	0	0	0
Borrowing	6,961	1,488	6,201	7,689	13,088	1,355	1,355
Total GF Capital Financing	9,265	1,996	7,016	9,012	14,248	2,115	2,115

APPENDIX C: Budget, Funding and Council Tax Requirements

- 1) The precept requirements of Parish / Town Councils must be aggregated with the requirement of this authority to arrive at an average Council Tax figure for the district / parish purposes. This figure however is totally hypothetical and will not be paid by any taxpayer (other than by coincidence). A schedule of the precept requirements from Parish / Town Councils will be reported to Council on 20 February 2024.
- 2) The County and the Police and Crime Commissioner's precept requirements are added to this.
- 3) The legally required calculation will be tabled at this Council meeting as we still awaiting full notification of the preceptors' requirements.

APPENDIX D: Section 25 report on the robustness of estimates and adequacy of reserves –

Introduction

1. The Local Government Act 2003 (Section 25) requires that when a local authority is agreeing its annual budget and Council Tax requirements, the Council's Section 151 officer must report to it on the following matters:
 - the robustness of the estimates made for the purposes of the calculations; and
 - the adequacy of the proposed financial reserves.
2. The Chartered Institute of Public Finance and Accountancy's (CIPFA) Financial Management (FM) Code, published in October 2019, also makes this report a requirement.
3. The Council must have due regard to the report when making decisions on the budget and Council Tax.
4. This report covers the General Fund budget, the Housing Revenue Account, and the Treasury Management, Investment and Capital Strategies.
5. In the current absence of the Director of Corporate Resources (the S151 Officer), this advice is being given to Council by the Interim Corporate Manager: Finance who is the designated Deputy S151 Officer. CIPFA's guidance on the role of the Chief Financial Officer in Local Government states the following:

"The CFO in local government is not only bound by professional standards but also by specific legislative responsibilities. This statement should also be applied to those individuals who carry out the role of deputy CFO or section 151 officer. They must have regard to the fact that delegated responsibility brings with it all the professional standards and legal responsibilities of the CFO".

6. I can confirm that I hold a recognised qualification needed to fulfil the professional standards required to give the section 25 advice (I am a fully qualified CIPFA chartered accountant) and the appropriate experience to do so (I have been the S151 Officer in three councils (as both an interim as well as a permanent employee).
7. In expressing this Section 25 opinion, I have considered the financial management arrangements that are in place, the level of reserves the Council has available, and the budget assumptions and financial risks.

Financial Management Arrangements

8. The Council's Draft Statement of Accounts for 2020/21 to 2022/23 remain unsigned by the Council's External Auditors, thereby creating some uncertainty as to the exact size of carried forward balances and reserves. The issues delaying conclusion are sector wide and are largely associated with auditor capacity.
9. The Council has a sound system of budget monitoring, evidenced by the production of quarterly budget monitoring reports to Overview & Scrutiny and Cabinet within a reasonable timeframe from the period end. These reports are also reviewed by the Senior Leadership Team. However, in my opinion, improvements will need be made to tighten

budgetary control going forwards and to ensure mitigating management action is taken to keep expenditure and income within the overall approved budget envelope as much as possible.

10. The budget planning process for 2024/25 was admittedly difficult primarily due to the following reasons:
 - Late overall start to the process with a tight timetable that did not readily allow for iterations, intensive challenge and review with Senior Leadership Team and Cabinet Members along with limited engagement with elected members outside of Cabinet.
 - Lack of capacity within the Finance Team with many of the finance officers in the 2024/25 process not involved in the 2023/24 budget preparation.
 - Late advice received on certain budget items resulting in large swings in figures from those reviewed by the Overview & Scrutiny Committee to those now being presented to Council for approval.
11. It is recommended that the budget process is reviewed for the 2025/26 cycle.
12. However, looking at the budget estimates rather than the budget process, these have been prepared by using the latest 2023/24 detailed forecasts which are produced quarterly by Budget Managers and the Finance Business Partners and with certain key estimates, (for example, the employees' budget, interest, and grant income), being prepared afresh from a zero base. In addition, many of the complex budget items have been prepared using the advice of external expert advisers.

Level of reserves available – General Fund

13. I have given a detailed explanation of the level of reserves currently held and planned to be used over the two financial years 2023/24 and 2024/25 in section 7 of this report.
14. We are proposing to repurpose £3m of existing earmarked reserves over the two years to fund the forecast overspend in the 2023/24 revenue budget as well as to create a Financial Resilience Reserve of £1.4m and an Expected Credit Loss reserve of £0.9m. Both of the latter are prudent measures.
15. However, as noted in Section 7, we forecast that the council will use 48% of its earmarked reserves over the 2023/24 and 2024/25 financial years. This rate of usage is not financially sustainable going forwards and indeed, as noted in Section 8 when discussing the medium-term financial projections, this would only leave £2.4m of uncommitted reserves available to fund a 2025/26 budget gap currently forecast at £2m (this assumes no use of reserves will be needed in 2024/25 to fund budget pressures or overspending). This would leave the council in a position of having inadequate uncommitted reserve levels at the start of the 2025/26 financial year and no reserves available to fund forecast budget gaps from 2026/27 onwards.

Level of reserves available – Housing Revenue Account (HRA)

16. The HRA forecast reserves position is £15.8m as at the end of this financial year, 2023/24, with forecast reserves of £6.5m at the end of 2024/25. The use of reserves in 2024/25 includes repaying a £6m loan that becomes due during the year.

The budget assumptions used and financial risks

17. We have sought appropriate expert advice in preparing the 2024/25 budget particularly for the assumptions used for inflation, interest rate forecasts, Business Rates income, HRA business planning and modelling, Business Cases for large capital projects, and the calculation for Expected Credit Losses.
18. However, assumptions are just that and are not the same as a guarantee. Some of the assumptions made are outside of this council's control and influence.
19. The key financial risks in the 2024/25 budget, in my view, are as follows:

Financial Risk	Assumptions made
Employees Budget	<p>We have assumed a 2024/25 Pay Award of 4% as we did in 2023/24. In 2023/24 the actual award was much higher than budgeted and has resulted in an additional cost of £477k.</p> <p>A 5% vacancy management factor saving has been included in the 2024/25 budget. In 2023/24 this 5% saving equates to £570k. Whilst there is currently an underspend in the cost of permanent employees of £263k, there is a cost pressure of £486k of employing unbudgeted interim staff. This means that in 2023/24 the vacancy management factor target is not being met and there are additional forecast costs to the revenue budget of £223k. The 2024/25 vacancy management factor saving is £630k.</p>
Achieving the 2024/25 Savings Programme	<p>£540k of savings and efficiencies have been included in the 2024/25 budget proposals (see Table 3). The Senior Leadership Team will need to ensure that there is a continued focus on the actions required to realise this target and that the necessary work involved is started as soon as possible. Updates on progress will be reported to Cabinet via the quarterly budget monitoring reports.</p>
Interest rates and inflation	<p>The global economic situation is currently uncertain, particularly the situation in the Middle East, and this could have an impact on interest rates and inflation.</p> <p>A key risk is the cost of short-term borrowing as the council's 2024/25 Treasury Management Strategy proposes no long-term borrowing in 2024/25 given the high interest rates and the adverse impact on the council of locking itself into long-term borrowing at these rates. This proposed strategy will need to be reviewed for 2025/26. We have assumed interest rates on the council's short-term borrowing of 5.06%. A 1% difference would impact the revenue budget by £455k.</p> <p>It is more difficult to assess the impact of a rise in inflation as different expenditure budgets have increased by specific inflation indices.</p>

<p>Business Rates</p>	<p>The forecasting of Business Rates income is always difficult given the potential volatility arising from businesses moving out of the area or becoming bankrupt and the number of successful appeals lodged with the Valuation Office Agency on the rateable values used.</p> <p>One of the largest differences between the estimates presented to the Overview & Scrutiny Committee and those in this budget report has arisen from changed assumptions on the level of appeals. Our external advisers have changed their assumptions significantly as part of the recent NNDR1 preparation process.</p>
<p>Capital Programme</p>	<p>Key assumptions have been made in the capital programme on the following:</p> <p>New shared depot – the costing and funding of this key project is still work in progress and therefore the capital budget for this scheme will need to be reviewed.</p> <p>Construction inflation –prices have started to fall very slowly by about 5% over the last 12 months mainly due to construction work drying up and contractors being more competitive to secure work. However, prices for steel and aggregate remain high. This would suggest that project overspends are now more likely to be driven by project specific factors (e.g. on-site contamination) rather than general price rises. The other factor is when budgets for the capital schemes were originally set and whether these budgets have been updated since the significant inflation that we saw in the last couple of years. The Finance Team have not undertaken a review of whether the capital budgets need updating from their original approval date.</p> <p>The Council is required to charge repayments of sums borrowed to its General Fund in the form of Minimum Revenue Provision (MRP). The MRP budget assumes that spending will be incurred in accordance with the proposed 2024/25 Capital Budget. If spending is delayed this will impact the MRP charge required in-year. Due to forecast slippage in the 2023/24 capital programme, MRP costs are currently estimated to reduce by 8% (£143k) from the original agreed budget.</p>

Assurance on adequacy of reserves and robustness of estimates

Reserves

22. I am satisfied that the council's HRA has adequate reserves for the 2024/25 financial year and foreseeable medium-term future.
23. I can give assurance that the level of reserves for the General Fund are adequate for the 2024/25 financial year, but my assurances are conditional on the following:

- That there is political and management commitment to control costs and stay within the approved budget as far as possible and to ensure that sound monitoring of performance and budgets is undertaken.
- That there is immediate and focused management action to achieve the £0.5m savings target included within the 2024/25 budget proposals.
- That both management and Cabinet members do not consider any further calls on reserves other than for those risks that have been identified and included within the reserves, for essential services that are underperforming, and for those that could not have been reasonably foreseen and that cannot be dealt with through management or policy actions.
- That any excess reserves that may arise are targeted over the medium-term period towards business transformation to reduce on-going future costs (including any redundancies, invest to save initiatives) and to increase the Financial Resilience Reserve and/or to replenish those earmarked reserves held to mitigate risk that have been repurposed in the options proposed in Appendix A (for example, the Planning Reserve).

24. However, I cannot give the Council assurance that the level of reserves are adequate going forwards over the medium term period, i.e. from 2025/26 onwards. It is unlikely that the council will be able to set balanced budgets over this planning period if no political and management action to reduce ongoing expenditure and to increase income is identified and implemented. This means hard decisions will need to be made. It is my opinion that if these decisions are not made the council will be in S114 position possibly as early as 2025/26, although as explained in section 8 there are many uncertainties in the medium-term projections.

25. In Local Government, the Chief Finance Officer, also known as the Section 151 Officer, has the power to issue a notice under Section 114 of the Local Government Finance Act 1988 if there is a significant risk that the Council will not be in a position to deliver a balanced budget by the end of the current financial year. This is an emergency situation for which a response is required by legislation. Councillors have 21 days from the issue of a S114 notice to hold a meeting to consider the S114 report, decide whether it agrees with the views contained in the report, and what action to take in consequence of it. The issuing of the notice means that no new expenditure is permitted at the point it is issued, with the exception of certain allowable expenditure shown below which is monitored, and it could also mean government intervention and direction in resolving the situation:

- Existing staff payroll and pension costs.
- Expenditure on goods and services which have already been received.
- Expenditure required to deliver the council's provision of statutory services at a minimum possible level.
- Urgent expenditure required to safeguard vulnerable residents.
- Expenditure required through existing legal agreements and contracts.
- Expenditure funded through ring-fenced grants.
- Expenditure necessary to achieve value for money and/or mitigate additional in year costs.

26. Several councils have issued S114 notices in the last four years due to their inability to balance their budgets and this is an increasing trend.

Robustness of estimates

27. Taking all factors into consideration I can give assurance on the robustness of the forecasts and estimates in the 2024/25 budget proposals (except for the budget items highlighted in the paragraph below). This assurance is based on the estimates incorporating current year spending and income levels, a zero-based budgeting approach for key items in the budget, and the use of expert external advisers to formulate estimates for some of the more complex elements of the budget. In addition, the Council has complied fully with the requirements of the Prudential Code for Capital Finance in Local Authorities and in addition has taken a prudent approach to the likely changes to the MRP regulations.
28. I have concerns however on the following estimates and cannot give you full assurance on these.
- The capital expenditure profiled for the new shared depot in the capital budget. As mentioned above, the budget is currently a preliminary estimate only and, whilst detailed work has been undertaken to produce this estimate of £6m (total project cost forecast at £12m to be shared with Mid Suffolk District Council), further work is needed to develop the final Business Case (this work is currently proceeding).
 - The interest costs forecast in the general fund and HRA revenue budgets. As mentioned earlier in the report the Finance Team will enhance the current model used for forecasting this expenditure incorporating more detailed cash flow projections into the model. This work may result in revised estimates for interest costs in 2024/25 and in the Medium-Term.
 - The Medium-Term forecasts from 2025/26 onwards are not firm estimates but they do show the direction of travel. The priority for this budget cycle has been to review all the variables anticipated for 2024/25, including sufficiently estimating the budget pressures, so there is confidence in the immediate short-term planning horizon. The estimates from 2025/26 will need a further review largely because of the following:
 - uncertainties over central government financial support,
 - possible costs of changing legislation such as the new burdens costs arising from government's revised Waste Strategy,
 - the potential impact of the work needed to improve our forecasting of interest costs, and
 - improvements needed in modelling future years including the use of scenarios and stress testing of key assumptions.

Karen Watling, CIPFA
Interim Corporate Manager: Finance (Deputy S151 Officer)