

BUDGET GUIDELINES FOR 2024/25

REPORT OF: DIRECTOR OF RESOURCES AND ORGANISATIONAL DEVELOPMENT
Contact Officer: Rachel Jarvis, Assistant Director Corporate Resources (s151 Officer)
Wards Affected: All
Key Decision: Yes
Report to: Cabinet
11th September 2023

Purpose of Report

This report sets out the context and guidelines for developing the Corporate Plan and Budget for 2024/25. It is intended to provide a high-level plan for the authority when considering future service and financial decisions.

Summary

1. This report sets out the local and national context that needs to be considered in the preparation of service plans and budget proposals through the autumn. The draft Corporate Plan and Budget will then be published for Members' consideration via scrutiny in December.

Recommendations

2. **The Cabinet is recommended to**
 - i. **Endorse the guidelines set out within this report and**
 - ii. **Use these principles in preparing the 2024/25 Corporate Plan and Budget.**
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Background

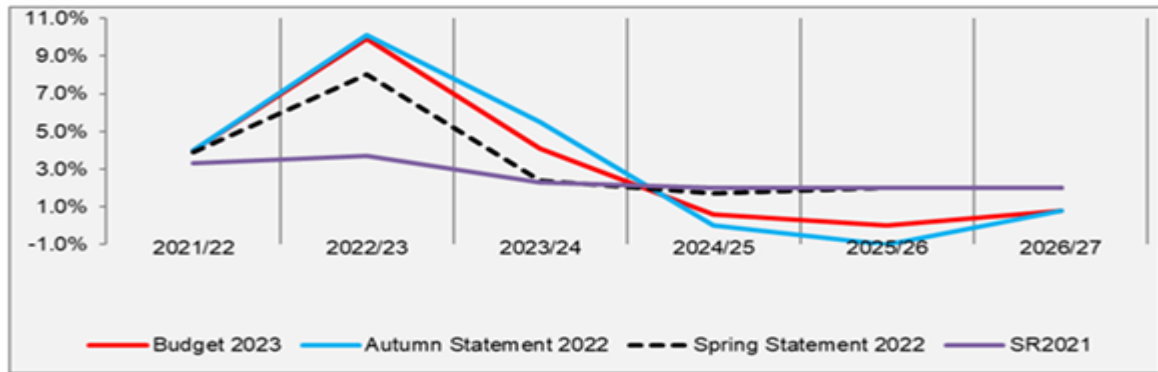
The National Picture

3. Inflation remains at an abnormally high level. The Consumer Prices Index (CPI) rose by 6.8% in the 12 months to July 2023, although down from 7.9% in June.
4. The prevailing inflation rate takes on additional significance for local government at this time of year, with the September CPI figure (announced in October 2023) being used to inflate the 2024/25 Spending Funding Assessment (SFA) figure and potentially also be used for other Specific Grants. The increase in the SFA figure impacts via allocations provided for Revenue Support Grant and either business rates income or multiplier cap compensation grant.
5. At the Spring Budget projections had inflation falling to 4.1% during 2023/24 (extract from the Spring Budget 2023 briefing is shown below). This is lower than current forecasts, which also evidences how difficult it is to predict and forward plan financially in such an unpredictable fiscal environment.

Table A2 CPI Inflation Forecasts

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Spring Budget 2023	4.0%	9.9%	4.1%	0.6%	0.0%	0.8%
Autumn Statement 2022	4.0%	10.1%	5.5%	0.0%	-1.0%	0.8%
Spring Statement 2022	3.9%	8.0%	2.4%	1.7%	2.0%	2.0%
Spending Review 2021	3.3%	3.7%	2.3%	2.0%	2.0%	2.0%

Figure A2 CPI Inflation Forecasts



6. This year there has been very little communicated as yet regarding the Autumn statement and Local Government Financial Settlement (LGFS). It has become common practice in recent years for central government to make and communicate decisions extremely late in the budget-setting cycle. Given the impending general election, it is broadly considered likely that any settlement will be, once again for a single year and potentially late on in the process, making it difficult to plan for the medium term.

MSDC Historical Position

7. A summary of the latest Medium Term Financial Plan approved by the Council on 1 March 2023 is shown below:

	Year 0	Year 1	Year 2	Year 3	Year 4
	2022/23	2023/24	2024/25	2025/26	2026/27
	£'000	£'000	£'000	£'000	£'000
Service Net Expenditure*	17,707	19,820	20,405	21,042	21,776
<i>*include £20k annual balance unallocated</i>					
Funded by:					
Council Tax	(11,404)	(11,983)	(12,475)	(12,979)	(13,494)
Rates Retention Scheme (RRS) funding	(5,146)	(6,170)	(6,470)	(4,275)	(4,446)
HB Admin Grant	(315)	(219)	(315)	(315)	(315)
Government Grants	(246)	(628)			
Collection Fund:					
Council Tax deficit / (surplus)	(175)	(191)			
Rates Retention Scheme deficit / (surplus)	4,440	515			
Contribution Equalisation Reserve (including s31 Grant)	(4,440)	(515)			
Use of Treasury Management Interest to balance budget	(240)	(629)	(540)	(240)	(240)
Use of General Reserve to balance budget	(181)				
Total Financing	(17,707)	(19,820)	(19,800)	(17,809)	(18,495)
Cumulative Balance; deficit / (surplus)	0	0	605	3,233	3,281

8. The Council is required to set a balanced budget for at least the next financial year. As noted above setting a balanced budget into the medium return is difficult given the continued 1-year LGFS.

Council Tax

9. The Autumn Statement of 2022 announced a change in allowable increases to Council Tax before referendum, from 2% to 3%, or £5, whichever is higher. Historically the Council has taken the £5 approach. Due to its low council tax base this meant above 2% increases.
10. The MTFP included therefore a 2.75%, or £4.95 increase in council tax for 2023/24. In line with previous forecasts, this (£4.95 annual increase) was also included for subsequent years. Subsequent year's referendum limits are confirmed within the autumn announcements.

New Homes Bonus (NHB)

11. The long-term future of the NHB has been consulted upon. Decisions on the future of the scheme have not yet been issued. The Government can continue the scheme as is, modify or end the scheme.
12. As the position is currently uncertain, the authority does not budget to receive NHB. Should it be received best practice is to place in a reserve to support financial robustness and sustainability or for specific (to be agreed) purpose(s).

Funding Reform and Business Rate Retention (BRR) scheme

13. Income from retained business rates looks to be stable for 2024/25. The following year there is predicted to be a fall in income. This is due to a potential reset of the business rate baseline. As with NHB, it is unclear if this will happen and if it will be in 2025/26.
14. It should be noted that planning for funding reform impacts, which could be severe, is challenging in light of an impending general election and the resultant impacts.

Council Tax Base

15. The S151 Officer will, in conjunction with Officers in Revenues and Benefits, set the tax base at 30 November, based on formula requirements. Our current forecast is an increase of 1.4% for next year and on.

Treasury Management

16. The continued increased inflation levels and subsequent interest rates allowed the 2023/24 budget to be supported by windfall returns being realised on investments. The 2022/23 outturn presents the opportunity to set it aside and deal with the currently projected budget gap for 2024/25 without having to look to a savings exercise.
17. The ongoing treasury position will be kept under review.

Inflation

18. The impact of inflation on contracts and wages will be reviewed and considered in light of the best information available. The continued higher than previously anticipated levels, however, are likely to add significant additional pressure to the MTFP.

19. This will also include a review of fees and charges with options and recommendations provided through the budget-setting cycle.

Adequacy of Budgets

20. The exercise of Services reviewing budgets has already started and will also feed into the overall corporate plan and budget considerations.

21. There are a number of pressures emerging including contract and wage inflation, staffing pressures, service development and enhancement, and economic and financial sustainability.

Next Steps

22. Appendix A of this report is the timetable for the setting of the budget going forward.

Policy Context

23. Setting a financial strategy and understanding the environment within which the authority operates is a fundamental requirement in preparing the annual Corporate Plan and Budget. The strategy and supporting service plans will be informed by the Council's agreed corporate policies in the usual way.

Financial Implications

24. The entire report deals with the financial issues.

Risk Management Implications

25. The forecasts contained are based on the best information available to the Council at this time and have been subjected to an appropriate level of due diligence to ascertain that the financial position is as described.

Equality and Customer Service Implications

26. The impact assessment has been on the subjects covered by this report; these will be drawn up and considered when such decisions are implemented.

Sustainability Implications

27. None

Other Material Implications

28. None

Background Papers

None

APPENDIX A**2024/25 Budget Time-Table**

Action	Date
Budget Guidelines for 2024/25 Report to Cabinet	11 Sept 2023
Audit Committee agree Capital Strategy and Treasury Management Policy for recommendation to Council.	28 November 2023
Council Tax base set 2024/25 by	8 December 2023
Draft Corporate Plan and Budget 2024/25 Published	12 December 2023
Scrutiny (People and Communities) consider Draft Corporate Plan & Budget report	24 January 2024
Cabinet consider Draft Corporate Plan & Budget report and Scrutiny Comments	5 February 2024
Council to agree Budget	28 February 2024