

<b>Report To:</b>	<b>COUNCIL</b>
<b>Date:</b>	<b>4 MARCH 2024</b>
<b>Heading:</b>	<b>ANNUAL BUDGET AND COUNCIL TAX 2024/25 AND MEDIUM-TERM FINANCIAL STRATEGY UPDATE</b>
<b>Portfolio Holder:</b>	<b>CLLR RACHEL MADDEN – EXECUTIVE LEAD MEMBER FOR FINANCE, REVENUES AND BENEFITS</b>
<b>Ward/s:</b>	<b>ALL</b>
<b>Key Decision:</b>	<b>YES</b>
<b>Subject to Call-In:</b>	<b>YES</b>

## **Purpose of Report**

This report sets out the proposed:

- 2024/25 Annual Revenue (General Fund) and Housing Revenue Account (HRA) Budgets and the Capital Programme for 2023/24 to 2027/28;
- 2023/24 In-Year Revised Budgets (HRA and Capital);
- 2024/25 Proposed District Council Tax;
- 2024/25 Proposed Capital Strategy; and the
- 2024/25 Proposed Treasury Management Strategy

The report also sets out the estimated financial challenge in the Medium-Term Financial Strategy (MTFS) for 2024/25 to 2026/27, the Chief Finance Officer’s advice regarding the robustness of the estimates included in the proposed 2024/25 Budget and the adequacy of reserves for which the proposed budget provides.

## **Recommendation(s)**

### **That Council:**

- 1. Approves a £5.92 annual increase in the level of the District's own Council Tax for 2024/25, setting the Band D equivalent at £207.13. This represents a 2.94% increase compared with 2023/24.**
- 2. Approves the proposed 2024/25 Revenue (General Fund) and HRA Budgets as set out in this report. (Sections 3 and 4).**
- 3. Approves the proposed Capital Programme and associated borrowing 2023/24 to 2027/28 as set out in this report. (Section 5 and Appendix 1).**
- 4. Approves the 2023/24 Revised HRA and Capital Budgets as set out in this report. (Sections 4 and 5 and Appendix 1).**
- 5. Notes the estimated financial challenge in the Medium-Term Financial Strategy (MTFS) for 2025/2026 to 2026/27 and the planned approach to address the challenge. (Section 6).**
- 6. Approves the proposed use of reserves as set out in this report. (Table 6 (General Fund) and Table 9 (HRA)).**
- 7. Notes and accepts the comments and advice of the Corporate Resources Director (Section 151 Officer), provided in compliance with Section 25 of the Local Government Act 2003, as to the robustness of the estimates included in the 2024/25 Budget and the adequacy of the reserves for which this budget provides. (Section 7).**
- 8. Notes that the proposed 2024/25 budgets reflect the agreed changes to Fees and Charges approved by Cabinet on 29th January 2024.**
- 9. Notes and approves the proposed 2024/25 Capital Strategy (Appendix 2).**
- 10. Notes and approves the proposed 2024/25 Treasury Management Strategy (Appendix 3).**

## **Reasons for Recommendation(s)**

In accordance with the Local Government Finance Act 1992 the Council must set its annual budget by 10<sup>th</sup> March in the preceding financial year.

## **Alternative Options Considered**

*(with reasons why not adopted)*

The District Council is able to set a Council Tax increase of up to the greater of 3.00% or £5 per annum without triggering a referendum. The proposal is to apply the £5.92 (2.94%) annual increase to the level of District Council Tax for 2024/25. The Council, like all businesses, has seen significant inflationary increases to its pay, energy, fuel and contracts costs in recent months and this is set to continue. The Council also has a significant estimated funding gap for 2025/26 and beyond and this proposed modest Council Tax increase will, with its compounding effect, help to mitigate future funding pressures. The proposed increase also recognises the recommendation in relation to increasing Council Tax from the Local Government Association Finance Health check undertaken in December 2021.

Careful consideration has been given to each of the proposed investments and savings included in this report. The investments proposed will support the Council in delivering its Corporate Plan priorities and achieving a balanced budget. The proposed savings will increase the efficiency of the Council with minimal adverse impact on residents and customers.

## **Detailed Information**

### **1. Background and Economic Context**

- 1.1 Since 2010 Local Government has seen an unprecedented reduction in the level of funding from Central Government. Local Government financing remains very challenging with a number of Councils issuing Section 114 Notices or indicating they are on the brink of doing so. Ashfield District Council is not one of those Councils but we are mindful of the potential significant changes (expected reductions to core Central Government funding) likely to materialise when Local Government Funding Reform is implemented, and this has to be responsibly planned for.
- 1.2 Despite the significant year on year reduction in funding this Council has a proven track record of setting a robust annual budget and delivering an Outturn within the budget set. However, despite this good financial performance the Council does face further financial challenges, compounded by the current levels of inflation in the economy which have created a cost of living crisis, and which it will need to address into the medium and longer term.
- 1.3 Although this report contains proposals to balance the 2024/25 revenue budget it is essential that the Council's senior management continues to work with the Cabinet to identify and agree options to address the estimated financial challenge in the Medium-Term Financial Strategy for 2025/26 and beyond; ensuring the Council remains a 'Going Concern' and has a sustainable future.
- 1.4 The proposed 2024/25 Budget reflects the impact of both the Provisional and Final Local Government Finance Settlements. The Government has again provided only a one-year Funding Settlement for 2024/25 which will be a General Election year. This again significantly compromises all Councils' ability to effectively financially plan into the medium term.

1.5 The proposed revenue and capital budgets included in this report will facilitate the delivery of the Council's Priorities as set out in the new Corporate Plan 2023-2027. The significant Capital Schemes currently being delivered across Ashfield will increase economic growth and attract more inward investment, making the District a more inviting, exciting and prosperous place for our residents, businesses and visitors.

## **2. District Council Tax 2024/25**

- 2.1 Ashfield District Council is proposing a £5.92 annual increase to its own Council Tax. This would set the District's Council Tax level (Band D equivalent property) at £207.13 for 2024/25; this represents a 2.94% increase. As most properties in the District are in Bands A and B they will see a much smaller annual increase than £5.92.
- 2.2 This proposed District Council Tax increase is reflected in the proposed Annual Revenue Budget for 2024/25 shown in Section 3, Tables 4 and 5.
- 2.3 Based on the number of Band D equivalent properties in the 2024/25 Council Tax Base (34,524.5) and a District Council Tax of £207.13, this will generate District Council Tax income of £7.151m for 2024/25.
- 2.4 The proposal to increase the District Council Tax is consistent with the recommendation from the Local Government Association's Finance Health check undertaken in December 2021.
- 2.5 The Council like all businesses has seen significant inflationary increases over the last year causing a cost of living crisis for the nation. This modest increase will assist the Council in mitigating some of the financial pressures this has created. However, the Council also recognises that we need to protect our most financially vulnerable residents at this difficult time and so to mitigate this, the Council is proposing to again extend its Council Tax Support Scheme up to the maximum level for those residents eligible for this support.
- 2.6 Table 1 below shows the impact of the proposed annual £5.92 increase on properties in each Council Tax band in the Ashfield District. The table also shows the percentage of properties in each Band in Ashfield, and within each Band the percentage of households receiving full or partial support through our Council Tax Support Scheme.

73% of our residents live in a Band A or Band B property so will see an average increase in their District Council Tax of 8 pence per week, and 37% of those in Band A and Band B properties will receive full or partial support through the Council's up to 100% maximum Council Tax Support Scheme.

In addition to the above a significant number of homes receive a 25% Single Person Discount: Band A: 44% of homes, Band B: 31%, Band C: 25%, Band D: 16% Band E: 15%, Band F: 10%, Band G: 17% and Band H: 0%.

**Table 1 – Proposed Council Tax Increase and Council Tax Support by Band**

Council Tax Property Band	Annual increase in District Council Tax	Weekly increase in District Council Tax	% of Properties in the Band	% of Properties in the Band receiving full or partial Council Tax Support
A	£3.95	8 pence	53%	27%
B	£4.60	9 pence	20%	10%
C	£5.26	10 pence	16%	6%
D	£5.92	11 pence	8%	3%
E	£7.24	14 pence	3%	2%
F	£8.55	16 pence	1%	1%
G	£9.87	19 pence	0%	3%
H	£11.84	23 pence	0%	0%

### 3. Annual Revenue Budget 2024/25

- 3.1 The proposed 2024/25 Annual Revenue Budget includes a number of Investments, Savings/Efficiencies and additional income generation. These are set out in Tables 2 and 3 below.
- 3.2 The proposed Revenue Budget is based on the Council's approved staffing structure from April 2024 and assumes a budgeted 5% pay increase for staff for 2024/25 (still yet to be determined). If the pay award is settled at less than 5% budgets will be reduced accordingly. If the pay award is settled at above 5% budgets will be adjusted accordingly with the funding being transferred from the General Reserve. (For the General Fund a +/-1% variation equates to £203k). Energy costs (Gas and Electricity) for 2024/25 have been budgeted for in accordance with advice from the Council's Energy team. There have been significant reductions to the energy costs for 2024/25 compared with 2023/24. These are reflected in the savings tables in the report. The proposed 2024/25 Budget also includes any revenue implications from the proposed Capital Programme yet to be approved by Council on 4th March 2024.

**Table 2 – Investments 2024/25 and 2025/26**

Investment	Detail	Link to Corporate Priorities / Themes	2024/25 £'000	2025/26 £'000
Training and Development	Additional investments aligned to the implementation of Decision Making Accountability (DMA) and to assist with the development of staff for recruitment and retention purposes (Employer of Choice).	Innovate and Improve / Invest to Save / People Focussed	78	23

Events	Increased and improved Events Programme for residents, including Christmas Illuminations. (Contracts out to tender)	Economic Growth and Place / People Focussed	TBD	TBD
Infrastructure Grants	Additional one-off support for Our Centre and Ashfield Voluntary Action to recognise additional demand and inflation pressures on the services they provide to our vulnerable residents.	Safer and Stronger / Invest to Save / People Focussed	9	0
Corporate Policy & Performance (GF share)	Additional resource following the Service Review to support service monitoring and improvement, with a focus on delivering the objectives in the Corporate Plan 2023-2027	Innovate and Improve	95	95
Corporate Communications Service (GF share)	Additional resource following the outcome of a Service Review aligned to effective and timely communications in respect of corporate objectives and projects delivery.	Innovate and Improve	46	46
Asset Management	Local Authority Energy Plan across the Devolved area (Nottinghamshire and Derbyshire). Exploration of potential pathways and considering a range of technologies and scenarios which, when combined with stakeholder engagement, leads to the identification of the most cost-effective preferred pathway and sequenced plan of proposed actions to achieving an area's net zero goal. (One off funding from reserves – deferred from 2023/24).	Cleaner and Greener / Decarbonisation / Carbon Net Zero 2050	82	0
Customer Services	Improved accessibility to Customer Services	Innovate and Improve / Invest to Save / People Focussed	4	4
<b>TOTAL</b>			<b>314</b>	<b>168</b>

**Table 3 – Savings/Efficiencies 2024/25 and 2025/26**

<b>Saving / Efficiency</b>	<b>Detail</b>	<b>Link to Corporate Priorities / Themes</b>	<b>2024/25</b>	<b>2025/26</b>
			<b>£'000</b>	<b>£'000</b>
Council Wide Base Budget Review	Line by line review of all service budgets to realign to service budget requirements.	Innovate and Improve / Invest to Save	-486	-486
Regeneration	Savings generated from the review of the Service during 2023/24	Innovate and Improve / Invest to Save	-1	-1
Revenues & Benefits	Renegotiated contract with Civica for the Revenues and Benefits system	Innovate and Improve / Invest to Save	-82	-82
<b>TOTAL</b>			<b>-569</b>	<b>-569</b>

3.3 Factoring in the above proposed Investments and Savings/Efficiencies, the proposed Annual Revenue Budget for 2024/25 is shown in Table 4 below:

**Table 4 – Annual Revenue Budget by Directorate 2024/25**

<b>Directorate</b>	<b>£'000</b>
Place	4,716
Transformation	1,052
Governance	2,710
Operations	7,664
Chief Executive	770
<b>Sub Total - Directorates</b>	<b>16,912</b>
Net Recharges In/Out	-3,486
Borrowing & Capital Financing Costs	3,553
Net Interest Receivable	-135
Transfers to Earmarked Reserves	808
<b>TOTAL</b>	<b>17,652</b>

3.4 Table 5 below shows how the proposed 2024/25 Annual Revenue Budget is funded:

**Table 5 – Funding the 2024/25 Annual Revenue Budget**

<b>Funding Source</b>	<b>£'000</b>
New Homes Bonus	-368
Revenue Support Grant	-423
Funding Guarantee	-538
Services Grant	-27
Net Business Rates / Section 31b Grants	-8,968
District Council Tax	-7,151
Council Tax Collection Fund Surplus	-95
Use of Earmarked Reserves (Confirmed)	-82
Use of General Reserve	0
<b>TOTAL</b>	<b>-17,652</b>

### 3.5 General Fund Earmarked Reserves

Table 6 below shows the planned movement in General Fund Earmarked Reserves:

**Table 6 – Known and Planned Movement in General Fund Earmarked Reserves**

<b>Movement on Earmarked Reserves</b>	<b>Balance as at 1st April 2023</b>	<b>Transfer to Reserve 2023/24</b>	<b>Transfer from reserve 2023/24</b>	<b>Expected Balance as at 31st March 2024</b>	<b>Budgeted Transfer to Reserve 2024/25</b>	<b>Budgeted Transfer from Reserve 2024/25</b>	<b>Expected Balance as at 31st March 2025</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
District Planning Inquiry / Local Plan	201	0	(73)	128	0	0	128
Elections	152	84	(207)	29	54	0	83
Asset Repair & Renewal Reserve	640	0	(174)	466	0	0	466
Joint Crematorium Reserve	635	0	0	635	0	0	635
Insurance Related Funds	340	75	(14)	401	75	0	476
Revenue Grant Reserve	3,164	0	(50)	3,114	0	0	3,114
NNDR Equalisation Reserve	5,982	0	0	5,982	0	(1,209)	4,773
Supported Housing Reserve	53	0	(6)	47	0	0	47



Corporate Transformation Reserve	1,048	150	(403)	795	150	0	945
Commercial Property Investment Reserve	4,200	200	0	4,400	0	0	4,400
Economic Development & Place Reserve	252	0	(140)	112	0	0	112
Legal Reserve	25	10	0	35	10	0	45
Winter Maintenance	15	5	0	20	5	0	25
Commercial Property Dilapidations Reserve	30	10	0	40	10	0	50
Covid Reserve	381	0	(381)	0	0	0	0
Licensing Reserve	248	0	(198)	50	0	0	50
Selective Licensing Reserve	73	0	0	73	0	0	73
IT Reserve	15	10	0	25	10	0	35
Leisure Maintenance Reserve	1,142	290	(28)	1,404	494	0	1,898
<b>Total</b>	<b>18,596</b>	<b>834</b>	<b>(1,674)</b>	<b>17,756</b>	<b>808</b>	<b>(1,209)</b>	<b>17,355</b>

### 3.6 Proposed transfers to Reserves

The proposed transfers to Earmarked Reserves for 2024/25 are:

- £54k to Elections reserve which includes an annual contribution to the 4 yearly District elections and a contribution towards costs of potential future By-elections.
- £75k annual contribution to the General Fund Insurance Reserve to meet costs of self-insurance.
- £35k transfer to the reserves; Legal (£10k), IT (£10k), Winter Maintenance (£5k) and Commercial Property Dilapidations (£10k).
- £494k transfer to the Leisure reserve to recognise income that would be received in year which needs to be matched with borrowing expenditure in later years.
- £150k to the Corporate Transformation Reserve to provide resource to implement key projects which will deliver service improvements to customers and wider stakeholders and deliver both cashable and non-cashable efficiencies at the earliest opportunity.

### 3.7 Proposed transfers from Reserves

The proposed transfers from Earmarked Reserves for 2024/25 are:

- £82k to fund the one-off investment into the Local Authority Energy Plan included in Table 2 – Investments.
- £1.127m from the Business Rates Equalisation Reserve to fund timing differences on the forecast outturn position on the Collection Fund.

### 3.8 General Reserve

As at 31<sup>st</sup> March 2023 the balance on the General Reserve was £9.234m. **The proposed Revenue Budget for 2024/25 assumes that no funding is required from the General Reserve.**

## 4. Housing Revenue Account (HRA)

4.1 Local housing authorities are required by Section 74 of the Local Government and Housing Act 1989 (the 1989 Act) to keep a Housing Revenue Account (HRA). The HRA reflects a statutory obligation to account separately for local authority housing provision. It identifies the major elements of housing revenue expenditure such as maintenance, administration, and contributions to capital costs and how these are funded, mainly being from housing rent.

4.2 The proposed 2024/25 Annual HRA Budget includes a number of investments and these are set out in Table 7 below.

4.3 The proposed budget includes provision for funding for increments and contractual inflation. The 2024/25 Budget also includes any revenue implications from the proposed Capital Programme yet to be approved by Council.

**Table 7 – Proposed HRA Investments 2024/2025**

<b>Investment</b>	<b>Detail</b>	<b>Link to Corporate Priorities / Themes</b>	<b>2024/25</b>	<b>2025/26</b>
			<b>£'000</b>	<b>£'000</b>
Regulator Fee - Social Housing (Regulation) Act 2023	Regulator Social Housing remit and powers are expanding to include proactive consumer regulation in the light of the Social Housing (Regulation) Act 2023.	Homes & Housing	53	53
Training - Social Housing	Professional Housing Qualifications required	Homes & Housing /	30	30

(Regulation) Act 2023	under the new regulations.	People Focussed		
Corporate Policy & Performance (HRA share)	Additional resource following the Service Review to support service monitoring and improvement, with a focus on delivering the objectives in the Corporate Plan 2023-2027	Innovate and Improve	41	41
Corporate Communications Service (HRA share)	Additional resource following the outcome of a Service Review	Innovate and Improve	18	18
<b>TOTAL</b>			<b>142</b>	<b>142</b>

#### 4.4 2023/24 Revised HRA Budget and Proposed 2024/25 HRA Budget

**Table 8 - Revised HRA budget for 2023/24 and the proposed HRA Budget for 2024/25.**

<b>Description</b>	<b>2023/24 Revised Budget</b>	<b>2024/25 Original Budget</b>
	<b>£'000</b>	<b>£'000</b>
<b>Income</b>		
Rents, Charges and Contributions	(28,221)	(30,581)
Interest and investment income	(700)	(700)
Total Income	(28,921)	(31,281)
<b>Expenditure</b>		
Repairs and Maintenance	8,797	9,653
Supervision and Management	5,504	5,276
Interest payable and similar charges	3,548	3,548
Rents, Rates, Taxes and other charges	161	176
Depreciation and impairments of fixed assets	4,173	4,692
Debt Management Costs	44	44
Contribution to the Bad Debt Provision	200	200
Transfer to Major Repairs Reserve	0	8,722
Capital expenditure funded by the HRA	7,346	4,736
Total Expenditure	29,773	37,047
<b>Net Cost of HRA Services</b>	<b>852</b>	<b>5,766</b>

The main changes to the above budget for 2024/25 are:

- Increased Rental income from tenants for the approved new charges in rents, amenity and service charges approved by Cabinet on 29 January 2024.
- The Repairs and Maintenance section of the budget has increased due to the pay award in 2023/24 and increased pay estimates for 2024/25, sub-contractor inflation and materials cost increases.
- The Supervision and Management section of the budget has decreased with the removal of the one-off 2023/24 survey and energy investment. Reductions in utility prices has also resulted in reduced budgets. There have been increases in budgets due to the higher than originally budgeted pay award in 2023/24 and increased pay estimates for 2024/25 (now 5%) and increased costs in relation to ensuring compliance with the Social Housing Act 2023.
- Transfer to Major Repairs Reserve due to the collapse of the main contractor in 2023/24 resulting in the planned works programme being pushed back into future years.
- Capital expenditure funded by the HRA is lower in 2024/25 reflecting the current level of approved developments of affordable housing. This figure will probably increase in the next financial year when further developments are approved.

The 2023/24 Revised Budget above includes the proposed HRA Capital Scheme budget changes for 2023/24 proposed in Section 5 of this report.

4.5 The HRA uses a sophisticated 30-year business planning model. This enables the impact of various changes in income and expenditure to be monitored across a 30-year timespan.

Whilst there is not an immediate risk to the HRA within the short term the Council must be mindful that savings are required within the service itself and from those services and funds that receive contributions from the HRA as well as a potential need to scale back capital investment within existing properties. Housing services have continued to make year on year savings within its operating and capital budgets.

#### 4.6 Possible Future impacts on the HRA

##### Social Housing Regulation Act 2023

Social Housing (Regulation) Act 2023 received Royal Assent on 20th July 2023. This followed the Social Housing White Paper published 17th November 2020 which included proposals to introduce new primary building safety legislation and a new Decent Homes Standard.

An action plan was reported to Cabinet in December 2021, updated in June 2022 and January 2024. The action plan highlights the areas within the White Paper and specific Consumer Standards that are being met and identifies gaps where service areas will need to ensure work continues to remain compliant. Further additional posts may be required once more of the regulations unfold following legislation being approved with an implementation date highly likely to be from the start of the 2024/25 financial year.

## Carbon Net Zero by 2050

Under legislation passed in 2019, the UK is legally obliged to reach net-zero carbon emissions by 2050. There are a wide variety of factors that could influence how much it will eventually cost to retrofit the entire housing stock to zero-carbon standards. The age and composition of stock, existing maintenance plans and the cost of technology are all factors going forward. Based on £20,000 costs per property for carbon net zero by 2050 and without Government funding the carbon net zero target cannot be met within the current self-financing model of the HRA.

### 4.7 HRA Earmarked Reserves

Table 9 below shows the already approved movements in the HRA earmarked reserves in 2023/24 and 2024/25:

**Table 9 – HRA Earmarked Reserves**

<b>Movement on Earmarked Reserves</b>	<b>Balance as at 1st April 2023</b>	<b>Transfer to Reserve 2023/24</b>	<b>Transfer from reserve 2023/24</b>	<b>Balance as at 31st March 2024</b>	<b>Transfer to Reserve 2024/25</b>	<b>Transfer from Reserve 2024/25</b>	<b>Balance as at 31st March 2025</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Revenue Grants Reserve	45	18	(9)	54	0	(10)	44
Eco Funding Reserve	243	0	0	243	0	(130)	113
Insurance Reserve	124	30	(30)	124	30	(30)	124
Technology Investment	26	0	0	26	0	(26)	0
Welfare Reform Reserve	140	0	(50)	90	0	(50)	40
<b>Total</b>	<b>578</b>	<b>48</b>	<b>(89)</b>	<b>537</b>	<b>30</b>	<b>(246)</b>	<b>321</b>

### 4.8 Planned Movement in HRA Earmarked Reserves 2024/25

Revenue Grants Reserve – This will be utilised for Tenant Survey Measures and surveys.

Eco Funding Reserve – This reserve was set up to fund future carbon saving and renewable energy works. Proposals in this area include works on retrofit properties which are estimated to include £130k revenue costs.

The HRA insurance reserve was established in 2016/17 to fund any damage to the Council's housing stock. All housing stock damage claims payments will be funded from the HRA insurance reserve. This has been reviewed this year and based on outstanding claims a

contribution is confirmed as required in 2023/24. This will be reviewed again at the end of 2024/25 in readiness for the next budget cycle.

The Technology Investment reserve has mainly been used installing a Dynamic Resource Scheduler, Repairs Module and Mobile licencing in housing repairs and management. This investment has produced efficiency savings from 2020 onwards that will return the initial investment over three years. The £26k balance will be used towards a Voids project scheduler and setting Awaab's Law system targets linked to prevention and treatment of damp and mould.

The Welfare Reform Reserve was created to support the planned full migration across to Universal Credit (UC) which will impact on the HRA, with the view to complete the whole process nationally by December 2024. This will require additional resources in 2024/25 to manage the large-scale increase in claimants and to provide the necessary support to complete several outstanding IT projects/work all related to Income Collection and Recovery.

## 5. Capital Programme 2023/24 to 2027/28

5.1 The proposed Capital Programme and funding is summarised in Table 10 below. Appendix 1 shows a detailed breakdown of all the schemes below.

**Table 10 – Capital Programme (2023/24 to 2027/28)**

	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	Total £'000
<b>Capital Expenditure</b>						
Area Schemes	425	413	0	0	0	838
General Fund	31,943	52,970	19,819	5,860	6,110	116,702
Housing Revenue Account	13,287	22,060	21,113	18,515	16,009	90,984
<b>Grand Total</b>	<b>45,655</b>	<b>75,443</b>	<b>40,932</b>	<b>24,375</b>	<b>22,119</b>	<b>208,524</b>
<b>Capital Financing</b>						
Developers Contributions - Area Schemes	251	403	0	0	0	654
Borrowing	0	0	0	0	0	0
Capital Receipts	64	0	0	0	0	64
Other Capital Grants and Contributions - Area Schemes	110	10	0	0	0	120
<b>Sub Total - Area Schemes</b>	<b>425</b>	<b>413</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>838</b>
Prudential Borrowing - General Fund	10,360	17,496	14,851	4,750	5,000	52,457
Direct Revenue Financing - General Fund	791	313	0	0	0	1,104
Developers Contributions - General Fund	634	0	0	0	0	634
Capital Receipts	1,455	153	0	0	0	1,608
Other Capital Grants and Contributions - General Fund	18,703	35,008	4,968	1,110	1,110	60,899
<b>Sub Total - General Fund</b>	<b>31,943</b>	<b>52,970</b>	<b>19,819</b>	<b>5,860</b>	<b>6,110</b>	<b>116,702</b>

Funded from HRA Reserves	11,283	18,202	19,633	17,035	14,529	80,682
Homes England	700	958	0	0	0	1,658
Green Homes Grants	0	0	0	0	0	0
Social Housing Decarbonisation Fund 2	49	945	0	0	0	994
Local Authority Housing Fund - second funding round	545	0	0	0	0	545
Nottingham City Council Retrofit	80	504	0	0	0	584
Future 1-4-1 Capital Receipts Funding Recently Built and New Schemes	630	571	600	600	600	3,001
Non 1-4-1 Capital Receipts	0	880	880	880	880	3,520
<b>Sub Total - HRA</b>	<b>13,287</b>	<b>22,060</b>	<b>21,113</b>	<b>18,515</b>	<b>16,009</b>	<b>90,984</b>
<b>Grand Total</b>	<b>45,655</b>	<b>75,443</b>	<b>40,932</b>	<b>24,375</b>	<b>22,119</b>	<b>208,524</b>

5.2 The above proposed Capital Programme includes all changes previously requested up to the end of December 2023 plus any further changes requested in January 2024.

### **Area Capital Programme**

5.3 These consist of mainly self-financed schemes that enhance the local environment. Developers' contributions (known as Section 106 funding) make up the largest funding source. Additional grant funding is sought wherever possible to maximise the benefit to local communities. Area schemes are included in Table 11.

**Table 11 – Area Schemes (2023/24 to 2027/28)**

	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	Total £'000
<b>Area</b>						
Hucknall Area	20	16	0	0	0	36
Kirkby Area	61	189	0	0	0	250
Sutton Area	224	208	0	0	0	432
Rural Area	120	0	0	0	0	120
<b>Total</b>	<b>425</b>	<b>413</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>838</b>
<b>Funded by</b>						
Capital Receipts	64	0	0	0	0	64
Lawn Tennis Association	52	0	0	0	0	52
Nottinghamshire County Council (NCC)	10	10	0	0	0	20
Reserves	9	0	0	0	0	9
Section 106	237	403	0	0	0	640
Taylor Wimpey	39	0	0	0	0	39
Sustainable Transport S106	14	0	0	0	0	14
<b>Total</b>	<b>425</b>	<b>413</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>838</b>

- 5.4 The significant levels of inflation is inevitably impacting the Council's Capital Programme and will continue to do so at least for the foreseeable future. The various schemes within the programme are being reviewed to try and contain costs within approved budgets. For external schemes such as Towns Fund (TF) and Future High Streets Fund (FHSF) this includes looking at the potential through Value Engineering to scale back elements of schemes where it may be appropriate to do so but also working with DLUHC to agree scheme variations with the associated funding variations for schemes, whilst containing the overall cost within the approved TF and FHSF funding envelopes.
- 5.5 Where the additional costs cannot be mitigated and/or timescales for scheme implementations are delayed, additional requests for funding will need to be sought through Council.
- 5.6 There are currently three capital schemes for which business cases are being developed and which are therefore excluded from the current Capital Programme above. These are:
- Depot Modernisation Project
  - Joint Crematorium Project
  - Food Waste Collection

Work is ongoing to look at different options and the associated costings and funding options for these schemes. Once a preferred option has been identified the schemes will be added to the Capital Programme for consideration and approval by full Council in accordance with the Council's Constitution.

Food Waste Collection will commence in Nottinghamshire from April 2027. Defra have notified the Council that £895,526 of funding has currently been allocated to Ashfield for introduction of this service. The expected cost of providing this service is currently being determined.

## 6 Medium Term Financial Strategy (MTFS) Update

- 6.1 There remains significant uncertainty around the level of resources which will be available to the Council beyond 2024/25. Local Government Funding Reform will take place in 2025/26 at the earliest. It is expected that more clarity on timescales for Funding Reform will be given once the General Election has taken place.
- 6.2 Because of the above significant uncertainty, indications of the future financial challenge for the Council (like all other Councils) will potentially be subject to considerable variation. However, based on use of the LG Futures financial model and our current estimate of expenditure required for the next three years the current estimated funding gaps are shown in Table 12 below:

**Table 12 – MTFS Estimated Funding Gap 2024/25 to 2026/27**

	2024/25	2025/26	2026/27
	£'000	£'000	£'000
Estimated Expenditure	17,652	19,057	20,757
Estimated Income	(17,652)	(17,557)	(13,793)
Estimated Cumulative Funding Gap	0	1,501	6,964
Estimated Annual Funding Gap	0	1,501	5,464



6.3 The above estimated funding gaps from 2024/25 currently include the following annual assumptions (which may change on further review) as set out in Table 13 below:

**Table 13 – Inflation Assumptions**

	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>
	<b>%</b>	<b>%</b>	<b>%</b>
Pay	5.0	4.0	3.0
Utilities – Gas, Electric, Fuel	Per Contract	5.0	5.0
Contracts	Per Contract	2.4	2.4
Insurance	Per Contract	2.0	2.0
Council Tax - inflation	2.94	0	0
Council Tax – Growth in Base (No. of Properties)	1.0	1.0	1.0

The above estimated funding gaps also assumes that there will be no future New Homes Bonus receipts.

- 6.4 The significant increase in the estimated funding gap from 2025/26 to 2026/27 represents the expected financial consequences of Local Government Finance Reform being implemented from 2026/27. This assumes no transitional funding will be provided by Central Government.
- 6.5 The Strategic Leadership Team (SLT) and Cabinet will continue to meet regularly to identify and agree options to address this estimated financial challenge in the MTFs for 2025/26 and beyond; ensuring the Council has a sustainable future.
- 6.6 Consideration will be given to options for additional income generation, the identification of efficiencies (service reviews, procurement savings, asset rationalisation, alternate service delivery models, etc.) and potential savings through Invest to Save – in particular via the Council’s Digital Transformation Programme. Once the outcome of Local Government Funding Reform is known, depending on the size of the financial challenge, consideration will need to be given to whether or not some services will need to continue to be delivered, scaled back or even ceased.
- 6.7 Consideration will also be given to the one-off use of reserves to smooth the delivery of savings to address the financial challenge over the next few years.
- 6.8 The ongoing Service Review Programme may identify in-year savings (or additional costs) and as these materialise they will be reported to Cabinet through the Budget Monitoring Reports requesting budget adjustments as appropriate. There are three reviews which are nearing completion; Fourth Tier DMA Review, Community Safety Review and Digital Services Review. As the financial impacts of these reviews is still being determined these are excluded from the proposed 2024/25 budget.

## **7. Section 151 Officer Comments**

- 7.1 Section 25 of The Local Government Act 2003 requires that the ‘Chief Financial Officer’ (the Corporate Resources Director at Ashfield District Council) reports to Council on the following matters in making decisions on the budget and financial strategy:

The robustness of the estimates made for the purposes of the calculations; and  
The adequacy of the proposed financial reserves.

It is also recognised good financial management for the Council to identify target levels for reserves and balances that are based on a thorough understanding of its risks and needs.

- 7.2 The content of this report is the mechanism by which positive assurances are made by the Corporate Resources Director about the adequacy of the proposed financial reserves.
- 7.3 The Corporate Resources Director gives his assurance that the budget estimates for 2024/25 are robust. There is a forecast deficit in future years as public sector funding is expected to get tighter and there is recognition that this will have to be addressed for the Council to remain sustainable in the longer term but that there are options available for development, consideration and subsequent implementation to do this. Early progress of any of the supported options during 2024/25 may also deliver in year savings.
- 7.4 The key fundamental principles which underpin the Corporate Resources Director's assurances are:
- Directorates manage their finances within the clearly defined cash limited budgets within this report.
  - The Council recognises the need to explore income and savings options to ensure the future financial sustainability of the organisation.
  - The General Reserves (General Fund) Minimum Balance is maintained at its current level and is not called upon for other purposes save in exceptional circumstances with the agreement of the Leader of the Council, Chief Executive and the Corporate Resources Director and approved by the appropriate body of the Council in accordance with the Constitution.

## **Implications**

### **Corporate Plan:**

The proposed 2024/25 General Fund budget, HRA Budget and the 2023/24 to 2027/28 Capital Programme reflect the priorities in the Corporate Plan.

The financial position of the HRA has a direct impact on the Corporate Plan. Sustainability of the HRA will assist in maintaining existing homes and increase the supply of affordable homes within the District in the future.

### **Legal:**

When setting the Revenue Budget and Council Tax the Council has various legal and fiduciary duties. The Council is required by the Local Government Act 1992 to make specific estimates of gross revenue expenditure and anticipated income leading to the calculation of the Council Tax Requirement and the setting of the overall Budget and Council Tax for the year. The amount of the Council Tax requirement must be sufficient to meet the Council's legal and financial commitments, ensure proper discharge of its statutory duties and lead to a balanced budget.

In exercising its fiduciary duty, the Council should be satisfied that the proposals put forward are a prudent use of the Authority’s resources in both the short and long term; that the proposals strike the right balance between the interests of Council Tax payers and ratepayers on the one hand and the community’s interests in adequate and efficient resources on the other; and that they are acting in good faith for the benefit of the community whilst complying with all statutory duties. It is believed that the proposals in this Budget Report do strike that right balance.

All capital projects require input from Legal Services in relation to contracts. The Council must ensure that robust contractual arrangements are in place, specifications are clearly defined, and it is clear which project risks are the responsibility of the Contractor and which remain with the Council. This is to avoid potential contractual disputes and to limit the potential financial impact on the Council should they arise.

The Council is required by the LGHA 1989 to have a separate Housing Revenue Account.

This report requires approval by Council as this forms part of the Council’s Budgetary Framework (Financial Regulation B.1 and Article 4 of the Constitution). [RLD 08/02/2024]

**Finance: [PH 08/02/2024].**

Budget Area	Implication
General Fund – Revenue Budget	As set out in the body and appendix of this report.
General Fund – Capital Programme	As set out in the body and appendix of this report.
Housing Revenue Account – Revenue Budget	As set out in the body and appendix of this report.
Housing Revenue Account – Capital Programme	As set out in the body and appendix of this report.

**Risk:**

Risk	Mitigation
That the budget set may be insufficient to provide the required services and subsequently services overspend.	Monthly budget monitoring arrangements are in place with reports produced monthly from June onwards for SLT and periodically for Cabinet. Any pressures and potential mitigation of pressures is included in these reports.
The funding assumptions for the level of central Government funding from 2025/26 in the MTFS may vary once known.	There is significant uncertainty around the level of central Government funding beyond 2024/25. However, the assumptions included in this report are prudent. As clarity is provided on future funding this will be reported through to SLT and Cabinet and the MTFS updated accordingly.

**Human Resources:**

There are no direct HR implications contained in this report.

## **Environmental/Sustainability**

There are no environment/sustainability implications resulting from the recommendations detailed in this report.

### **Equalities:**

Projects within the Capital Programme will ensure that as far as possible Council buildings and facilities are accessible, to enable all users to access Council services. In addition, the various projects within the Council's Digital Transformation Strategy will ensure that individual customer needs are optimised and include Equality Impact Assessments to inform policy and decision-making.

### **Other Implications:**

None

### **Reason(s) for Urgency**

Not Applicable

### **Reason(s) for Exemption**

Not Applicable

### **Background Papers**

2024/25 Council Tax Base report  
Housing Rents report 2024/25 – Cabinet 29 January 2024  
Final Local Government Settlement – 5th February 2024  
Budget and Council Tax 2023/24 Report – Council 2nd March 2023  
CIPFA – The Prudential Code for Capital Finance in Local Authorities 2017

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