



Council name	COTSWOLD DISTRICT COUNCIL
Name and date of Committee	CABINET – 02 NOVEMBER 2023
Subject	2024/25 BUDGET STRATEGY AND MEDIUM-TERM FINANCIAL STRATEGY (MTFS) UPDATE
Wards affected	All
Accountable member	CLlr Mike Evemy, Deputy Leader and Cabinet Member for Finance Email: mike.evemy@cotswold.gov.uk
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Summary/Purpose	This report sets out the Budget Strategy to support the preparation of the 2024/25 revenue and capital budgets and presents an updated Medium Term Financial Strategy forecast.
Annexes	Annex A – Draft Medium Term Financial Strategy (MTFS) 2024/25 to 2027/28 Annex B – MTFS Scenarios and Modelling Annex C – Draft Capital Programme and Capital Financing Statement 2024/25 to 2027/28 Annex D – Economic commentary
Recommendation(s)	That Cabinet resolves to: <ol style="list-style-type: none">1. Approves the 2024/25 Budget Strategy as outlined in Section 4 of the report.2. Notes the forecast surplus on the General Fund revenue budget in 2024/25 and proposed transfer to the Financial Resilience Reserve.
Corporate priorities	<ul style="list-style-type: none">• Deliver the highest standard of service
Key Decision	NO
Exempt	NO
Consultees/ Consultation	N/A



1. EXECUTIVE SUMMARY

- 1.1 The Council approved its Medium-Term Financial Strategy (MTFS) and set the budget for the 2023/24 financial year on 15 February 2023. This Report sets out the Council's Budget Strategy for 2024/25 and provides an update to the MTFS forecast position.
- 1.2 **A significant budget gap was identified in the February 2023 MTFS.** The indicative position outlined for 2024/25 through to 2026/27 is an unfunded budget gap of £5.053m, as reported to Council in February 2023. It was noted at the time that a revised approach to savings and transformation was required given the cumulative budget gap forecast over the MTFS period. With the challenging economic environment, the unfunded budget gap can be expected to have increased over the last 6 months.
- 1.3 Ensuring financial sustainability is one if not the key issue facing all local authorities currently. Reductions in the core long-term funding Councils have received over the last decade, continued uncertainty around the timing and impact of proposed local government finance reforms (previously referred to as the Fair Funding Review), and the impact of higher levels of inflation and interest rates all contribute to the pressure on the Council's continued financial sustainability position.
- 1.4 The uncertainty around local government finance reforms, which have already been delayed several times since April 2020, and the prospect of a general election within the next year (no later than January 2025) makes it difficult to forecast the Council's financial prospects over the medium-term.
- 1.5 Inflation and Interest rates have been at a higher than anticipated level throughout the current financial year and increases the pressure on the Council's finances.
- 1.6 With a budget gap for 2024/25 forecast in the February 2023 MTFS and additional pressures as set out in Section 3 of the report, the budget strategy provides the framework for the Council and its service delivery partners when assessing funding priorities.
- 1.7 Having a clear set of budget principles for the Council to accept and work toward helps a clear framework on the journey to setting a balanced budget for the forthcoming year. These are set out in paragraph 4.4 of the report and cover the Council's Best Value Duty, approach to reserves, full cost recovery through fees and charges, and capital investment priorities.
- 1.8 An indicative level of funding for 2024/25 was set out in 2023/24 Local Government Finance Settlement (Final) that was published in February 2023. Assumptions on funding have been reviewed for the purposes of the MTFS update but remain uncertain. No significant change to the level of funding is anticipated.
- 1.9 The 2024/25 Budget estimate for Council Tax assumes an increase in the number of dwellings liable for Council Tax (i.e., a 1% increase in the Taxbase) and a £5 increase in a Band D charge



for Council Tax. This falls within the permissible level of increase before triggering a local referendum and equates to an increase less than 10 pence per week for a Band D property.

- 1.10 Forecasting business rates income is complex with the impact of the external economic environment, additional reliefs, and the impact from the April 2023 revaluation contributing to the level of uncertainty around forecasts for the medium-term.
- 1.11 An updated estimate has been included in this MTFS of £4.989m based on modelling undertaken by Pixel Consulting representing an increase of £0.614m over the current year's forecast. Whilst this estimate has been included in the MTFS it is prudent to consider the overall level of resources (Council Tax plus Government Funding) and apply a degree of damping to avoid over estimation.
- 1.12 With no consultation on New Homes Bonus it can be expected that a further year's funding will be provided to local authorities.
- 1.13 Table ESI below includes the budget pressures that have been included in the draft revenue budget and MTFS.

Table ESI – Budget Pressures

Budget Pressure	Detail	2024/25 (£'000)	2025/26 (£'000)	2026/27 (£'000)	2027/28 (£'000)
Commercial Property Income	Assumption that over MTFS period income from commercial property investments reduces due to market/asset management decisions	100	200	300	300
External Audit scale fees	Increase in the external audit scale fee effective from April 2024 - 151% increase	82	82	82	82
Income pressures	Income pressures identified in Q1 2023/24 - Building Control, Land Charges	200	200	200	200
TOTAL		382	482	582	582

- 1.14 Table ES2 below sets out the initial cost reduction and income generation proposals that have been developed as part of this MTFS update. Further work will be undertaken over the budget setting process to refine the proposals and to consider additional items as they are identified through the detailed review of Publica and Ubico service delivery budgets, and through the Cabinet Transform Working Group.



Table ES2 – Savings Proposals

Proposal	Assumption	2024/25 (£'000)	2025/26 (£'000)	2026/27 (£'000)	2027/28 (£'000)
Specific proposals					
Car Park Tariffs - Pay & Display fees	Car Park tariffs were last reviewed April 2022	(375)	(500)	(625)	(750)
Car Park Tariffs - Sunday Charging	Proposal to remove free parking provision on Sundays	(100)	(105)	(110)	(116)
Garden Waste Fee - Recovery of costs	Inflationary impact on service costs for 2024/25 recovered through the annual Garden Waste fee	(147)	(258)	(369)	(480)
Waste & Recycling Collections	Review of Waste & Recycling rounds - focus on efficient use of resources	(375)	(500)	(500)	(500)
Savings Targets					
Publica contract	Indicative further cost reduction target - to be confirmed February 2024	(344)	(623)	(623)	(623)
Ubico contract	Indicative further cost reduction target - to be confirmed February 2024	(150)	(250)	(350)	(500)
TOTAL		(1,491)	(2,236)	(2,577)	(2,969)

1.15 The draft MTFS shown in Table ES3 and Annex A is based on the most credible assumptions and forecasts of income and expenditure over the next 4 years. The uncertainty around the timing and impact of local government finance reforms makes it difficult to estimate with certainty the likely budget gap that the Council will need to close by 2026/27. However, whilst this outcome is uncertain, there is a need for the Council to ensure financial sustainability is maintained over the MTFS period and develop a robust and balanced savings and transformation plan to close the forecast budget gap.

1.16 It is therefore appropriate for the Council to consider a revenue budget position over the next two financial years that delivers a surplus to ensure the Financial Resilience reserve is replenished to mitigate the financial position forecast from 2026/27.



Table ES3 – Draft MTFS

	2023/24 Original (£'000)	2023/24 Latest (£'000)	2024/25 (£'000)	2025/26 (£'000)	2026/27 (£'000)	2027/28 (£'000)
Underlying Budget Gap - November 2023						
Service Revenue Expenditure	13,625	15,858	15,858	15,858	15,858	15,858
Non-Service Expenditure & Income	(812)	(1,462)	(1,300)	(1,300)	(1,100)	(1,109)
Inflation Provision	1,449		1,348	2,216	2,918	3,645
2023/24 In-year variation Q1		400				
Unavoidable Budget Pressures	1,611	403	382	482	582	582
Draft Net Revenue Budget (Before Savings)	15,873	15,199	16,288	17,256	18,259	18,977
TOTAL Funding	(13,503)	(13,489)	(14,464)	(14,688)	(11,111)	(10,513)
Underlying Budget Gap	2,370	1,710	1,825	2,568	7,148	8,464
Savings - 2023/24 delivered	(1,510)	(400)	(623)	(819)	(819)	(819)
Publica contract savings			(344)	(623)	(623)	(623)
Ubico - rezoning of Waste & Recycling			(375)	(500)	(500)	(500)
Ubico - additional contract savings			(150)	(250)	(350)	(500)
Increase in Car Park Tariff			(375)	(500)	(625)	(750)
Car Park fees - Sunday charging			(100)	(105)	(110)	(116)
Garden Waste fee - cost recovery			(147)	(258)	(369)	(480)
Revised Budget Gap / (Surplus)	860	1,310	(289)	(487)	3,751	4,677

- 1.17** The Financial Resilience reserve has been relied upon over the last two financial years to balance the budget (£2.103m) which is not sustainable over the medium-term. £1.242m was utilised in 2022/23 to balance the budget, with the 2023/24 budget balanced by a further £0.861m transfer from the reserve.
- 1.18** The draft MTFS shows a moderate surplus of £0.289m in 2024/25 and £0.487m in 2025/26 (£0.776m across the 2 years) which will be transferred to the Financial Resilience reserve. Although this is a positive outcome at this stage of the budget setting cycle, consideration should be given to options to increase the projected surplus.
- 1.19** A review of the Reserves and Balances strategy will be undertaken to consider the adequacy of reserves considering the continued financial risks faced by the Council. The review will consider guidance published under CIPFA Bulletin 13: Local Authority Reserves and Balances (March 2023).
- 1.20** As reported in the 2023/24 Outturn report, slippage of £1.114m has been included in the Capital Programme for 2023/24 giving a revised budget of £15.013m. The capital programme for 2024/25 to 2026/27 remains unchanged, as shown in Table ES4 below.



Table ES4 – Capital Programme 2023/24 to 2027/28

Capital Programme	2023/24 Revised Budget (£'000)	2024/25 Budget (£'000)	2025/26 Budget (£'000)	2026/27 Budget (£'000)	2027/28 Budget (£'000)	TOTAL Budget (£'000)
Leisure & Communities	1,391	50	50	550	50	2,091
Housing/Planning and Strategic Housing	4,209	1,300	700	700	700	7,609
Environment	2,129	111	377	3,615	65	6,297
ICT, Change and Customer Services	415	150	150	150	150	1,015
UK Rural Prosperity Fund	191	573	0	0	0	764
UK Shared Prosperity Fund Projects	28	134	0	0	0	162
Land, Legal and Property	870	0	0	0	0	870
Transformation and Investment	5,780	0	0	0	0	5,780
	15,013	2,318	1,277	5,015	965	24,588

- 1.21** As set out in the *2023/24 Revenue Budget, Capital Programme and Medium-Term Financial Strategy* report, the Council’s capital expenditure has up until the current financial year been predominantly financed from capital receipts. As these are forecast to deplete over the capital programme period the Council will need to undertake prudential borrowing to support future capital expenditure plans. Other sources of finance support the capital programme, either from external sources (government grants and other contributions) or the Council’s own resources (revenue, reserves and capital receipts).
- 1.22** The Capital Financing position will be reviewed by the s151 Officer during the year as expenditure forecasts are updated to ensure a balanced use of capital resources and mitigation of current and future interest rates.
- 1.23** The report sets out the Council’s financial prospects for 2024/25 with specific proposals around savings and funding subject to consultation. Feedback from the consultation process together with any further budget adjustments for 2024/25 will be reported to the Cabinet in January 2024.
- 1.24** The final budget proposals, including the outcome from the Local Government Finance Settlement, will be presented to the Cabinet in February 2024, and will be debated at Council on 21 February 2024.



2. BACKGROUND

- 2.1 The Council approved its Medium-Term Financial Strategy (MTFS) and set the budget for the 2023/24 financial year on 15 February 2023. This Report sets out the Council's Budget Strategy for 2024/25 and provides an update to the MTFS forecast position.
- 2.2 A significant budget gap was identified in the February 2023 MTFS. As the table below shows, the indicative position outlined for 2024/25 through to 2026/27 is an unfunded budget gap of £5.053m, as reported to Council in February 2023. It was noted at the time that a revised approach to savings and transformation was required given the cumulative budget gap forecast over the MTFS period. With the challenging economic environment, the unfunded budget gap can be expected to have increased over the last 6 months.

Table 1 – February 2023 Medium Term Financial Strategy position

	2023/24 (£'000)	2024/25 (£'000)	2025/26 (£'000)	2026/27 (£'000)
MTFS Summary (February 2023)				
Net Service Revenue Expenditure	13,625	13,626	13,626	13,626
Corporate Items/Non Service Income & Expenditure	(812)	(677)	(671)	(656)
Provision for Inflation	1,799	2,336	2,897	3,477
Service + Corporate Items	14,611	15,285	15,852	16,446
Budget Proposals	762	602	564	564
Risk Items	500	500	500	500
Savings and Transformation Plan items	(1,510)	(2,358)	(3,323)	(3,351)
Draft Net Revenue Budget	14,363	14,028	13,593	14,159
TOTAL Funding	(13,503)	(13,823)	(11,771)	(11,134)
Budget Gap / (Surplus)	860	206	1,822	3,025

- 2.3 Under the Local Government Finance Act 1992 (as amended), the Council is legally required to set a balanced budget for the following financial year and remains in balance. Section 114 of the Local Government Finance Act 1998 requires the Section 151 Officer to report to all Members if there is likely to be unlawful expenditure or an unbalanced budget.
- 2.4 In common with the almost all local authorities, the council faces several external budget pressures that are impacting on its finances over the medium-term. There remains uncertainty around inflation and interest rates in the current financial year which have an influence over the Council's budget for 2024/25 and the MTFS period both directly and indirectly.
- 2.5 Members should consider some of the wider issues facing local government that will inform the 2024/25 revenue and capital budgets and the MTFS.



- 2.6 A number of local authorities have issued section 114 notices over the last year with Birmingham City Council being the most high-profile along with Woking Borough Council, Slough Borough Council and Thurrock Council. A section 114 notice indicates that the council's forecast income is insufficient to meet its forecast expenditure for the next year.
- 2.7 Whilst the number of authorities issuing section 114 notices is relatively low (8 out of 317 local authorities in England since 2018) it is unprecedented to have this many issued in a short space of time.
- 2.8 A significant number of other local authorities have indicated they are at risk of issuing a section 114 notice. In September, the following councils were reported to be close to or at risk of issuing a section 114 notice with further councils reporting they face "significant financial challenges": Hampshire County Council, Medway Council, Guildford Borough Council, Wirral Council, Surrey Heath Borough Council, Kent County Council.
- 2.9 **Whilst there is no immediate risk of Cotswold District Council having to consider issuing a section 114 notice, members will note the budget gap forecast over the medium-term must be closed to maintain financial sustainability.**
- 2.10 The level of uncertainty across the sector makes it more difficult to plan for the medium-term. A General Election is due to take place no later than 28 January 2025 (with Parliament being dissolved no later than 17 December 2024). Local Government Finance reforms, originally due to be implemented from April 2020, have been pushed back until at least April 2025. However, it is more likely this would be delayed until April 2026 due to the General Election as there may not be adequate time for reforms to be consulted on and implemented by a new Government.)
- 2.11 Therefore, it should be noted the updated MTFS position set out in this report is subject to uncertainty and a degree of estimation of costs and income. As with all estimates and assumptions, there is an inherent risk that they may not be accurate. The financial position will continue to be monitored with the estimates and assumptions reviewed and updated throughout the budget setting process. These will be finalised once the provisional Local Government Settlement is announced which is expected in December following the Autumn Statement scheduled for 22 November 2023.

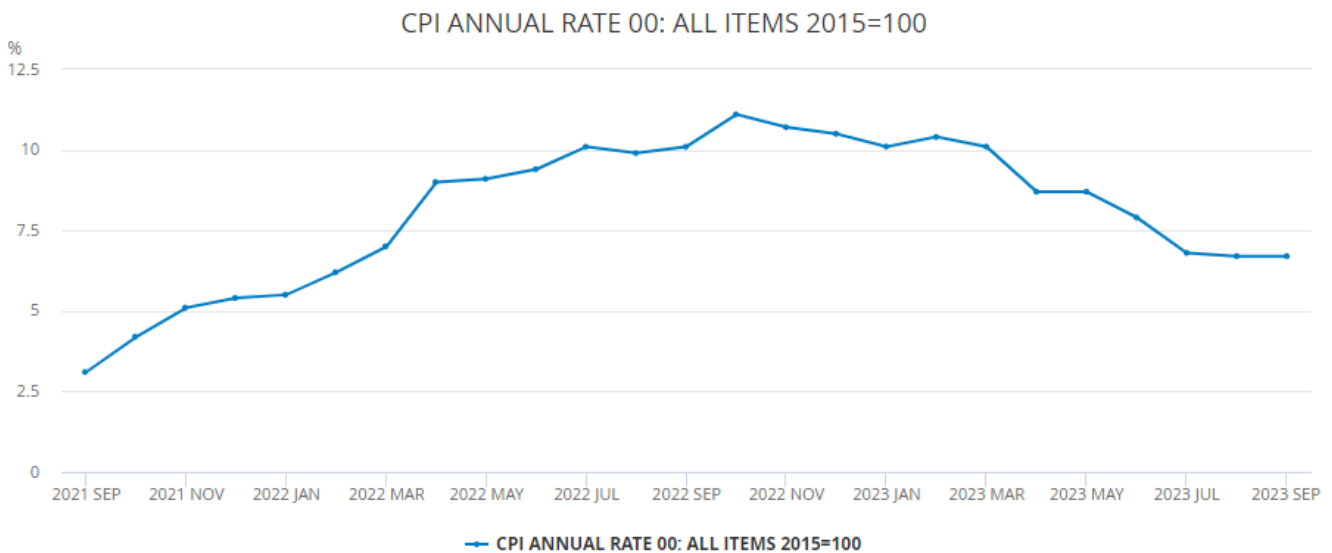


3. EXTERNAL ECONOMIC ENVIRONMENT

3.1 The *2023/24 Financial Performance – High-Risk Budgets* report and the *Financial Performance Report – Q1 2023/24* report set out the external economic pressures on the Council.

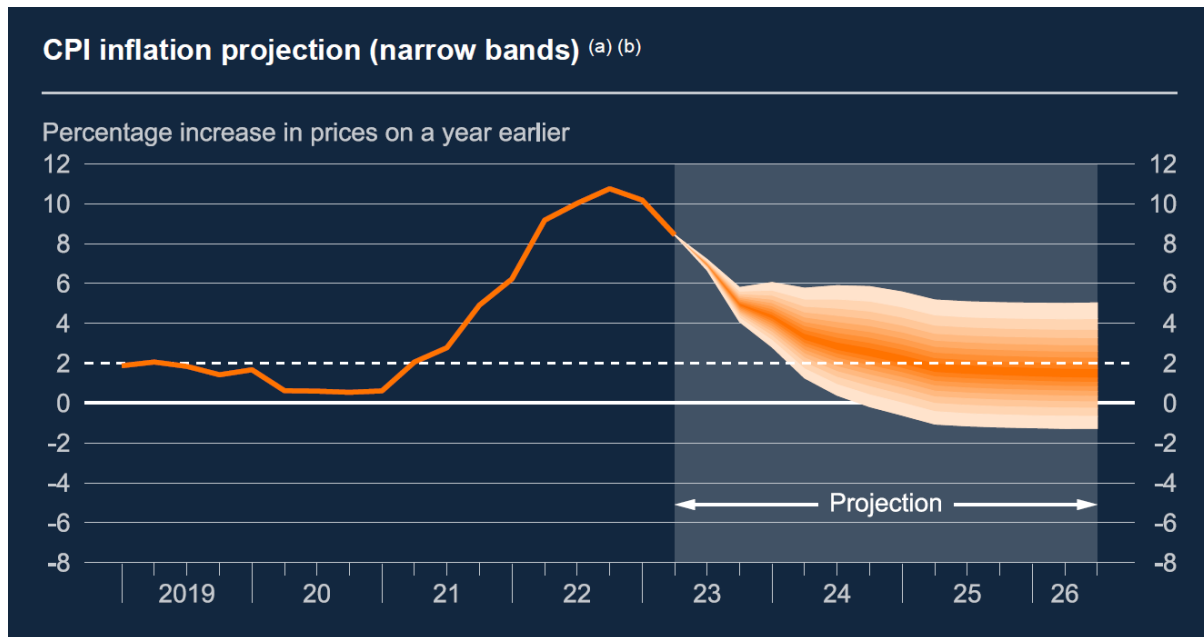
Inflationary Pressures

3.2 The level of inflation, as measured by the Consumer Prices Index, for September 2023 is 6.7% (no change from August 2023). Although it is not the Government's preferred measure of inflation, the Retail Prices Index is 8.9% (9.1% in August 2023). Core inflation (as defined by the Office for National Statistics as the CPI Rate excluding energy, food, alcohol, and tobacco) fell to 6.1% (6.2% in August 2023). Whilst prices of food and beverages reduced this was offset by the impact of increased fuel prices. It is this measure that has concerned the Bank of England and led to increases in interest rates.



3.3 Although general inflation has reduced since the start of the calendar year, the Council is subject to specific inflationary pressures on its services (e.g., fuel costs on waste and recycling service) which have tended to track higher than CPI and RPI.

3.4 The forecast for inflation is for a return towards the Bank of England's target of 2.0% (CPI) although it is worth noting recent commentary suggesting the bank should consider revising the target to 3.0%. The graph below shows the different CPI forecasts that are published in the quarterly Bank of England Monetary Policy Committee report (August 2023).



- 3.5** The continuation of elevated levels of inflation throughout the year and the Bank of England's forecast over the medium-term will need to be taken into account when assessing the impact on 2024/25 revenue and capital budgets.

Inflationary Pressures – Pay Award

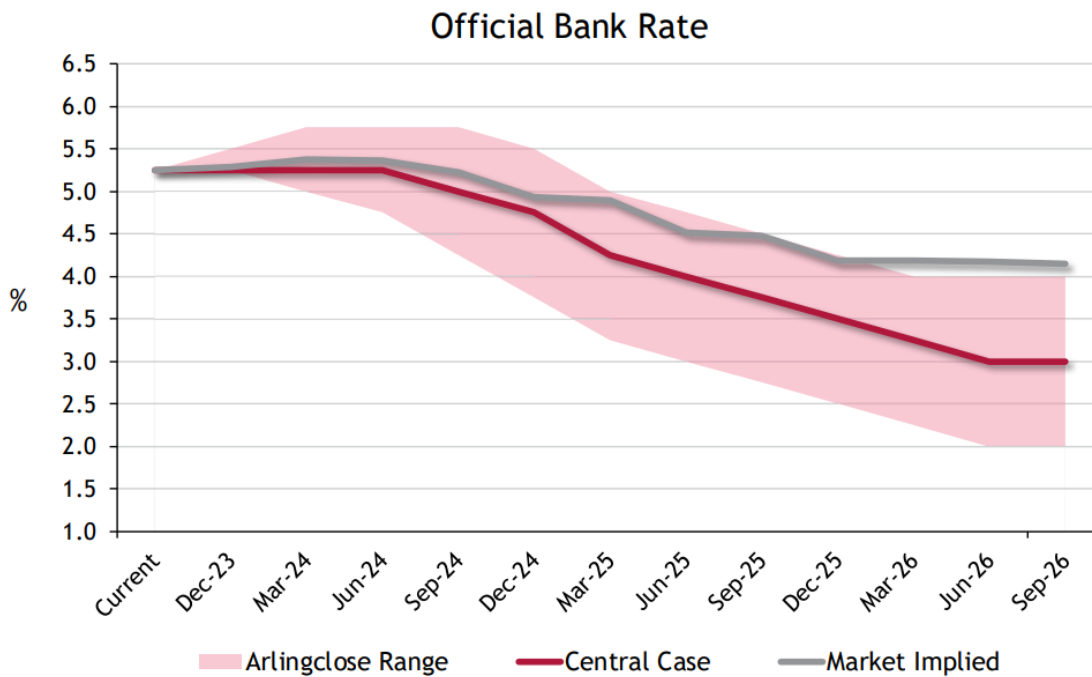
- 3.6** With inflation remaining high and not reducing as quickly as anticipated, this has led to higher wage demands for both private and public sector workers.
- 3.7** The assumption made for the 2023/24 budget was for an average Pay Award of 4% across Publica, Ubico and Retained staff. Inflationary provision of £1.2m is included in the budget for the pay award across Publica and Ubico contracts and for retained staff costs.
- 3.8** Local Government employers made a final offer to the unions in March 2023. With effect from 01 April 2023, the offer made by employers was:
- an increase of £1,925 (pro rata for part-time employees) to be paid as a consolidated, permanent addition on all NJC pay points 2 to 43 inclusive (equating to an increase of between 3.88% and 9.42% depending on the paygrade)
 - an increase of 3.88% on all pay points above the maximum of the pay spine but graded below deputy chief officer.
 - an increase of 3.88% on all allowances



- 3.9 For reference, the financial implications of the employers offer outlined above would have been broadly similar in terms of cost when compared to 2022/23 although the Council has allowed for a higher level of pay inflation in the current year's budget. **The estimated additional financial impact of the employers' offer would be around £0.400m.**
- 3.10 The unions have rejected this offer and are seeking a pay increase of RPI Inflation plus 2% at every spinal column point. **The estimated additional financial impact of the union proposal would be around £0.700m.**
- 3.11 At the time of drafting this report it is unclear when the pay award will be settled and at what level. Unison undertook a disaggregated ballot of members on strike action but fell short of the 50% legal threshold required to strike in a national ballot (75% of members voted in favour of strike action but on a turnout of 31%). In a response to a joint letter from Local Government unions dated 16 August 2023 seeking an improved pay offer, Local Government employers reaffirmed the position that the "employers' offer has been repeatedly and unanimously reaffirmed as full and final since it was made on 23 February."

Interest Rates

- 3.12 The Bank of England has increased interest rates fourteen times since December 2021 in an effort to mitigate inflationary pressures with the last increase of 0.25% taking the base rate to 5.25% on 04 August 2023. The MPC voted to maintain rates at 5.25% at their latest meeting on 21 September 2023. The council's treasury management advisors have forecast further increases during the year with an expectation that the base rate may peak at 5.50% to 5.75%. The next MPC meetings are scheduled for 02 November 2023, 14 December 2023, and 01 February 2024.



- 3.13** To support the Capital Programme, the Council may need to undertake borrowing during the current financial year although this is dependent on a number of factors. With PWLB interest rates remaining relatively high compared to the previous 12 years, this will impact the expenditure required to service any borrowing the Council undertakes.
- 3.14** The Council has limited and reducing internal resources to support the capital programme (capital receipts, earmarked reserves). This is not unique to Cotswold District Council with reports in specialist press (e.g., Public Finance) of Councils shelving or scrapping planned capital projects as other costs continue to rise and/or the need to find savings to balance the budget.
- 3.15** With interest rates expected to remain high during the financial year, the Council will need to ensure capital expenditure and capital financing decisions are made ‘in the round.’ This will ensure that existing and new capital schemes are not considered in isolation and are prioritised against the Council’s Corporate Plan and reference to affordability and deliverability.

Economic Outlook

- 3.16** The International Monetary Fund published their latest half-yearly outlook for the global economy on 10 October 2023. It was widely reported that the UK economy would be the slowest growing of G7 nations, with interest rates and inflation remaining higher than other G7 economies and for longer.



3.17 Additional commentary from the Council's Treasury Management advisors, Arlingclose, is provided in Annex D.

4. 2024/25 BUDGET STRATEGY – ASSUMPTIONS

4.1 The 2024/25 Budget Strategy outlines the principles and aims for the revenue and capital budget preparation process and takes into account the need for the Council to achieve a balanced budget position and maintain financial sustainability over the medium-term.

4.2 With a budget gap for 2024/25 forecast in the February 2023 MTFS and additional pressures as set out in Section 3 of the report, the budget strategy provides the framework for the Council and its service delivery partners when assessing funding priorities.

4.3 As set out in paragraph 2.6 to 2.8., many Councils are facing a significant financial challenge in setting a balanced budget for the forthcoming year. Whilst the financial challenge for Cotswold District Council is not proportionately as extreme as some other local authorities, it is still a significant challenge for the Council to address.

4.4 Having a clear set of budget principles for the Council to accept and work toward helps a clear framework on the journey to setting a balanced budget for the forthcoming year, as such Cotswold has developed the following principles:

- A clear focus on fulfilling the Council's Best Value Duty (*"make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness"*). Further development and mobilisation of the continuous savings programme through the Cabinet Transform Working Group (CTWG). Key objective for CTWG is to review savings and transformation proposals to close most of the budget gap by driving out costs from the running expenditure of the Council and its service delivery partners, focused both in the short and medium term.
- The Council will not rely on the use of one-off funding sources to address recurring budgetary pressures, specifically it should not place material reliance on use of reserves for revenue purposes over the medium-term.
- Maintaining financial sustainability over the MTFS period, the Council should take steps to replenish the Financial Resilience reserve in 2024/25 and 2025/26 to mitigate the budget gap forecast from 2026/27.
- Recognising the challenging inflationary environment, the Council is currently operating in and the increase in service costs, where services are charged for, fees and charges need to be set at an optimal price, ensuing full cost recovery as a minimum.
- Ensuring the long-term viability of service provision from as stable a position as possible is vital to continued success of quality service delivery, there a continued



focus on budget sustainability will be key to all considerations with a reduce use of one-off measures or borrowing to fund activity.

- Recognising the capital investment priorities outlined in the Council Corporate Plan and the importance to the residents of the district, a sustainable funding solution should be developed to fund the emerging capital programme – with a specific focus on funding all new capital activity predominantly from capital receipts with minimal borrowing.

Pay and Price Inflation

- 4.5** The budget will be prepared on a ‘standstill’ basis in that no price inflation will be added other than to contractual commitments to pay an annual inflationary increase such as external contracts and software licence agreements.
- 4.6** Provision will be made in the 2024/25 budget for the estimated additional impact from the 2023/24 Pay Award, with assumptions for 2024/25 revised upwards due to the continued inflationary pressures. The broad pay assumptions used in the MTFS are set out below.
- Publica: 5.0%
 - Ubico: 6.0%
 - CDC: 3.50% to 5.00% (depending on position)
- 4.7** Non-pay inflation will be applied to specific elements of the Ubico contract where there is a material impact on service costs and an agreed assessment of the evidence of inflationary pressures (e.g., Fuel prices).
- 4.8** The ONS published the September CPI and RPI figures on 18 October 2023 with CPI remaining at 6.7% and RPI falling to 8.9%. These figures are used as the basis for uprating of some welfare benefits.
- 4.9** As set out above, the MTFS will include an allowance for these inflationary pressures over the medium-term and will be reviewed over the Autumn.

Fees and Charges

- 4.10** As set out in the paragraphs above, the Council is currently exposed to inflationary pressures in service delivery costs. Where services are charged for, fees and charges need to be set at an optimal price, ensuing full cost recovery as a minimum. This is in accordance with Cabinet decisions included in prior year MTFS reports to *“charge for services to ensure they are not subsidised by other taxpayers.”*
- 4.11** A report will be considered by Cabinet in January 2024 on Car Park Fee proposals and February 2024 on the revised fees and charges for 2024/25.



Commercial Property Income/Asset Management

- 4.12** The Council's revenue budget includes £0.650m of gross rental income from Commercial Property which provides funding for other Council services. Given the risk in holding commercial property (e.g., occupancy rates and fluctuations in the property market), income and expenditure budgets associated with the portfolio will be reviewed considering the external economic environment. This will help ensure the Council is budgeting at the appropriate level and that risks to income and expenditure changes across the medium term can be incorporate into the MTFs and Capital Programme.
- 4.13** The Council is currently assessing short and long-term options for the Wilko store in Great Bridge that is now vacant. The 2024/25 budget assumes additional costs and loss of rental income for the year (£0.100m) and further pressures over the MTFs period.
- 4.14** An Asset Management Strategy (AMS) is being prepared and will be presented to Cabinet in December 2023. The strategy and plans will identify and provide a longer-term view (i.e., beyond the current MTFs period) of the income and expenditure profiles, tenant events, hold and disposal options.
- 4.15** The AMS will be supported by detailed asset management plans for the Land and Buildings assets it holds considering stock condition surveys and including consideration of any investment required to achieve minimum efficiency standards (MESS). This work is due to be completed in Q4 2023/24.
- 4.16** The budget setting process will need to consider whether a proportion of commercial income is set aside in an Earmarked Reserve each year to provide an ongoing funding stream to manage the portfolio and any Asset Management requirements that are identified in the AMS.

Local Government Pension Scheme

- 4.17** An actuarial review of the Local Government Pension Scheme was undertaken in 2022 with a revised funding schedule included in the February 2023 MTFs. This resulted in a reduction in the employer secondary rate payment of £0.139m in 2023/24 increasing to £0.335m in 2024/25 and £0.531m in 2025/26.
- 4.18** For the purposes of the MTFs, no change has been forecast to the level of pension fund contribution at the current funding period (2025/26). Assumptions around employer contributions will not be updated until the conclusion of the next actuarial review which will commence in March 2025 with any changes to contributions taking effect from 2026/27. Clearly, there is a risk at the next valuation for contribution levels to increase should the actuarial assessment require.



Interest Rates – Investments and Borrowing

- 4.19** Treasury management income recovered strongly during 2022/23 following market volatility and recovery from the coronavirus pandemic. Although the 2023/24 Q1 forecast for Treasury management income 2023/24 remains above target due to higher interest rates and cash balances, there remains uncertainty around the UK economy, commodity prices (especially oil), and the future level of interest rates which may impact future investment performance.
- 4.20** As outlined in the Treasury Management Strategy, the Council invests its surplus balances with a budgeted income return of £0.831m in 2023/24. The Strategy sets out that the Council aims to achieve a total return that is equal or higher than the prevailing rate of inflation, to maintain the spending power of the sum invested.
- 4.21** The Council has two broad classes of investments – Short-term investments (Debt Management Office and Money Market Funds where balances are held for short periods until required) and Pooled Funds.
- 4.22** The initial forecast for 2024/25 is £1.031m recognising the improvement in Q1 2023/24 and will be reviewed over the coming months considering Q2 and Q3 performance with a final estimate included in the revenue budget and MTFs to be considered by Cabinet and Council in February 2024.

Government Funding

- 4.23** The Local Government Finance policy statement was published on 12 December 2022 and set out the Government’s intentions for the local government finance settlement for the 2-year period (2023/24 and 2024/25). In the absence of a multi-year finance settlement, the policy statement provided some clarity and certainty on key aspects of funding to support budget setting and financial planning.
- 4.24** An indicative level of funding for 2024/25 was set out in 2023/24 Local Government Finance Settlement (Final) that was published in February 2023. Assumptions on funding have been reviewed for the purposes of the MTFs update but remain uncertain.
- 4.25** At the time, the 2023/24 settlement was published the Government committed to consulting on a review of the New Homes Bonus scheme.
- “We also recognise the need to help councils plan and we will therefore set out the future position of New Homes Bonus ahead of the 2024-25 local government finance settlement.”*
- 4.26** No consultation has taken place. For the purposes of the MTFs it is assumed a further one-off payment of New Homes Bonus will be made in 2024/25. A forecast of £0.215m has been included in the MTFs based on an initial assessment from the Council Taxbase (CTBI) return.



- 4.27** The Government have deferred the introduction of Extended Producer Responsibility (pEPR) by a year (now October 2025). Commentary included in the 2023/24 settlement indicated pEPR may have provided additional income to local authorities.

“2024-25 brings with it a significant new funding stream, subject to successful delivery of the Extended Producer Responsibility for packaging (pEPR) scheme as soon as is feasible within this financial year; local authorities can expect to receive additional income from the scheme whilst being asked to submit data relevant to their waste collection services. Alongside His Majesty’s Treasury and the Department for Environment, Food and Rural Affairs, we will be assessing the impact of additional pEPR income on the relative needs and resources of individual local authorities in the coming year.”

- 4.28** The broad assumption made at this stage is there is unlikely to be any material change to the funding position already set out in the 2023/24 settlement and included within the MTFs.

Council Tax

- 4.29** As set out in the Local Government Finance Policy Statement, Council Tax referendum principles for shire district and borough councils will allow for increases of Council Tax of up to 3% or £5 (whichever is higher).
- 4.30** The 2024/25 Budget estimate for Council Tax assumes an increase in the number of dwellings liable for Council Tax (i.e., a 1% increase in the Taxbase) and a £5 increase in a Band D charge for Council Tax. This falls within the permissible level of increase before triggering a local referendum and equates to an increase less than 10 pence per week for a Band D property.
- 4.31** The decision to set Council Tax remains an annual decision for Council to consider when setting the budget in February.
- 4.32** The Council has consulted on proposed changes to the Local Council Tax Support scheme (LCTS) with changes focussed supporting more people with the cost of living and provide more support to those families with dependent children.

Business Rates

- 4.33** Forecasting business rates income is complex with the impact of the external economic environment, additional reliefs, and the impact from the April 2023 revaluation contributing to the level of uncertainty around forecasts for the medium-term.
- 4.34** An initial estimate of £4.101m was included in the February 2023 MTFs. An updated estimate has been included in this MTFs of £4.989m based on modelling undertaken by Pixel Consulting representing an increase of £0.614m over the current year’s forecast.



- 4.35** Whilst this estimate has been included in the MTFS it is prudent to consider the overall level of resources (Council Tax plus Government Funding) and apply a degree of damping to avoid over estimation. The MTFS includes scenarios on both funding and expenditure to provide members with a range of potential outcomes. In effect, the overall level of funding in the balanced and pessimistic scenarios can be seen as a reduction in the estimate of business rates income for the year. Further detail of the modelling and scenarios are set out in Section 5 of the report.
- 4.36** A further consideration on estimating business rates income will be the outcome from the consultation published by the Government on 28 September 2023 covering technical adjustments to the Business Rates Retention System in response to the Non-Domestic Rating Bill. The Non-Domestic Rating Bill, currently before Parliament, brings forward changes to the ways that business rates multipliers will be calculated and applied and could be implemented from 2024/25.
- 4.37** As a consequence of the Bill changes, the Government are considering technical amendments to the Business Rates Retention System (BRRS) to maintain the accuracy of levy and safety net payments and future income compensation paid to local authorities for the impact of tax policy decisions. The consultation closes on 02 November 2023 with any changes likely to feed through to the 2024/25 Local Government Finance Settlement.
- 4.38** The Council is required to finalise its Business Rates estimates for 2024/25 and its initial estimate of any surplus or deficit for 2023/24 by 31 January 2024 which will be included in the February 2024 MTFS.

Financial Resilience Reserve

- 4.39** A Financial Resilience reserve of £1.875m was established as part of the *Draft Budget Proposals 2023-24 and Latest MTFS Forecasts* report to Cabinet in November 2022 with the intention to hold at a level that allows the Council to mitigate short-term fluctuations in income and expenditure (e.g., Business Rates, Government funding changes).
- 4.40** The February 2023 MTFS proposed increasing the reserve to £3.290m to mitigate the budget gap identified in the MTFS and to facilitate profiling of a Savings and Transformation plan and support the award of the Leisure and Culture contract over MTFS period.
- 4.41** The projected balance on the Financial Resilience reserve is £2.730m by the end of the 2023/24 financial year and does not at this stage assume any further deployment from the reserve to mitigate the adverse variation of £0.448m forecast in the *Financial Performance Report – Q1 2023/24* report to Cabinet in September 2023.
- 4.42** As set out in this report, the Council must set a balanced budget for the forthcoming financial year. Whilst the Financial Resilience reserve is intended to support the Council MTFS and mitigate the budget gap identified, it should not be utilised on an ongoing basis to balance the budget.



5. 2024/25 REVENUE BUDGET AND MEDIUM-TERM FINANCIAL STRATEGY 2024/25 TO 2027/28

- 5.1** As set out in section 2 of this report, a significant budget gap was identified in the February 2023 MTFS. The financial position over the medium-term remain challenging and uncertain. It is widely expected that reforms to local government finance, originally due in 2020/21 but delayed several times already, will result in a substantial reduction in the Council's funding from central Government. The timing of these reforms remains uncertain with the assumption in the MTFS that these reforms will be delayed further and not implemented until 2026/27.

Financial Sustainability

- 5.2** Ensuring financial sustainability is one if not the key issue facing all local authorities currently. Reductions in the core long-term funding Councils have received over the last decade, continued uncertainty around the timing and impact of proposed local government finance reforms (previously referred to as the Fair Funding Review), and the impact of higher levels of inflation and interest rates all contribute to the pressure on the Council's continued financial sustainability position.
- 5.3** For the Council to meet its legal obligation to provide statutory services and to support the priorities as set out in the Council Plan, financial sustainability must be maintained over the MTFS period.
- 5.4** There are a range of safeguards in place that help to prevent local authorities overcommitting themselves financially. These include:
- Balanced Budget requirement: England, Sections 31A, 42A of the Local Government Finance Act 1992, as amended.
 - Chief Finance Officer (CFO) duty to report on robustness of estimates and adequacy of reserves (under Section 25 of the Local Government Act 2003) when the authority is considering its budget requirement.
 - Requirements of the Prudential Code
- 5.5** These requirements are reinforced by Section 114 of the Local Government Finance Act 1988 which requires the CFO to report to all the authority's councillors if there is or is likely to be unlawful expenditure or an unbalanced budget. This would include situations where reserves have become seriously depleted and it is forecast that the authority will not have the resources to meet its expenditure in a particular financial year.
- 5.6** Paragraphs 2.6 to 2.8 of this report outlined the wider sector position regarding Section 114 notices and authorities in financial difficulty. It is important that members understand the legal framework which support local authority budget setting and financial sustainability.



Budget pressures recognised in the MTFS update

5.7 Table 2 below includes the budget pressures that have been included in the draft revenue budget and MTFS.

Table 2 – Budget Pressures

Budget Pressure	Detail	2024/25 (£'000)	2025/26 (£'000)	2026/27 (£'000)	2027/28 (£'000)
Commercial Property Income	Assumption that over MTFS period income from commercial property investments reduces due to market/asset management decisions	100	200	300	300
External Audit scale fees	Increase in the external audit scale fee effective from April 2024 - 151% increase	82	82	82	82
Income pressures	Income pressures identified in Q1 2023/24 - Building Control, Land Charges	200	200	200	200
TOTAL		382	482	582	582

- **Commercial Property Income:** reduced rental income expectations and void costs forecast for 2024/25 with anticipation of asset disposals in future years as part of the emerging Asset Management Strategy.
- **External Audit Scale Fees:** an increase in the external audit scale fee of 151% for the new PSAA-led contracts from April 2024. This major reset in the scale fee had been widely expected owing to the current audit backlog and the wider challenges in wider audit market.
- **Income pressures:** an indicative budget pressure is included in the draft revenue budget and MTFS to address the income shortfall on specific fees and charges. The level of the adjustment to income budgets will be reviewed to ensure compensating expenditure adjustments are considered to bring the service budget back in line.

Savings included in the MTFS update

5.8 The table below sets out the initial cost reduction and income generation proposals that have been developed as part of this MTFS update. Further work will be undertaken over the budget setting process to refine the proposals and to consider additional items as they are identified



through the detailed review of Publica and Ubico service delivery budgets, and through the Cabinet Transform Working Group.

Table 3 – Savings Proposals

Proposal	Assumption	2024/25 (£'000)	2025/26 (£'000)	2026/27 (£'000)	2027/28 (£'000)
Specific proposals					
Car Park Tariffs - Pay & Display fees	Car Park tariffs were last reviewed April 2022	(375)	(500)	(625)	(750)
Car Park Tariffs - Sunday Charging	Proposal to remove free parking provision on Sundays	(100)	(105)	(110)	(116)
Garden Waste Fee - Recovery of costs	Inflationary impact on service costs for 2024/25 recovered through the annual Garden Waste fee	(147)	(258)	(369)	(480)
Waste & Recycling Collections	Review of Waste & Recycling rounds - focus on efficient use of resources	(375)	(500)	(500)	(500)
Savings Targets					
Publica contract	Indicative further cost reduction target - to be confirmed February 2024	(344)	(623)	(623)	(623)
Ubico contract	Indicative further cost reduction target - to be confirmed February 2024	(150)	(250)	(350)	(500)
TOTAL		(1,491)	(2,236)	(2,577)	(2,969)

5.9 The savings proposals in table x have been included in the draft revenue budget and MTFs.

- **Car Park Tariffs, Pay and Display:** last reviewed in April 2022 and the proposed increase reflects the level of inflation over the last 2 years.
- **Car Park Tariffs, Sunday charges:** proposal to remove free parking provision on Sundays with the estimated additional income based on the Monday-Saturday tariff levels and a reduced chargeable period.
- **Garden Waste Fee, Recovery of costs:** the proposed increase in the Garden Waste fee will reflect the forecast increase in service provision costs from Ubico. The estimate of income is based on the number of existing subscribers and maintains the discount in the fee offered to residents in receipt of Local Council Tax Support.
- **Waste & Recycling Collections:** a review of all the waste and recycling rounds across the district has been undertaken from the perspective of improving round efficiency. The modelling undertaken has considered options that increase the productivity of vehicles and crews. This is estimated to reduce contract costs by approximately £0.500m in a full year.



- **Publica and Ubico Contract savings targets:** indicative minimum cost reduction targets over the MTFS period. Additional cost reduction and income generation opportunities will be considered by the Cabinet Transform Working Group over the coming months. These will be evaluated and scrutinised to ensure savings proposals are robust (deliverability, risk assessed, service impact).

5.10 These cost reductions and income generation proposals will frame the public/resident consultation process that will run from 03 November 2023 to 08 December 2023. Cabinet will consider the feedback at the meeting on 11 January 2024.

Development of credible/robust savings proposals/CTWG

- 5.11 An important part of the approach to maintaining financial sustainability will be to continue to deliver efficiencies and savings over the coming years. The Council Plan and services must be delivered within the overall resource envelope available to the Council thereby reducing reliance on earmarked reserves to support the budget.
- 5.12 The level of savings included in the February 2023 MTFS, and the update set out in this report does not meet the budget gap identified. The Financial Resilience reserve is being used to balance the budget in the short-term and will be depleted over the MTFS period leading to a potential deficit position by 2026/27. The Council will need to address the scale of the budget gap to ensure a balanced budget can be set for 2024/25 and beyond. The position set out in this report is by no means complete and the budget gap may change due to assumptions being updated.
- 5.13 The CIPFA Financial Management Code (FM Code) is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The FM Code is based on a series of principles supported by specific standards which are considered necessary to provide the strong foundation to
- financially manage the short, medium, and long-term finances of a local authority
 - manage financial resilience to meet unforeseen demands on services.
 - manage unexpected shocks in their financial circumstances.
- 5.14 A key element of demonstrating financial sustainability and compliance with the FM Code is for the Council to ensure suitable mechanisms are in place around savings so that they are identified, agreed, planned, implemented, and achieved. This will help to ensure the funding gap identified within the MTFS is addressed in a planned and managed way.
- 5.15 The Cabinet Transform Working Group (CTWG) was established in March 2023 to provide a robust approach to addressing the budget gap identified over the MTFS period. The programme established a revised process for how transformation projects and savings are identified, evaluated, and approved, with clearer reporting and monitoring and governance



arrangements. The group have met several times during the year and are reviewing a number of options from Publica and Ubico that, subject to further due diligence, be put forward as part of the administration's budget proposals in February 2024.

Scenarios/Modelling

- 5.16 The MTFS includes the most credible expenditure, income and funding position and sets out the resulting budget gap with additional action required over the coming months to mitigate the position for 2024/25 and 2025/26.
- 5.17 With the level of uncertainty, a number of scenarios have been developed to model the impact and sensitivity on distinct levels of inflationary pressures, cost reduction measure, and income/funding options. This enhances the financial planning process and supports the Council's continued financial sustainability priority, providing a degree of flexibility over the coming months as the MTFS is reviewed and refined in advance of the formal approval of the budget and MTFS by Council in February 2024.
- 5.18 As set out in the external auditor's Annual Report ([External Auditor's Annual Report, Audit and Governance Committee 25 July 2023](#)) the Council faces a lack of funding certainty and external economic factors which could lead to different financial scenarios.
- 5.19 The table below sets out the key characteristics of the scenarios utilised in the MTFS update process, with Annex B showing those scenarios in the form of a graph to illustrate the potential risk to the Council's financial sustainability over the MTFS period.
- 5.20 The scenarios modelled are reasonable current/balanced (i.e., most credible), worst case (pessimistic), mid-case, and optimum financial outcome (best/optimistic).
- 5.21 Annex B shows the scenarios being modelled over the medium-term period with the most credible scenario (current) forming the basis of the MTFS estimates.
- 5.22 The three alternative scenarios broadly differ from the current scenario as follows:
- **Inflation:** + or – 1.0% on Pay Award (being the single largest contributor to inflationary pressures)
 - **Council Tax:** All scenarios assume Council Tax is increased by £5 per annum and the taxbase increases by 1%.
 - **Local Government finance reforms:** assumption these are delayed until 2026/27 with short-term (3 years) transitional protection.
 - **Business Rates Income:** current scenario assumes £4.5m of retained business rates income in 2024/25 and 2025/26. Best case assumes £5.0m in 2024/25 and £5.1m in 2025/26. Worst case assumes £4.0m in 2024/25 and 2025/26. All scenarios assume a reduction to the baseline funding level (£2.3m) from 2026/27.
 - **Savings:** current scenario includes the savings proposals outlined in Table x. All other scenarios assume additional savings targets for Publica and Ubico ranging from £0.500m to £2.250m over the MTFS period.



- **Other:** funding forecasts based on Pixel MTFP Model 5.10.5 (18 October 2023 release).

Draft MTFS

- 5.23** The draft MTFS shown in Table 4 and Annex A is based on the most credible assumptions and forecasts of income and expenditure over the next 4 years. The uncertainty around the timing and impact of local government finance reforms makes it difficult to estimate with certainty the likely budget gap that the Council will need to close by 2026/27. However, whilst this outcome is uncertain, there is a need for the Council to ensure financial sustainability is maintained over the MTFS period and develop a robust and balanced savings and transformation plan to close the forecast budget gap.
- 5.24** It is therefore appropriate for the Council to consider a revenue budget position over the next two financial years that delivers a surplus to ensure the Financial Resilience reserve is replenished to mitigate the financial position forecast from 2026/27.
- 5.25** The Financial Resilience reserve has been relied upon over the last two financial years to balance the budget (£2.103m) which is not sustainable over the medium-term. £1.242m was utilised in 2022/23 to balance the budget, with the 2023/24 budget balanced by a further £0.861m transfer from the reserve.
- 5.26** The draft MTFS shows a moderate surplus of £0.289m in 2024/25 and £0.487m in 2025/26 (£0.776m across the 2 years) which will be transferred to the Financial Resilience reserve. Although this is a positive outcome at this stage of the budget setting cycle, consideration should be given to options to increase the projected surplus.

Table 4 – Draft MTFS



	2023/24 Original (£'000)	2023/24 Latest (£'000)	2024/25 (£'000)	2025/26 (£'000)	2026/27 (£'000)	2027/28 (£'000)
Underlying Budget Gap - November 2023						
Service Revenue Expenditure	13,625	15,858	15,858	15,858	15,858	15,858
Non-Service Expenditure & Income	(812)	(1,462)	(1,300)	(1,300)	(1,100)	(1,109)
Inflation Provision	1,449		1,348	2,216	2,918	3,645
2023/24 In-year variation Q1		400				
Unavoidable Budget Pressures	1,611	403	382	482	582	582
Draft Net Revenue Budget (Before Savings)	15,873	15,199	16,288	17,256	18,259	18,977
TOTAL Funding	(13,503)	(13,489)	(14,464)	(14,688)	(11,111)	(10,513)
Underlying Budget Gap	2,370	1,710	1,825	2,568	7,148	8,464
Savings - 2023/24 delivered	(1,510)	(400)	(623)	(819)	(819)	(819)
Publica contract savings			(344)	(623)	(623)	(623)
Ubico - rezoning of Waste & Recycling			(375)	(500)	(500)	(500)
Ubico - additional contract savings			(150)	(250)	(350)	(500)
Increase in Car Park Tariff			(375)	(500)	(625)	(750)
Car Park fees - Sunday charging			(100)	(105)	(110)	(116)
Garden Waste fee - cost recovery			(147)	(258)	(369)	(480)
Revised Budget Gap / (Surplus)	860	1,310	(289)	(487)	3,751	4,677

Corporate Plan 2024-2028

5.27 A new Corporate Plan covering the period 2024-2028 is being developed and will be presented to Cabinet at their meeting on 11 January 2024. The MTFs and Corporate planning process are aligned to ensure adequate resources are available to support the Corporate Plan priorities whilst maintaining financial sustainability over the plan period.

Balances and Reserves Strategy

5.28 A review of the Reserves and Balances strategy will be undertaken to consider the adequacy of reserves considering the continued financial risks faced by the Council. The review will consider guidance published under CIPFA Bulletin 13: Local Authority Reserves and Balances (March 2023).

5.29 The Council's financial position is supported by its balances and reserves. The requirement for financial reserves is acknowledged in statute. Sections 31A, 32 42A and 43 of the Local Government Finance Act 1992 require billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.

5.30 The Council has a General Fund balance and number of earmarked reserves to support delivery of key priorities and financial sustainability.

5.31 The General Fund Balance will need to be maintained at a risk-assessed minimum level (currently £1.760m). The Financial Resilience Reserve balance will need to be held at a level that mitigates short-term fluctuations in income and expenditure (e.g., Business Rates, Government funding changes).



- 5.32** These reserves should not be utilised to fund normal, on-going service provision.
- 5.33** The Council holds a Council Priorities Fund revenue reserve. This funding is available for investment in initiatives which support delivery against the Council's current and future priorities and the emerging Corporate Plan.
- 5.34** The table below sets out the closing position on the General Fund balance and earmarked reserves for 2022/23.

Table 5 – Balances/Reserves 2023/24

Reserve type	Opening Balance 01/04/2022 (£'000)	Closing Balance 31/03/2023 (£'000)	2023/24 Adjs (£'000)	Revised Balances 2023/24 (£'000)	Estimated Balance 31/03/2024 (£'000)
General Fund	(2,553)	(1,760)	0	(1,760)	(1,760)
Council Priorities Fund	(2,767)	(2,219)	1,219	(1,000)	(1,000)
Financial Resilience Reserve	0	(1,174)	(2,058)	(3,232)	(2,751)
Financial Resilience Reserve - shortfall (illustrative)					
Transformation & Investment Programme	(218)	(195)	95	(100)	(100)
Property R&M/Capital Works (Revenue)	0	0	(96)	(96)	(96)
Environmental Services Investment Programme	0	0	(58)	(58)	(58)
Business Rates Movement Reserve	(4,120)	0		0	0
Local Plan Reserve	(819)	(677)		(677)	(95)
Covid-19 Reserves	(88)	(27)	27	0	0
Community-Led Housing Grant	(806)	(805)		(805)	(776)
New Burdens	(411)	(358)	266	(92)	(92)
Other commitments from the Council Priorities Fund	(1,071)	(899)	376	(523)	(523)
Other Revenue Earmarked Reserves	(2,338)	(2,337)	230	(2,107)	(1,624)
Total Earmarked Revenue Reserves	(12,639)	(8,691)	(0)	(8,691)	(7,116)
Total Revenue Reserves	(15,192)	(10,451)	0	(10,451)	(8,876)



6. CAPITAL PROGRAMME AND FINANCING

- 6.1** The Council's Capital Strategy and Capital Programme are considered over a five-year period. The Strategy provides the framework for the Council's capital expenditure and financing plans to ensure they are affordable, prudent, and sustainable over the longer-term.
- 6.2** The Council set out its Capital Programme for the period 2023/24 to 2026/27 based on the principles of the current Capital Strategy and was approved by Council at their meeting on 15 February 2023. and is summarised in Tables 6 and 7 below and in further detail in Annex C of this report. A total capital expenditure budget of £13.899m in 2023/24 is proposed. Total expenditure decreases to £2.318m and £1.277m in 2024/25 and 2025/26 respectively, and in the final year of the current programme 2026/27 spend is estimated at £5.015m.
- 6.3** As reported in the 2023/24 Outturn report, slippage of £1.114m has been included in the Capital Programme for 2023/24 giving a revised budget of £15.013m, as shown in Table 6. The capital programme for 2024/25 to 2026/27 remains unchanged, as shown in Table 7.

Table 6 – Revised Capital Programme 2023/24

	2023/24 OB (£'000)	Slippage From 2022/23 (£'000)	2023/24 Adjs (£'000)	2023/24 LAB (£'000)
Capital Programme				
Leisure & Communities	1,387	4	0	1,391
Housing/Planning and Strategic Housing	4,001	208	0	4,209
Environment	1,956	173	0	2,129
Retained & Corporate	0	0	0	0
ICT, Change and Customer Services	350	65	0	415
UK Rural Prosperity Fund	191	0	0	191
UK Shared Prosperity Fund Projects	28	0	0	28
Land, Legal and Property	500	370	0	870
Transformation and Investment	5,486	294	0	5,780
TOTAL Capital Programme	13,899	1,114	0	15,013



Table 7 – Capital Programme 2023/24 to 2027/28

Capital Programme	2023/24 Revised Budget (£'000)	2024/25 Budget (£'000)	2025/26 Budget (£'000)	2026/27 Budget (£'000)	2027/28 Budget (£'000)	TOTAL Budget (£'000)
Leisure & Communities	1,391	50	50	550	50	2,091
Housing/Planning and Strategic Housing	4,209	1,300	700	700	700	7,609
Environment	2,129	111	377	3,615	65	6,297
ICT, Change and Customer Services	415	150	150	150	150	1,015
UK Rural Prosperity Fund	191	573	0	0	0	764
UK Shared Prosperity Fund Projects	28	134	0	0	0	162
Land, Legal and Property	870	0	0	0	0	870
Transformation and Investment	5,780	0	0	0	0	5,780
	15,013	2,318	1,277	5,015	965	24,588

- 6.4** The Q1 monitoring report provided members with an initial forecast for the year of £8.297m – an underspend of £6.716 against the latest capital programme budget.
- 6.5** This is due to the assumption that the Strategic Property Acquisition (included in the summary line Transformation and Investment) will not proceed in the current financial year. With interest rates remaining high, any future acquisition decision will need to be supported by a full business case setting out the wider benefits and financial impact over the immediate and longer-term.
- 6.6** Paragraph 4.14 of this report updated members on the preparation of an Asset Management Strategy.
- 6.7** The capital programme is focussed on delivering against the Council’s key priorities, with further schemes coming forward to on enhancing the delivery of core services through improvement and enhancement of assets. A review of the programme will be undertaken as part of the budget setting process and will be focussed on
- Affordability and deliverability of schemes
 - Current capital financing resources and potential capital receipts arising from the Asset Management Strategy
 - Actions agreed in response to the financial sustainability improvement recommendations.

Capital Financing

- 6.8** As set out in the *2023/24 Revenue Budget, Capital Programme and Medium-Term Financial Strategy* report, the Council’s capital expenditure has up until the current financial year been predominantly financed from capital receipts. As these are forecast to deplete over the capital programme period the Council will need to undertake prudential borrowing to support future



capital expenditure plans. Other sources of finance support the capital programme, either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts).

- 6.9** The level of prudential borrowing included in the capital financing statement reflects the financing available in the revenue budget, capital receipts align with forecasts and grant funding and other contributions are based on already notified allocations or best estimates at the time of preparation. If additional resources become available, projects that meet the Council's strategic capital objectives will be brought forward for approval.

Table 8 – Capital Programme 2023/24 to 2026/27

	2023/24 Revised Budget (£'000)	2024/25 Budget (£'000)	2025/26 Budget (£'000)	2026/27 Budget (£'000)	2027/28 Budget (£'000)	TOTAL Budget (£'000)
Capital Financing Statement						
Capital receipts	8,469	865	390	765	0	10,489
Capital Grants and Contributions	1,907	1,407	700	700	700	5,414
Earmarked Reserves	0	0	0	0	0	0
Revenue Contribution to Capital Outlay (RCCO)	150	0	0	0	0	150
Community Municipal Investments (CMI)	466	0	0	0	0	466
Prudential Borrowing	4,021	46	187	3,550	265	8,069
	15,013	2,318	1,277	5,015	965	24,588

- 6.10** The Capital Financing position will be reviewed by the s151 Officer during the year as expenditure forecasts are updated to ensure a balanced use of capital resources and mitigation of current and future interest rates.

7. RISKS AND UNCERTAINTIES

- 7.1** The risks and uncertainties outlined in the *2023/24 Financial Performance – High-Risk Budgets* report remain relevant and are included in the assessment below and have been updated where necessary.
- 7.2** There are a number of financial risks that the Council will face over the medium-term. The 2024/25 Budget and the MTFs will need to be prepared with consideration of these risks, but as with any forecast, an inherent level of risk will remain.
- 7.3** The first key risk is around the nature and scope of local government funding from the Government from 2026/27. The implementation of the Fair Funding Review and Business Rates changes has already been delayed (originally due from April 2020) and is assumed to be delayed until April 2026. The forecast impact on District Councils is likely to be significant as resources are moved around Local Government to recognise Social Care cost pressures.



- 7.4** It is difficult to estimate with certainty the impact on Cotswold. Fundamental changes to the way in which each Council's needs are assessed and funded are difficult to model despite some engagement from Government with local authorities. Therefore, considerable risk and uncertainty remains in the estimates for 2026/27 and beyond.
- 7.5** However, an initial estimate of a near 50% reduction in the level of retained business rates income has been included in the MTFS assumptions from 2026/27 (reduction from £4.6m to £2.3m). An estimate has been made around transitional arrangements, but these are not based on any indication or commitment from the Government but have been based on financial modelling provided by Pixel including a view on damping (transitional arrangements upon implementation of the new distribution methodology to avoid significant step-changes, shocks or disruption to stable financial planning and service delivery).
- 7.6** Further factors influencing the introduction of local government finance reforms include the timing the General Election. If this is called as late as November 2024, there would only be a noticeably short period for any new Government to consider reform and consult with Local Government on the 2025/26 settlement. The MTFS assumes this is the most credible case and that reform is delayed until 2026/27.
- 7.7** The second key risk is around the continued impact on the Council from pressures within the wider economy including inflation and interest rates. This is already having an impact on income and expenditure budgets during 2023/24 and will require further action during the year to mitigate the adverse impact.

8. CONSULTATION

- 8.1** The budget consultation will be run through the Council's online consultation and engagement platform – Commonplace. This will be complimented by physical copies of the survey available in the Council offices for those who cannot complete the online survey.
- 8.2** The Council plans to use a wide range of communications channels to share the key budget messages and highlight the consultation to as many residents, businesses and community organisations as possible, encouraging them to take part.
- 8.3** The Consultation will run from 03 November to 08 December 2023. Feedback will be provided to the Cabinet in January 2024



9. CONCLUSIONS

- 9.1** The report sets out the Council's financial prospects for 2024/25 with specific proposals around savings and funding subject to consultation. Feedback from the consultation process together with any further budget adjustments for 2024/25 will be reported to the Cabinet in January 2024.
- 9.2** The final budget proposals, including the outcome from the Local Government Finance Settlement, will be presented to the Cabinet in February 2024, and will be debated at Council on 21 February 2024.

10. FINANCIAL IMPLICATIONS

- 10.1** There are no financial implications arising directly from the report.

11. LEGAL IMPLICATIONS

- 11.1** Save for any legal duties and requirements set out in the body of the report there are no further legal implications arising directly from the recommendations and the report.

12. EQUALITIES IMPACT

- 12.1** There are no direct implications arising from this result. The equalities impact of policy change or through the implementation of projects referred to in this report will be considered in subsequent reports to the Cabinet or Council as appropriate.

13. CLIMATE AND ECOLOGICAL EMERGENCIES IMPLICATIONS

- 13.1** None

14. BACKGROUND PAPERS

- 14.1** None

(END)