



## FINANCE, ASSETS, INVESTMENT & RECOVERY COMMITTEE

7<sup>TH</sup> FEBRUARY 2024

<b>REPORT TITLE:</b>	Budget 2024/25 and Medium Term Financial Strategy 2024-29
<b>REPORT OF:</b>	Tim Willis, Interim Director (Resources) & Section 151 Officer
<b>REPORT IS FOR:</b>	Decision

### REPORT SUMMARY

This report and appendices set out all the relevant information in support of the Council's Budget for General Fund services and Council Tax for 2024/25, together with financial forecast information through to 2028/29. Also included is information on the Housing Revenue Account (HRA) budget for 2024/25 and the Capital Programme 2024/25 to 2028/29.

- (i) Appendix A - The General Fund budget proposals for 2024/25 to 2028/29.
- (ii) Appendix B - The Housing Revenue Account (HRA) budget proposals for 2024/25 onwards.
- (iii) Appendix C - The Capital Programme 2024-29.
- (iv) Appendix D – Fees & Charges Schedule 2024/25.
- (v) Appendix E - Pay Policy Statement.

The report summarises the detailed service budgets, together with known adjustments including the impact of the provisional central government grant funding.

The key elements of the proposed budget are:

#### General Fund

- 1) A proposed 2.99% increase in Council Tax for 2024/25 for Brentwood Borough Council services.
- 2) Earmarked Reserves to set aside appropriate balances to mitigate future financial risk and build up in borough regeneration.
- 3) Future uncertainty of local government financing.

- 4) The budget will be balanced in 2024/25 & 2025/26. However, there will be a budget gap in 2026/27 which will grow during the remainder of the Medium Term Financial Strategy (MTFS).

#### Housing Revenue Account

- 1) A balanced budget across the MTFS.
- 2) There will be a contribution to reserves to pay for the deficit in 2025/26 of £212k.
- 3) Proposed increase in rents of 7.7%
- 4) Continued investment in the delivery of Decent Homes and development of Housing within the Borough.
- 5) Significant investment in the Strategic Housing Delivery Programme ensuring the 30-year business plan is sustainable.

#### Capital

- 1) Total capital investment of £27.2m (General Fund) and £26.1m (HRA) in 2024/25.
- 2) Subsequent investment of £20.1m (General Fund) and £69.1m (HRA) from 2025 to 2029.

## **RECOMMENDATIONS**

### **Members are asked to:**

**R1. Approve the General Fund Budget 2024/25 and Medium-Term Financial Strategy as set out in Appendix A.**

**R2. Approve a proposed Council Tax increase of 2.99% for 2024/25, the charge of Band D property increases to £210.70 per annum for Brentwood Council services only.**

**R3. Approve the HRA budget 2024/25 including the 30-year HRA Business Plan within Appendix B.**

**R4. Approve a proposed increase to rents of 7.7% for 2024/25.**

**R5. Approve the Capital Programme 2024-29 in Appendix C.**

**R6. Approve the Fees & Charges Schedule in Appendix D.**

**R7. Approve the Pay Policy Statement in Appendix E.**

## **SUPPORT ING INFORMATION**

### **1.0 REASON FOR RECOMMENDATION**

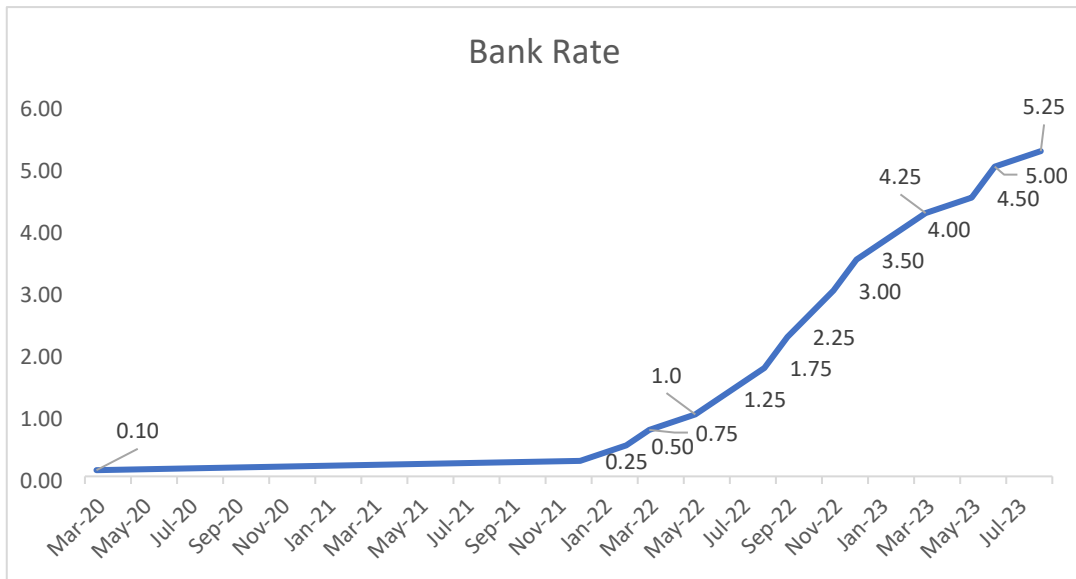
1. Effective financial management underpins all the priorities for the Council and will enable the Council to operate within a sustainable budget environment.
2. The Council is required to approve the Budget as part of the Budget and Policy Framework.

### **2.0 BACKGROUND INFORMATION**

3. This report sets out the budgets for the General Fund revenue and capital, Housing Revenue Account revenue and capital, as well as fees and charges, treasury management and the pay policy statement.
4. Appendix A sets out the full detail on all relevant considerations in setting the budget and Council Tax for 2024/25. Key issues have been summarised in this report by way of background.

#### **Economic Impacts**

5. During the past year, inflation has begun to fall. At December 2022, CPI was at 10.1%, in comparison CPI in December 2023 was 4.0%. Even though this was less than December 2022, it was still an increase from November 2023, when CPI rose by 3.9%.
6. The official Bank rate rose to 5.25% on 3<sup>rd</sup> August 2023 and has remained at this rate. This was after a steep rise, from 0.1% in March 2020. This is shown in the graph below.



7. At its 14th December meeting, the Bank of England's Monetary Policy Committee (MPC) kept rates on hold for the third time in a row, pushing back against the prospect of near-term interest rate cuts.

8. Brentwood's Treasury advisors are forecasting Bank rate to reduce in 2024 and 2025. They are predicting the first cut to be September 2024, to continue to fall to 3% in September 2025 and stay at this level for the rest of their forecast, which goes up to July 2027.

9. Regarding PWLB rates as of the 19/01/2024 were:

- 5 years – 4.53%
- 10 years – 4.75%
- 25 years – 5.34%
- 50 years – 5.14%

Forecasts for PWLB rates are also predicted to reduce. PWLB rates are not only influenced by Bank rate but by the outlook for inflation and by the market's appetite for significant gilt issuance. Over 2024 and 2025, in June 2025 PWLB rates are forecast to reduce to 4% for 5 & 10 years, 4.30% for 25 years and 4.10% for 50 years.

10. Furthermore, another unknown impact is that there will be a General Election in the next year, so Government fiscal policy may potentially loosen at the same time as the Bank's monetary policy is still trying to take momentum out of the economy.

## Government Funding

11. The financial pressures that face local government are well known. Despite these pressures, the Council remains committed to both the maintenance of service delivery and continuing to improve community outcomes that enhance the quality of life for the residents of Brentwood.
12. The financial position and the Council's total Government funding is detailed within Appendix A for the General Fund, which continues to reflect the ongoing uncertainty in government support.
  - The Financial Settlement was a one-year settlement, not reflecting the full MTFS period. Also, with it being an election year, there are still many unknowns.
  - The Government's calculation on core spending power assumes councils will increase council tax by 2.99%. Lower tier authorities are allowed to apply the higher of the referendum limit of 3% or £5.
  - New Homes Bonus allocations have continued in 2024/25 for one year. The Government has signalled a review of the system of allocation for 2025/26.
  - The Borough will receive a Services Grant, Revenue Support Grant and a Minimum Funding Guarantee, as described in Appendix A.
  - The Secretary of State wrote to local authorities on 24 January 2024 announcing an increase in funding provided by Government, that supplemented the figures in the Provisional Settlement. Any additional amount for Brentwood is unknown at this stage, but is unlikely to substantially alter the direction of travel of the MTFS. The Final Settlement is due in early February and will be incorporated into the Budget/MTFS report to Council on 28 February 2024.

## Council Tax

13. Council is recommended to increase Council Tax by 2.99% for 2024/25 per band D property. The element of the Band D charge related to the council will increase by £6.12 per annum. This increase equates to an additional 11.77p per week for a Band D property. The Government has assumed in its forecast of Brentwood's spending power that Council Tax will increase by 2.99%, i.e. the authority's settlement is based on the assumption by Government that the authority will maximise its income generation through Council Tax increases.

## General Fund

14. The council is forecasting a balanced monitoring position in 2023/24. The council is also forecasting to balance budgets in 2024/25 and 2025/26. However, there will be a budget gap of £734k in 2026/27 growing to £983k in 2028/29. This is outlined below in Table 1. To protect working balances, mitigation reserves will be utilised before impacting on working balances.

Table 1 – General Fund Revenue projected Working balances.

	2022/23	2023/24	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	Actual	Budget	P9 Forecast	Budget	Budget	Budget	Budget	Budget
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Total General Fund</b>	9,159	10,357	10,419	10,817	11,033	11,917	12,355	12,621
<b>Net Expenditure</b>								
<b>Total Funding</b>	9,159	10,246	10,419	10,817	11,033	11,183	11,407	11,638
<b>Deficit/(Surplus)</b>	0	111	0	0	0	734	948	983
<b>Use of Earmarked Reserves</b>	0	0	0			734	948	983
<b>Deficit/(Surplus)</b>	0	111	0	0	0	0	0	0
<b>Working Balance b/fwd</b>	2,874	2,874	2,874	2,874	2,874	2,874	2,874	2,874
<b>(Deficit)/Surplus</b>	0	(111)	0	0	0	0	0	0
<b>Working Balance c/fwd</b>	<b>2,874</b>	<b>2,763</b>	<b>2,874</b>	<b>2,874</b>	<b>2,874</b>	<b>2,874</b>	<b>2,874</b>	<b>2,874</b>
<b>Mitigation reserves balance</b>	<b>6,207</b>	<b>6,207</b>	<b>6,207</b>	<b>6,207</b>	<b>6,207</b>	<b>5,473</b>	<b>4,525</b>	<b>3,542</b>

15. There is a requirement that the Council needs to continue delivering budget reductions and income generation in order to deliver a sustainable medium-term financial position for future years. Further information is set out in Appendix A.

## Savings

16. In delivering the proposed budget for 2024/25 and beyond, the Council will continue to seek efficiencies that are already in progress. The strategic partnership with Rochford District Council has delivered significant savings and it will continue to enhance capacity and resilience. However, the council's primary means of delivering savings over the medium term will be to re-assess its capital strategy. It will examine ways in which it can continue to invest in the Borough, whilst reviewing the scope of large capital projects; and seek to continue to explore opportunities to generate receipts from some asset disposals.

## Reserves

17. Appendix A summarises the overall level of General Fund Reserves and reflects the realignment of reserves to meet current and anticipated investment requirements.

## Housing Revenue Account

18. Appendix B sets out the full detail on all the relevant considerations in respect of setting the HRA budget for 2024/25.

19. The budget has been prepared on the basis of current levels of service of delivery but taking account of any known priorities and relevant legislation.

20. The HRA capital programme has been prepared by taking account of current knowledge of stock condition and the asset management priorities arisen.

## Capital Programme

21. The Capital Programme for 2024-29 is set out in Appendix C. The Council's Capital and Treasury Management Strategy is included in a separate report. Within this and the S151 Assurance Statement there are details of the Council's overall debt and how it is managed. Whilst the absolute value of the debt is high, the assets held against this debt have a greater value. A number of these assets earn a return to the Council's revenue account and help in offsetting debt servicing costs. Additionally, an expert external review of the Council's treasury management strategy highlighted the relatively low average rate of interest on total external debt; and the relatively long-term

average maturity of debt. It should be noted that Appendix C shows an £8m reduction over the MTFs which reflects a combination of capital programme expenditure reductions and capital receipts, to reduce the overall level of projected debt.

### Fees and charges

22. Proposed Fees and Charges have been taken to the appropriate Council Committee and are attached for information in Appendix D.

### Pay Policy

23. Section 38(1) of the Localism Act 2011 and supplementary guidance issued in February 2013 requires Local Authorities to produce a Pay Policy Statement for each financial year, which must be approved formally at Ordinary Council by the 31 March each year and must be published on the Council's website. It may be amended during the course of the financial year by further reference to Ordinary Council. The Pay Policy Statement is in Appendix E.

### Assurance Statement

24. Section 25 of the Local Government Act 2003 requires the Section 151 Officer to report to the Council on the robustness of the budget calculations and the adequacy of reserves as part of the budget and council tax setting decision.
25. The Council's budget is based on a range of assumptions. In considering the overall budget position, it is necessary for Members to be aware of the range and scale of risk and uncertainty surrounding the budget projections, particularly with regard to external factors. The assurance statement will be included in the Budget report to Council, as required. It will also include useful information for members on the legalities of setting a balanced budget and a glossary for all the budget documents.



## **Issue, Options and Analysis of Options**

26. The Council sets its own Council Tax requirement, within the resources available and regulation. The Council must have regard to the robustness of the budget calculations, identified risks and the financial climate. Details on Council Tax Setting are set out in Appendix A.
27. Members should note that a proposed “excessive” council tax increase will be subject to a local referendum. Any referendum would have to take place no later than the first Thursday in May. The cost of conducting the referendum and rebilling would both fall on the Council. The Government has determined that for 2024/25 an increase above 2.99% or £5 whichever is higher would be excessive and require a positive vote in a referendum.
28. Each year’s Council Tax level forms the base for measuring future increases against any Government referendum criteria. A risk of setting Council Tax too low is that it limits the level of the referendum threshold in the future years too, as there is a cumulative effect on the Council’s ability to sustain service levels in the future.

### **4.0 ENGAGEMENT/CONSULTATION**

29. The Council undertook a Consultation on the budget during 2023. Further information is set out in Appendix A.

### **5.0 FINANCIAL IMPLICATIONS**

**Name & Title: Tim Willis, Interim Director – Resources & Section 151 Officer**  
**Tel & Email: 01277 312500 / tim.willis@brentwood.rochford.gov.uk**

30. The financial implications are set out within the report and the Appendices accompanying the report.

### **7.0 LEGAL/GOVERNANCE IMPLICATIONS**

**Name & Title: Claire Mayhew, Acting Joint Director – People & Governance & Monitoring Officer**  
**Tel & Email 01277 312500 / Claire.mayhew@brentwood.rochford.gov.uk**

31. The Council is obliged by Section 151 of the Local Government Act 1972 to make proper arrangements for the management of its financial affairs. It is consistent with sound financial management and the Council’s obligation under Section 151 of the Local Government Act 1972 for the Council to adopt

and monitor a medium-term financial strategy. The medium-term financial strategy informs the budget process and may be viewed as a related function.

32. The report provides information about risks associated with the medium-term financial strategy and the budget. This is consistent with the Council's obligation to make proper arrangements for the management of its financial affairs. It is also consistent with the Council's obligation under the Accounts and Audit (England) Regulations 2011 to have a sound system of internal control which facilitates the effective exercise of the Council's functions and includes arrangements for the management of risk.

## **8.0 ECONOMIC IMPLICATIONS**

**Name & Title: Phil Drane, Director - Place**

**Tel & Email 01277 312500 / phil.drane@brentwood.rochford.gov.uk**

33. There are specific parts of the budget in place to enable the Council to facilitate local economic growth within the service area Economic Development. This is in line with the Council's Corporate Strategy, which includes objectives to grow the economy. More generally, and in terms of other parts of the budget, it is important that the Council maintains a robust and resilient budget for the responsible upkeep of public services, which in turn can help contribute to a healthy borough economy.

## **9.0 EQUALITY & HEALTH IMPLICATIONS**

**Name & Title: Kim Anderson, Corporate Manager - Communities, Leisure and Health**

**Tel & Email 01277 312500 kim.anderson@brentwood.gov.uk**

34. There are no relevant implications.

## **10.0 ENVIRONMENTAL IMPACT**

**Name & Title: Henry Muss, Sustainability & Climate Officer**

**Tel & Email 01277 312500 henry.muss@brentwood.gov.uk**

35. There are no relevant implications.

