

MID SUFFOLK DISTRICT COUNCIL

TO:	Overview & Scrutiny Committee	REPORT NUMBER: MOS/23/05
FROM:	Councillor Rachel Eburne, Cabinet Member for Finance	DATE OF MEETING: 22 January 2024
OFFICER:	Melissa Evans – Director Corporate Resources	KEY DECISION REF NO. <u>Item No.</u>

Review of the 2024/25 General Fund and Housing Revenue Account (HRA) draft revenue budgets

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to provide the opportunity for the Overview & Scrutiny Committee to review the draft budget for 2024/25 for both the General Fund and the HRA. The Committee are asked to consider the draft budget proposals before Cabinet decides in February what to recommend for approval by Full Council later in February and implementation from 1st April 2024.
- 1.2 Overview and Scrutiny Committee undertook a review of the 2024/25 budget assumptions in November 2023, therefore, these are not repeated within this report.
- 1.3 Progress against the budget is reported to Cabinet on a quarterly basis throughout the year. This year, proposals for the 2024/25 budget will be presented to Cabinet for approval on 6 February 2024 and to Full Council on 22 February 2024. Before the proposals are considered by Cabinet, this meeting will enable the Overview and Scrutiny Committee, on behalf of the residents of Mid Suffolk, to provide constructive challenge.
- 1.4 The current draft budget for 2024/25 shows a forecast budget surplus of £1.213m for the General Fund based on a 2% increase to a Band D Council Tax and a deficit for the HRA of £981k based an increase to rents of 7.7%.

2. RECOMMENDATIONS

- 2.1 That the draft revenue budgets set out in the report, for the 2024/25 General Fund and Housing Revenue Account budgets be noted.
- 2.2 The Committee may make further recommendations as it deems appropriate.

REASON FOR DECISION

Overview and Scrutiny Committee can contribute to and influence the budget proposals that are considered by Cabinet and Full Council.

3. KEY INFORMATION

- 3.1 Global events, rising inflation and interest rates have created an unprecedented financial challenge for the Council for both the General Fund and the Housing Revenue Account. The Council has been reporting the impacts of this financial

challenge throughout the year as part of the quarterly financial reports to Cabinet and these are likely to continue in 2024/25.

- 3.2 The 2023/24 financial forecast at Quarter 2 shows an adverse variance to the budget of £700k for the General Fund, however, and despite a deteriorating position, the Council is still expected to have just over £2.03m surplus to be able to transfer to reserves at the end of the year. The adverse variance is due to several inflationary pressures, including pay award, and a significant reduction in planning income, as well as higher interest costs and corresponding reduction in investment income.
- 3.3 The HRA is forecasting a deficit of £1.488m at quarter 2. This is due to several inflationary pressures, including pay award, CPI increases on a number of contracts and an increase in costs associated with the backlog of void and responsive repairs work.
- 3.4 Following the elections in May 2023, a Green administration has been formed. A new Mid Suffolk Plan has been developed since then that puts environmental sustainability and social justice at the heart of everything that the Council does. A holistic approach to achieving these outcomes will be facilitated by the budget.
- 3.5 The Finance Team have worked closely with budget managers and the Senior Leadership Team to update the Council's budget requirements for 2024/25. They are considering known pressures and political priorities and identifying efficiencies and savings to help offset this without negatively impacting on service delivery.
- 3.6 Officers have also sought to reflect the change of focus for the Council so that the budget reinforces and enables the emphasis on social and environmental responsibility, supporting citizens and helping communities to thrive.

4. GENERAL FUND

General Fund - Summary Position

The budget for 2023/24 was a surplus of £3.578m however due to a continuation of financial pressures outlined in paragraph 3.2 above, and a shortfall in funding to meet the overall increasing costs, the position for the surplus next year has reduced by £2.365m as shown in table 1 below.

Table 1 - General Fund Overall budget changes

	£'000	£'000
2023/24 Budget Surplus		(3,578)
Pressures	4,481	
Savings/additional income	(1,168)	
Funding Changes	(948)	
Total Net increase		2,365
2024/25 Draft Surplus		(1,213)

- 4.1 Subject to any further changes the recommendation will be to transfer the £1.213m to earmarked reserves, see paragraph 4.15 for further details.
- 4.2 This is a draft position at this stage, the final budget will be presented to Cabinet and Council in February.
- 4.3 The Councils Net Cost of Services has increased by £3.31m or 27%, and funding has increased by £948k or 6%, as shown in table 2 below.
- 4.4 The main assumptions for 2024/25 budget were set out in the report presented to the Overview & Scrutiny Committee in November, therefore have not been repeated here.

Table 2 - General Fund Summary

Service Area		Budget 2023/24	Budget 2024/25	Movement 2023/24 to 2024/25
		£'000	£'000	£'000
Service Expenditure	Employees	13,128	13,698	570
	Premises Expenses	1,255	1,337	82
	Supplies & Services	5,181	6,717	1,536
	Transport Expenses	409	504	95
	Third Party Payments	4,573	4,827	254
Grants & Income	Grants and Contributions	(1,715)	(1,705)	10
	Sales, Fees & Charges	(5,407)	(4,827)	580
	Rental & Other Income (incl. PV panels)	(1,698)	(1,894)	(195)
Housing Benefits	HB Transfer Payments	9,239	9,239	-
	HB Grants and Contributions	(9,366)	(9,366)	-
Net expenditure on services as above		15,599	18,532	2,933
Recharges	Charge to HRA/Capital	(1,761)	(1,792)	(32)
Capital Financing Costs	Interest Payable - CIFCO	416	396	(21)
	Interest Payable - Other	1,090	2,258	1,168
	Minimum Revenue Provision (MRP)	1,475	1,324	(151)
	Pooled Funds Net Income	(566)	(566)	-
Investment Income	Interest Receivable - CIFCO	(2,187)	(1,955)	232
	Interest Receivable - Gateway 14	(97)	-	97
	Interest Receivable - Other	(31)	(31)	-
	Dividend from Gateway 14 Ltd		(20,000)	(20,000)
Reserves	Transfers to / (from) Reserves	(1,499)	(2,411)	(912)
	Transfer of Gateway 14 Dividend into reserves		20,000	20,000
Total Net Cost of Services		12,441	15,754	3,313
Government Grants	New Homes Bonus	(1,427)	(1,683)	(256)
	Revenue Support Grant (RSG)	(132)	(121)	12
	Services Grant	(92)	(14)	78
	Rural Services Delivery Grant	(508)	(508)	-
	Funding Guarantee	(450)	(305)	145
Business Rates	Baseline Business Rates	(2,316)	(1,653)	663
	S31 Business Rates Grant	(3,416)	(3,231)	185
	Business Rates - Renewable Energy	(767)	(767)	-
	Business Rates Pool share of Growth Benefit	(678)	(700)	(22)
	Business Rates Pool - Removal of Top Slicing		(600)	(600)
Council Tax	B/R Prior Year Deficit/(Surplus)	790	(11)	(801)
	Council Tax	(6,846)	(7,276)	(430)
	Council Tax Prior Year Deficit/(Surplus)	(177)	(98)	79
Total Funding		(16,019)	(16,967)	(948)
Net Position Before Reserves		(3,578)	(1,213)	2,365

General Fund Pressures

4.5 The major pressures identified for the General Fund 2024/25 budget totals £4.48m as shown in the table below.

Table 3 - General Fund Pressures

	£000's
Interest Payable due to higher interest rates	1,168
Drop in Planning Income	692
Employee Cost Pressures	570
Strategic Priorities projects in housing, matched by reserves	294
Interest Receivable CIFCO	232
Serco Contract Increase	145
Interest Receivable Gateway 14	97
Planning Posts funded by reserves	79
IT Service Contract	79
Strategic Policy costs removed from Core Budget, funded by reserves	65
Uplift in External Audit fees	61
Communities Roles outside of core budget funded by Reserves	61
Increased Tools and Equipment Costs	58
Increased Fuel Costs	57
Reduction in Land Charges Income	53
Increase in Member Allowances	52
Higher cost of Neighbourhood Plan Delivery	52
Reduced Neighbourhood Plan Income	50
Climate Change post funded by reserve and not core budget	39
Interim extension costs in Commissioning & Procurement	36
Increase in charges for Guaranteed Rent Scheme	36
Shared Revenue Partnership contract uplift	33
HR & OD Costs connected to benefits review	31
Additional Premises costs in Housing Solutions	31
Drawdown of Waste reserve to mitigate contract cost increases	30
Additional transfer to reserves for Neighbourhood Plans	29
Vehicle & Repair Costs	28
Health & Safety posts no longer funded by Covid Grants	25
Tree Works Costs	25
Stowmarket Access Point	23
Utility costs at Wingfield Barns	20
Increase of Election reserve transfer following review	20
Increase in EVCP electricity cost from new Charge Points.	20
Other Cost Pressures	195
Total:	4,481

General Fund Savings and additional Income

4.6 The major savings and additional income identified for the General Fund 2024/25 budget totals £1.168m as shown in table 4 below. These are as a result of reviewing the Council's costs and income, they have no detrimental impact on service delivery. Proposals to increases fees and charges submitted to Cabinet have been approved.

Table 4 - General Fund Savings/Increase in income**General Fund Funding**

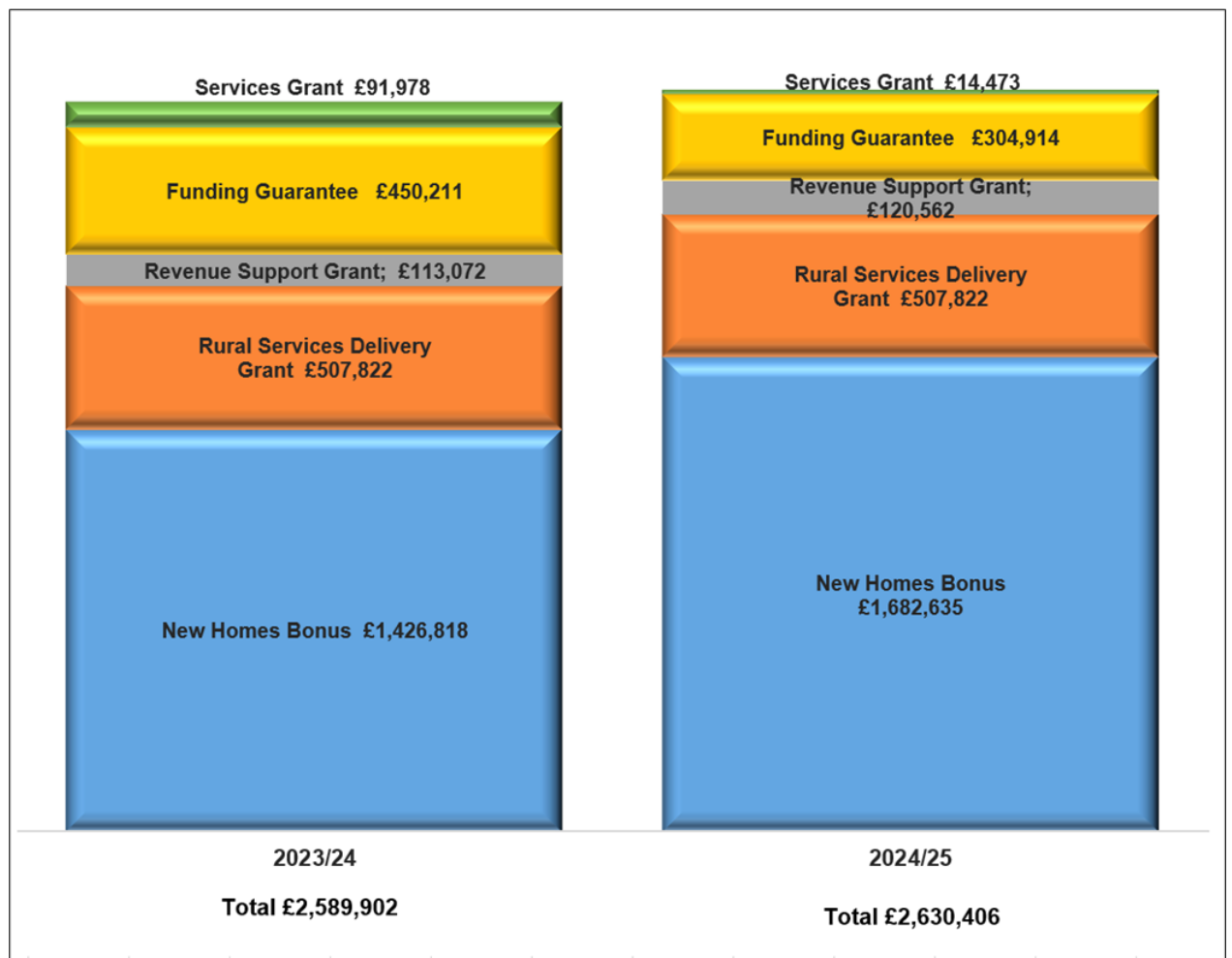
	£000's
Reduction in required transfer from reserves in Housing	(193)
Minimum Revenue Provision (MRP)	(151)
Increase in Garden Waste subscription Income	(133)
New rental income unbudgeted from sites at Hurstlea Road.	(120)
Transfer from Reserves for Housing Roles	(66)
External Homelessness funding	(66)
Lower Reserve funding in Contact Operations	(55)
Communities Roles matched by external funding	(41)
Charge to HRA/Capital	(32)
Savings on Car Parks Non-Domestic Rates	(30)
Increase of Commuted Maintenance Reserve drawdown to support service delivery.	(29)
Increase in Income budget for EVCP Income.	(26)
Economic Development Role funded by Reserve	(21)
Other Transfers from Reserves	(21)
Interest Payable - CIFCO	(21)
Other Savings	(164)
	(1,168)

- 4.7 The Council's funding including Government Grants, Business Rates, and Council Tax has increased by £948k as shown in the funding section of table 2 above.
- 4.8 The Business Rates figures are provisional based on current monitoring and are likely to change once the NNDR1 return to Government has been completed at the end of January. An updated position will be included in the report to Council when figures are confirmed by the Shared Revenues Partnership.
- 4.9 The 2.84% growth in Taxbase is generating an additional £195k.
- 4.10 The provisional local government finance settlement for 2024/25 was announced on 18 December 2023. The key headlines are as follows:
- For the sixth time, the settlement is for one-year only.
 - The small business rates multiplier will be frozen at 49.9p. The standard business multiplier will rise by CPI to 54.6p. The Government will compensate local authorities for the loss of income for this decision up to the level of the September 2023 Consumer Prices Index (CPI), meaning that, taken together, the increase in the Baseline Funding Level (BFL) and the multiplier under-indexation grant for 2024/25 provide an increase of 6.7 per cent.
 - For District Councils' council tax can be increased by the higher of 2.99% or £5.
 - The current approach to the New Homes Bonus (NHB) is being applied to 2024/25 with a further one-year allocation for housing growth between October 2022 and October 2023. There will be no legacy payments as was the case in 2023/24.

- Revenue Support Grant (RSG) to be increased by CPI (6.7%).
- Rural Services Delivery Grant is being maintained at the same level as 2023/24.
- The Services Grant will decrease from its 2023/24 level of £483.3 million to £76.9 million for 2024/25. This will be distributed through the Settlement Funding Assessment, in the same way as in 2023/24.
- The Government has announced that as in 2023/24 it will pay a Funding Guarantee to ensure that all councils will see at least a 3% increase in their Core Spending Power before any decisions about organisational efficiencies, use of reserves or council tax levels. The Funding Guarantee will be funded through the Services Grant.

4.11 The Councils 2024/25 provisional grant allocations have increased by £40.5k (1.6%) compared to 2023/24

Chart 1: General Fund Government grant allocations 2023/24 and 2024/25



General Fund Reserves

- 4.12 A review of reserves has been undertaken to ensure the Council is using their reserves appropriately to fund non-recurring spend and invest to save proposals.
- 4.13 Most of the reserves shown in the table below are earmarked for specific purposes, they are used to smooth out fluctuating spend that occurs over more than one year or are grants that have certain conditions attached to them regarding their use.
- 4.14 £5.7m of expenditure is forecast to be funded from reserves next year to fund projects for the council's Strategic Priorities.
- 4.15 Reserves are boosted by the receipt of a £20m dividend from the council's company Gateway 14 Ltd, some of which will be utilised to fund the Skills & Innovation Reserve. This dividend is forecast to be a one-off from the company in terms of its value.

Table 5 - General Fund Earmarked Reserves

Reserve	Forecast Balance as at 31/03/24	To Reserve 2024/25	From Reserve 2024/25	Estimated Balance at 31/03/25
Business Rates & Council Tax	4,081,920	0	0	4,081,920
Business Rates Retention Pilot (BRRP)	380,463	0	-48,855	331,608
Carry Forwards	128,799	0	0	128,799
Climate Change and Biodiversity	629,141	0	0	629,141
Community Housing Fund	140,827	0	-28,441	112,387
Commuted Maintenance Payments	436,080	0	-113,979	322,101
COVID 19	848,616	0	-17,742	830,874
Elections Equipment	35,000	0	0	35,000
Elections Fund	20,000	40,000	0	60,000
Government Grants	326,851	0	0	326,851
Thriving Communities Fund	12,913,901	24,610	-3,463,426	9,475,086
Homelessness	378,124	0	-86,934	291,190
Strategic Planning Reserve	40,942	0	-10,000	30,942
Neighbourhood Planning Grants	72,268	4,477	0	76,745
Planning (Legal)	1,259,913	0	-107,000	1,152,913
Planning Enforcement	45,000	0	0	45,000
Repair & Renewals	292,690	0	0	292,690
Rough Sleepers	25,665	0	0	25,665
Strategic Efficiencies	750,000	0	0	750,000
Temporary Accommodation	362,585	77,850	-85,918	354,518
Waste	186,148	0	-186,148	0
Welfare Benefits Reform	6,573	0	0	6,573
Well-being	18,763	0	0	18,763
Gateway 14 Dividend Reserve	0	20,000,000	-1,594,332	18,405,668
Skills & Innovation Reserve	0	3,188,664	-3,188,664	0
TOTAL	23,380,269	23,335,601	-8,931,439	37,784,431

5. HOUSING REVENUE ACCOUNT

- 5.1 The Council's Housing Revenue Account (HRA) is facing similar financial challenges to the General Fund. The largest areas of spend for the HRA are staffing and contract and materials costs both of which are subject to the significant inflationary pressures as a result of the economic situation.
- 5.2 The quarter 2 budget monitoring showed a forecast deficit of £1.488m. The key factor in this position, is the additional costs being incurred to address the backlog in void and responsive repairs, through both the volume of materials being purchased and sub-contractor costs to work alongside the Trades Team.

HRA Summary Position

- 5.3 The budget for 2023/24 was a deficit of £806k however due to a continuation of financial pressures described above and subsequently costs being reduced as much as possible, the deficit position for next year has increased by £175k. The overall position is based on current work being undertaken on the quarter 3 2023/24 budget position which will be reported to Cabinet in March 2024.

Table 6 – HRA Business Plan 2023/24 Forecast vs 2024/25 Budget

Mid Suffolk DC HRA	2023/24	2024/25	
Summary of Business Plan	Forecast	Budget	Variance
Forecast vs Budget	£'000	£'000	£'000
Income	(£17,982)	(£20,574)	(£2,591)
Expenditure	£16,810	£16,702	(£108)
Net Cost of HRA Services	(1,172)	(3,871)	(2,699)
Interest	£4,627	£4,852	£225
Deficit / (Surplus) in Year on HRA Services	3,455	981	(2,474)

- 5.4 This is a draft position at this stage, the final budget will be presented to Cabinet and Council in February.
- 5.5 The Council's Total Cost of Services has increased by £1.1m or 9%, and income has increased by £3.09m or 18%, as shown in table 7 below.

Table 7 - HRA Budget Summary

	Budget 2023/24 £'000	Budget 2024/25 £'000	Movement 23/24 vs Budget 24/25 £'000
Dwelling Rents	(16,324)	(19,130)	(2,806)
Service Charges	(716)	(970)	(254)
Non-Dwelling Income	(396)	(420)	(24)
Other Income	(51)	(54)	(3)
Total Income	(17,487)	(20,574)	(3,087)
Housing Management	5,234	4,833	(401)
Building Services	4,887	6,196	1,309
Repairs and Maintenance (all areas except Trades Team)	765	843	79
Bad Debt Provision	100	120	20
Depreciation	4,617	4,709	92
Total cost of service	15,603	16,702	1,100
Interest payable	2,700	4,852	2,152
Revenue Contribution to Capital			
Interest Received	(10)		
Deficit / (Surplus) for Year	806	981	175

HRA Pressures

- 5.6 The major pressures identified for the HRA 2024/25 budget totals £3.599m as shown in the table below.

Table 8 - HRA Pressures

	£'000
Interest Charges	2,162
Repairs inc. voids (inflation and increase based on outturn)	606
Building Services Transformation	309
4% Pay increase	183
Depreciation	96
Planned maintenance - heating (inflation)	90
Fire Prevention increased due to 2023/24 increased actual spend	56
Renewable Heat Incentive no longer received	40
Surveyors Recharges increase	27
Other small items (net)	34
Total Draft Pressures	3,599

An increase of £2,162k to interest is included in the budget for 2024/25 due to the increase in current interest rates. This follows an overspend of £1,946k in the current year. This overspend was a result of incorrect figures used in the 2023/24 budget which have now been amended.

HRA Savings and additional Income

- 5.7 The major savings and additional income identified for the HRA 2024/25 budget totals £3.424m as shown in table 4 below.

Table 9 - HRA Savings/Increase in income

	£'000
Rental income – based on 7.7% increase	(2,903)
Service Charges	(91)
Heating Charges and other income	(134)
Professional & Consultancy fees	(91)
Recharges	(80)
Other savings on reduced one off costs and expenses	(125)
Total Draft Savings/additional Income	(3,424)

- 5.8 Rents for Council Housing are increased by 7.7% which is equivalent to an average rent increase of £7.35 a week for social rents and a RPI + 0.5% (9.4%) increase for affordable rent of £10.65 a week.
- 5.9 It has been assumed that there will be 17 properties purchased by the tenant through the Right to Buy mechanism for 2024/25. The number of voids is reduced from 1.2% to the rate of 1%. All these assumptions generate £2.903m additional income.
- 5.10 Following a period of five years that saw annual 1% rent reductions, which ended in March 2020, councils are allowed to increase rents by the maximum of the Consumer Price Index (CPI) +1% for a period of five years from April 2020. Subject to compliance with the Regulator of Social Housing's Rent Standard, this has begun to mitigate the impact of the 1% reduction on the 30-year plan. However, the cost-of-living crisis resulted in the Government making a change to the rent settlement last year. This is a significant risk to the HRA as the recent reductions and now the rent cap, leaves us at risk of not being able to meet our legal obligations. This is again the backdrop of aging stock which requires urgent investment.

HRA Reserves

- 5.11 When setting the budget for the forthcoming year the Council must have regard to the level of reserves needed to provide enough resources to finance estimated future expenditure plus any appropriate allowances that should be made for contingencies.
- 5.12 Reserves only provide one-off funding, so the Council should avoid using reserves to meet regular recurring financial commitments.

- 5.13 The 2024/25 budget position means that the Council will reduce its Strategic Priorities Reserve by £784k. The balance in the reserve at 31 March 2025, as a result of the budget proposals, is forecast to be £1.016m, which equates to around £305 per property. This is dependent on the new build and acquisition programme being delivered on target in the current financial year.

Table 10 - HRA Earmarked Reserves

MSDC Reserves	Balance at 31 March 2023 £'000	Forecast Balance at 31 March 2024 £'000	2024/25 Budget Deficit £'000	2024/25 Capital interest £'000	Forecast Balance at 31 March 2025 £'000
Strategic Reserves	(4,764)	(1,810)	981	(187)	(1,016)
Leaseholders Repairs Reserve	(26)	(26)	0		(26)
Building Council Homes Programme	(20)	(20)	0		(20)
Working Balance	(1,209)	(1,000)			(1,000)
Total Reserves	(6,019)	(2,856)	981	(187)	(2,062)

- 5.14 The Council holds £1m (reduced in 2023/24 from £1.209m) in the working balance which equates to around £300 per property.

6. LINKS TO CORPORATE PLAN

- 6.1 Ensuring that the Council makes best use of its resources is what underpins the ability to achieve the priorities set out in the Corporate Plan and aligns to the corporate outcomes against a backdrop of efficiency, and sound financial robustness. The underlying principle of the Medium-Term Financial Strategy and HRA 30-year business plan is to be financially sustainable.

7. FINANCIAL IMPLICATIONS

- 7.1 These are detailed in the report.

8. LEGAL IMPLICATIONS

- 8.1 The provisions of the Local Government Finance Act 1992 (LGFA 1992) require the Council to set a balanced budget and take regard to the advice of its Chief Finance Officer (Section 151).

9. RISK MANAGEMENT

- 9.1 Key risks are set out below:

Risk Description	Likelihood 1-4	Impact 1-4	Key Mitigation Measures	Risk Register and Reference
We may be unable to react in a timely and effective way to financial demands	2	3	Inflationary risk reserve established to cover the impacts in 2022/23 Quarterly budget monitoring to Cabinets Reserves review Finance Transformation Plan Balance sheet review and monitoring Internal audit review of budget monitoring arrangements during 2021/22	Significant Risk Register SRR004MSDC
Mid Suffolk Council may fail to be financially stable	2	4	Sharing of integrated workforce with Mid Suffolk Single efficient office space Shared policies and procedures	Significant Risk Register SRR008MSDC
Mid Suffolk Council may suffer a significant overspend that needs to be funded from reserves	3	2	Quarterly budget monitoring reports to Cabinet Quarterly review of level of reserves	Significant Risk Register SRR0013MSDC

10. CONSULTATIONS

- 10.1 Consultations have taken place with Directors, Corporate Managers, and other Budget Managers as appropriate.
- 10.2 The Council launched a 6-week consultation on the 4th October 2023 to give people the opportunity to provide feedback on the Councils long term vision and strategic priorities for the district.
- 10.3 The consultation also includes engagement around how the Council currently spends its money by presenting the budget by % spend in different areas.
- 10.4 The consultation closed on the 15th November and the responses to the survey will help to ensure the Councils budget aligns to the corporate priorities.

11. EQUALITY ANALYSIS

No decisions on the budget or changes to services are being made at this stage.

12. ENVIRONMENTAL IMPLICATIONS

- 12.1 No decisions on the budget with environmental impacts are being made at this stage.

13. BACKGROUND DOCUMENTS

MCa/23/30 General Fund Financial Monitoring 2023/24 Quarter 2

MCa/23/30 Housing Revenue Account Fund Financial Monitoring 2023/24 Quarter 2

MCa/23/39 Fees and Charges 2024/25

[MC/22/35 GENERAL FUND BUDGET 2023/24 AND FOUR-YEAR OUTLOOK](#)

[MC/22/36 HOUSING REVENUE ACCOUNT \(HRA\) 2023/24 BUDGET](#)