

## MID SUFFOLK DISTRICT COUNCIL

<b>TO:</b> Council	<b>REPORT NUMBER:</b> <b>MC/23/40</b>
<b>FROM:</b> Councillor Rachel Eburne, Cabinet Member for Finance	<b>DATE OF MEETING:</b> 22 February 2024
<b>OFFICERS:</b> Karen Watling, Interim Corporate Manager: Finance (Deputy S151 Officer) Sean Coulter, Senior Finance Business Partner	<b>KEY DECISION REF NO.</b> N/A

### GENERAL FUND BUDGET 2024/25 AND FOUR-YEAR OUTLOOK

#### 1. PURPOSE OF THE REPORT

- 1.1. The purpose of this report is to present the General Fund Budget for 2024/25 and four-year outlook.
- 1.2. To enable Council to consider key aspects of the 2024/25 Budgets, including Council Tax proposals, in order to approve the budget recommendations.

#### 2. OPTIONS CONSIDERED

- 2.1. Setting a balanced budget is a statutory requirement, therefore no other options are appropriate in respect of this.

#### 3. RECOMMENDATIONS

- 3.1. The Council approves:
  - a) The General Fund Budget proposals comprising:
    - the 2024/25 revenue budget estimates as set out in Table 1.
    - The 2024/25 to 2027/28 capital programme and it's funding as set out in Appendix A
    - The movement in, and creation of, reserves as set out in Table 6.
  - b) A 2% increase in the Band D Council Tax for 2024/25 from £171.59 to £175.03, an increase of £3.44 for a Band D property.
  - c) The new income bands and contribution rates for the 2024/25 100% Local Council Tax Reduction (Working Age) Scheme as set out in Table 5.
  - d) The 2024/25 Council Tax resolution set out in Appendix B.

3.2. That Council notes:

- e) The Medium-Term forecast set out in Table 9.
- f) The section 25 report on the robustness of estimates and adequacy of reserves in Appendix C.

#### **REASON FOR DECISION**

**To bring together all the relevant information to enable Council to review, consider and comment upon the General Fund budget for approval.**

### **4. KEY INFORMATION**

#### **Background**

- 4.1. In February 2023 Mid Suffolk District Council approved the General Fund Budget 2023/24 and Four-Year Outlook. The budget setting approach for 2023/24 recognised that the Council has tended to underspend the budget that has been set in recent years.
- 4.2. Managers have traditionally used a worst-case scenario when putting their budget proposals together. Amalgamating these assumptions across the whole organisation has, in recent years, resulted in underspends. The unintended consequence is that resources are committed during the budget process that could be used for other priorities or alternatively savings must be made that are not actually needed.
- 4.3. For 2023/24 stretching, but realistic, assumptions were used when putting budget proposals together across both expenditure and income. However, global events, rising inflation and interest rates have created an unprecedented financial challenge for the Council resulting in the council overspending against budget as detailed in 4.7 below, whilst still maintaining a net surplus overall position.
- 4.4. 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.

#### **National Economic Position**

- 4.5. The OBR (Office for Budget Responsibility) set out its latest national economic forecast in November 2023. The main points are as follows:

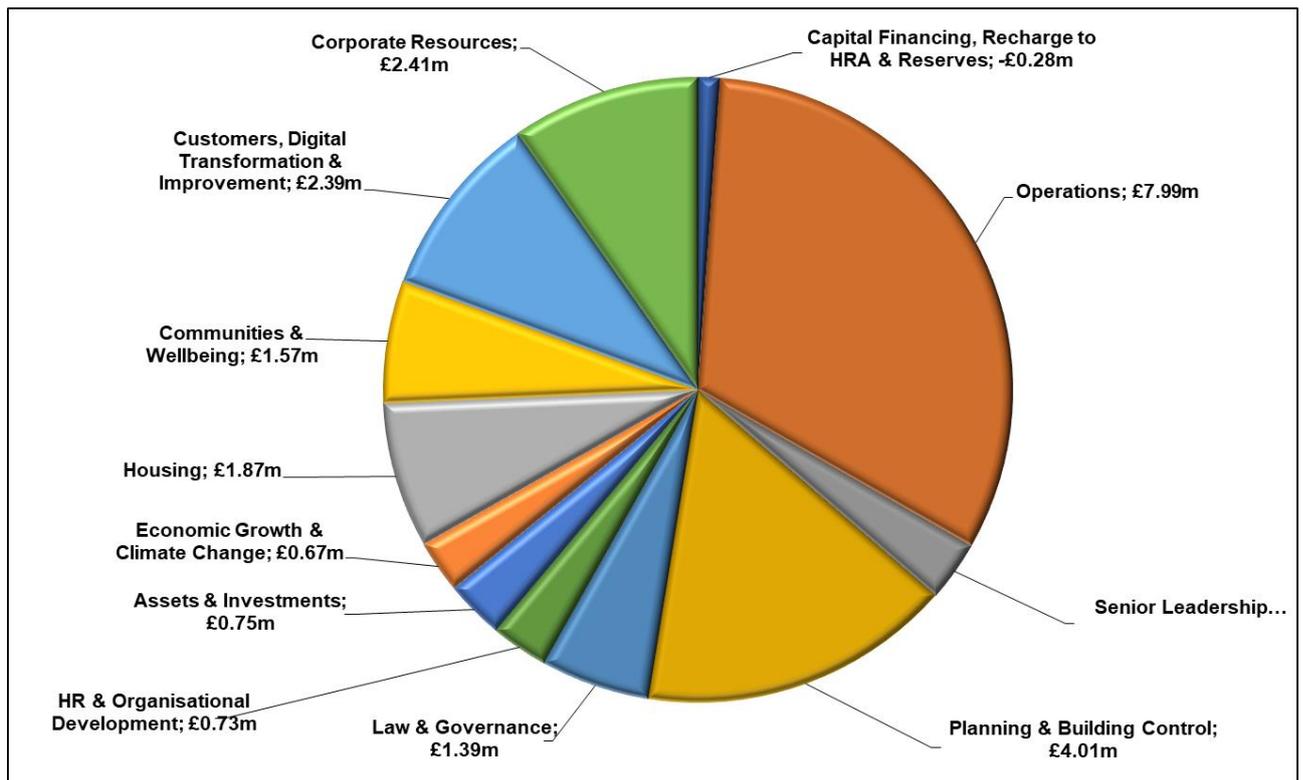
- The economy has proved to be more resilient to the shocks of the pandemic and energy crisis than anticipated. By the middle of this year, the level of real GDP stood nearly 2% above its pre-pandemic level. But the OBR now expects the economy to now grow more slowly at 0.6% this year and 0.7% next year. They forecast that growth then picks up to 1.4% in 2025 and an average of 1.9% between 2026 and 2028.
- While inflation (as measured by the Consumer Price Index) has more than halved from its 40-year peak of 11% at the end of last year it is expected to be more persistent than previously thought, falling below 5% by the end of this year but not returning to the Bank of England's 2% target until the first half of 2025.
- Consequently, there are continuing increased cost pressures for both the council and our core stakeholders such as the district's residents, local businesses, and the council's service users. In budgetary terms these pressures are being realised directly through increased unit costs for items such as energy, fuel and utilities, alongside inflation linked contractual cost increases and also the need to agree a fair and affordable pay offer for staff.
- Markets now expect that interest rates have peaked but will need to remain higher for longer to bring inflation under control. The Bank of England's Monetary Policy Committee (MPC) at its meeting on 31 January 2024, voted by a majority of 6 to maintain the Bank Base Rate at 5.25%. The high interest rates have meant that our financing costs, particularly in obtaining short term loans, have increased significantly.
- In terms of the national public finances: higher and more domestically fuelled inflation – and in particular the interplay between higher nominal earnings and frozen tax thresholds – has raised nominal tax receipts and has reduced the underlying borrowing forecast by around £60 billion by 2027/28. But higher inflation and earnings have also pushed up the cost of inflation-linked welfare benefits and the triple-locked state pension by around £20 billion. And higher inflation and interest rates have added £15 billion to the cost of serving the government's debts. But because the Chancellor left departmental and other spending largely unchanged in his Autumn Statement the overall forecast net position is a £27 billion net fiscal windfall in 2027/28.
- The Chancellor announced that he would spend this windfall on cuts in National Insurance Contributions, permanent up-front tax write-offs for business investment, and a package of welfare reforms, which together provide a modest boost to output of 0.3% in 5 years.
- No major changes to departmental spending plans were announced in the Autumn Statement despite significantly higher inflation. Departmental expenditure limits (or DELs) account for around 40% of public spending and are allocated out between departments in periodic Spending Reviews. The current Spending Review period comes to an end in 2024/25, and the next review is not scheduled until 2025.
- Government will announce a Spring Budget on 6<sup>th</sup> March 2024, and there may also be an Autumn fiscal event depending on the date chosen

for the General Election. However, given the forecast state of the public finances it is not likely that significant increases in funding will be given to local government over the medium term even if there is a change in national government.

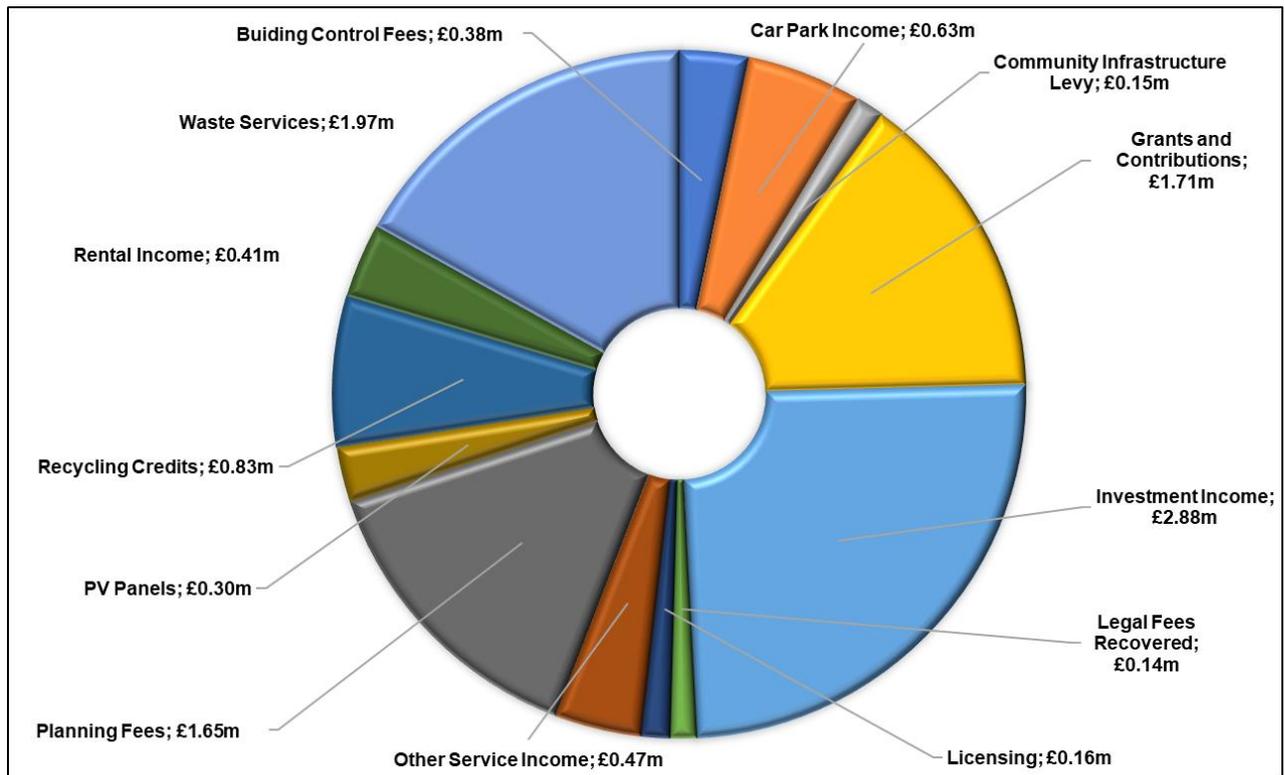
### 2023/24 Budget and Forecast Outturn

4.6. On 24 February 2023, the Council set a balanced budget for 2023/24. The budget comprised of £24.3m gross expenditure and £11.7m income, to give a £12.6m cost excluding housing benefits payments and income. The net cost of services budget, which includes housing benefits payments and income is £12.4m, which is primarily funded from council tax, business rates and government grants. Chart 1 below shows how the £24.3m gross expenditure is allocated across the services and Chart 2 below shows the breakdown of the £11.7m service income.

**Chart 1: Gross Expenditure by service area 2023/24 (£24.3m – excl. housing benefits)**



**Chart 2: Income by service area (excl. housing subsidy) 2023/24 - £11.7m**



- 4.7. The second quarter 2023/24 budget monitoring report was presented to Cabinet on 5 December 2023 and showed a forecast a surplus of £2.878m, £700k less than budgeted.
- 4.8. The largest single variance is planning income which is £689k below budget. It is proposed that this shortfall will be part-funded from earmarked reserves. However, statutory increases to planning fees will take effect in-year which will go some way in reducing the deficit and this will be reported in quarter three.
- 4.9. The third quarter position will be presented to Cabinet on 5 March 2024.

## **5. 2024/25 PROPOSED BUDGET**

- 5.1. The approach to budget setting for 2024/25 has been to take the 2023/24 forecast outturn position as a starting point as the most up to date position of the Council's financial requirements going forward. A number of budget items have also been forecast for the new financial year from a zero-base, including the employees' budget, grant income from central government, financing costs, interest income, and Business Rates/ Council Tax income.
- 5.2. 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.

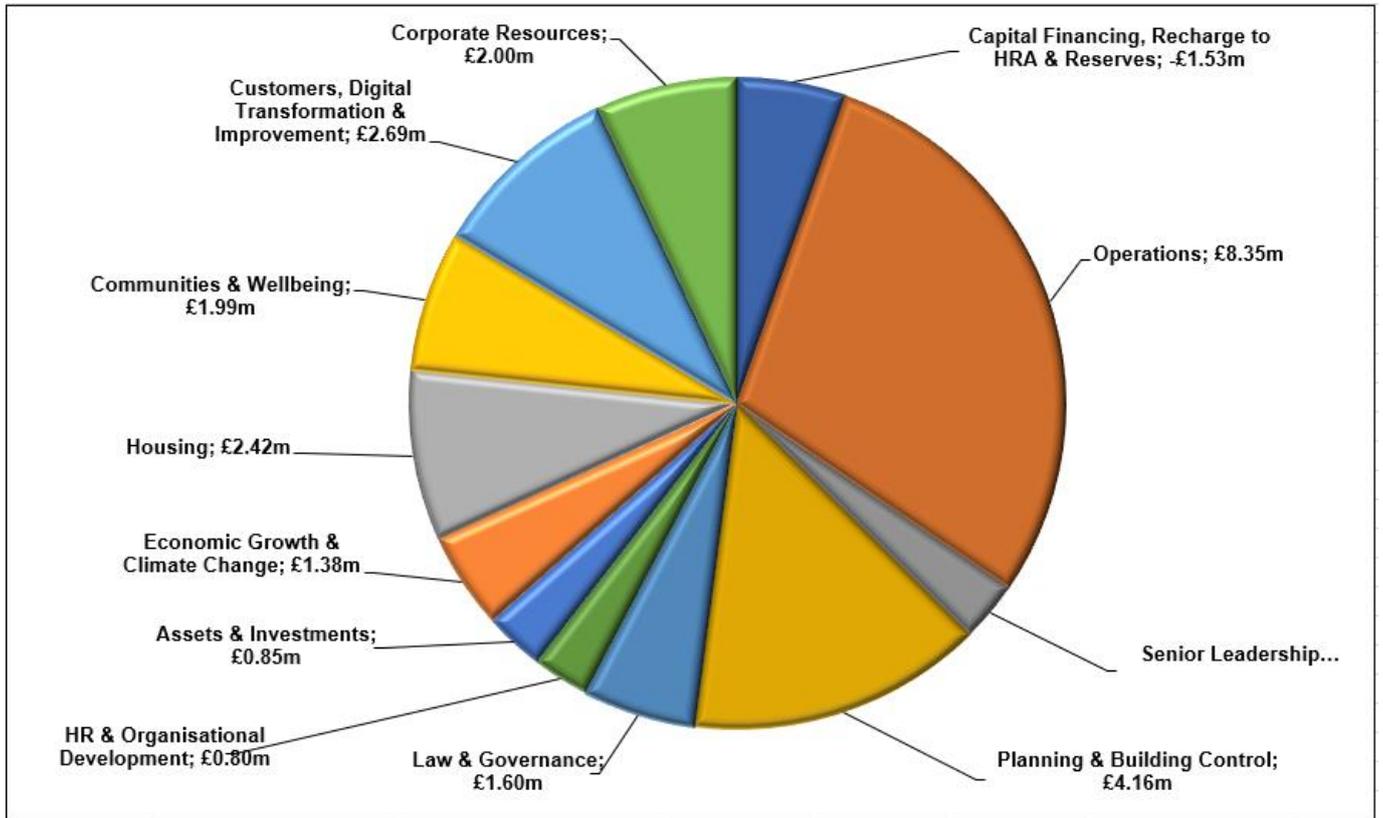
- 5.3. The Finance Team have worked closely with budget managers and the Senior Leadership Team to update the Council's budget requirements for 2024/25; taking into account known pressures and political priorities and identifying efficiencies and savings to help offset these without negatively impacting on service delivery.
- 5.4. The summary in Table 1 below shows the breakdown of the Council's net cost of services budget for 2024/25 (£14.2m) compared to 2023/24 (£12.4m) This gives an increase of £1.8m (14%). For clarity, the £12.6m in paragraph 4.6 excludes Housing Benefits which are included in the council's Net Cost of Service but are not included in the Income & Expenditure.
- 5.5. The Council's 2024/25 gross expenditure is £25.5m and service income is £11.2m giving a net cost of service before Housing Benefits/Subsidy (£127k) of £14.2m. Funding equates to £19.4m resulting in a net surplus of £5.2m for the 2024/25 budget, which will be transferred to earmarked reserves as set out in section 6 of this report.

**Table 1: General Fund Budget Summary 2024/25**

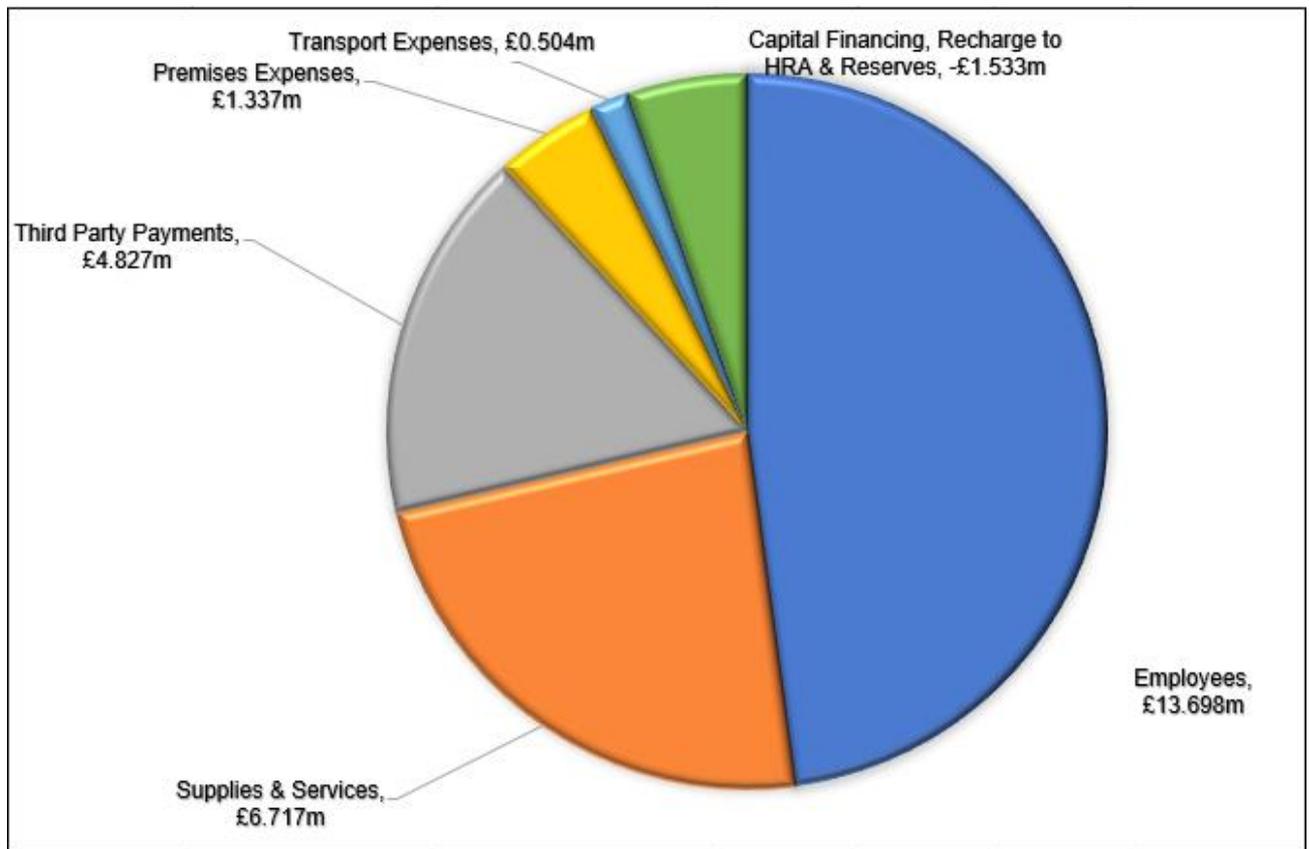
Service Area		Budget 2023/24	Budget 2024/25	Movement 2023/24 to 2024/25
		£'000	£'000	£'000
Service Expenditure	Employees	13,128	13,698	570
	Premises Expenses	1,255	1,337	82
	Supplies & Services	5,181	6,717	1,536
	Transport Expenses	409	504	95
	Third Party Payments	4,573	4,827	254
Grants & Income	Grants 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)	-
<b>Net expenditure on services as above</b>		<b>15,599</b>	<b>18,532</b>	<b>2,933</b>
Recharges	Charge to HRA/Capital	(1,761)	(1,792)	(32)
Capital Financing Costs	Interest Payable - CIFCO	416	396	(21)
	Interest Payable - Other	1,090	951	(139)
	Minimum Revenue Provision (MRP)	1,475	1,324	(151)
Investment Income	Pooled Funds Net Income	(566)	(566)	-
	Interest Receivable - CIFCO	(2,187)	(2,172)	14
	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
<b>Total Net Cost of Services</b>		<b>12,441</b>	<b>14,230</b>	<b>1,789</b>
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)	(588)	(80)
	Funding Guarantee	(450)	(346)	105
Business Rates	Baseline Business Rates	(2,316)	(2,935)	(619)
	S31 Business Rates Grant	(3,416)	(3,841)	(425)
	Business Rates - Renewable Energy	(767)	(647)	119
	Income from Freeport		(240)	(240)
	Business Rates Pool share of Growth Benefit	(678)	(700)	(22)
	Business Rates Pool - Removal of Top Slicing		(600)	(600)
	B/R Prior Year Deficit/(Surplus)	790	(396)	(1,186)
Council Tax	Council Tax	(6,846)	(7,222)	(376)
	Council Tax Prior Year Deficit/(Surplus)	(177)	(98)	79
<b>Total Funding</b>		<b>(16,019)</b>	<b>(19,431)</b>	<b>(3,412)</b>
<b>Net Position Before Reserves</b>		<b>(3,578)</b>	<b>(5,201)</b>	<b>(1,623)</b>

5.6. The charts below show the breakdown of expenditure and income excluding Housing Benefit payments and compensating income. Chart 3 below shows how the £25.5m gross service expenditure is allocated across the services and Chart 4 shows the breakdown by expenditure type. Chart 5 shows the breakdown of total service income of £11.2m (this excludes housing benefit, general government grants, Council Tax and Business Rates).

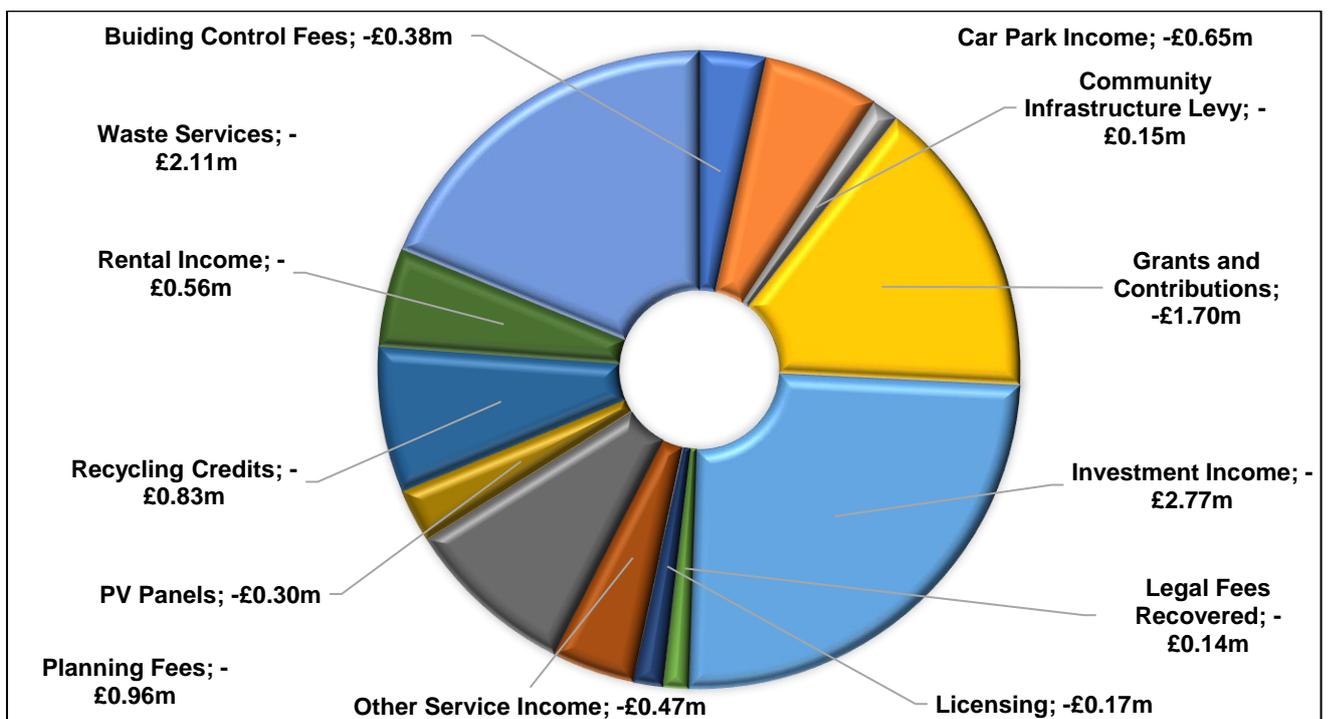
5.7. **Chart 3: Gross Expenditure by service area (excl. housing benefits) 2024/25 (£25.5m)**



**Chart 4: Gross Expenditure by type (excl. housing benefits) 2024/25 (£25.5m)**



**Chart 5: Total Service Income (excl. housing benefits) 2024/25 (£11.2m)**



- 5.8. Table 2 below shows the key changes proposed from the approved budget for 2023/24 (£3.578m surplus) to the proposed budget for 2024/25 (£5.201m) in terms of additional budget costs and additional income and/or savings. The overall change is that the surplus position has increased by £1.623m.
- 5.9. The overall position has changed since that reported at Overview and Scrutiny in January 2024 (report reference MOS/23/05) and an increase in the surplus position then reported is now forecast. The explanations for the key variations are given in paragraphs:
- 5.14 for reduction in the interest cost forecast.
  - 5.16 for increased interest income from CIFCO Ltd.
  - 5.20 for the increase in grants from national government.
  - 5.32 for an increase in the Business Rates income forecast.

**Table 2: General Fund Overall budget changes from 2023/24 to 2024/25**

	£000's	£000's
<b>2023/24 Surplus</b>		<b>(3,578)</b>
Drop in Planning Income	692	
Employee Cost Pressures	570	
Strategic Priorities projects in housing, matched by reserves	294	
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 Customer 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	209	
<b>Total Pressures</b>		<b>3,095</b>
Savings/ Additional Income:		
Reduction in required transfer from reserves in Housing	(193)	
Minimum Revenue Provision (MRP)	(151)	
Reduction in Interest Payable	(139)	
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 Customer 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)	
<b>Total Income/Use of Reserves</b>		<b>(1,307)</b>
<b>Funding Changes</b>		<b>(3,411)</b>
<b>Total Net Surplus 2024/25</b>		<b>(5,201)</b>
<b>Total Movement from 2023/24 to 2024/25</b>		<b>(1,623)</b>

## Key Assumptions made in the Net Cost of Services Budget

- 5.10. Constructing a budget that runs to 13 months beyond when it was approved means that several assumptions must be made about the conditions that are likely to exist over an extended period. Assumptions made when constructing the budget for 2024/25 were reviewed and assessed by the Overview and Scrutiny Committee in November 2023 (report reference MOS/23/01), and in January 2024 (report reference MOS/23/05). The key assumptions are summarised below.
- 5.11. **Employees' Budget:** The Council's pay structure is primarily based on national negotiating body pay spines and nationally negotiated settlements. An award for 2023/24 (£1,925 per pay point) was agreed in November 2023, being a rise of up to 9.42% for the lowest paid through to 3.88% for those on the highest bands. For 2024/25 a 4% Pay Award increase has been assumed. It should be noted every 1% increase in the pay-award creates a permanent and additional budget pressure of approximately £119k. Given that pay costs form a significant proportion of the Council's budget and the uncertainty over future pay awards, this is a key budget risk. As in recent years we have assumed that, due to retirements, resignations, creation of new posts and turnover, a 5% vacancy management factor will be achieved (which equates to a £700k saving).
- 5.12. **Inflation on supplies & services and contractual costs:** Many of the Council's contracts have inflationary increases incorporated within them and therefore the significant increases in CPI and RPI measures have created a clear pressure on the budget position. Inflationary increases have been applied across the council's main contracts. The major increases due to inflation are in insurance (6%), the refuse contract (5%), the Shared Legal Service contract (4%) and Shared Revenues Partnership (3%) contract.
- 5.13. **Financing Costs:** These comprise of interest charges and MRP (Minimum Revenue Provision) costs and arise when the council borrows money for funding capital expenditure, for refinancing existing external loans at the end of their term, and for financing short term cash needed to keep the council liquid.
- 5.14. The Finance Team has done a preliminary review of the existing model for estimating the financing costs. The team recommends that the model can be enhanced to give more accurate estimates by incorporating additional detailed cash flow forecasts into the model. These improvements will however take some time to undertake and cannot be done in time for setting the 2024/25 budget, and therefore this work will progress in-year.
- 5.15. However, the preliminary review has established that whilst the HRA (Housing Revenue Account) has been charged its share of interest costs arising from the estimated short-term borrowing needed to keep the council liquid, the General Fund estimates currently do not contain the corresponding credit amount. Therefore, forecast interest costs in the General Fund 2024/25 budget have decreased by £1,306,410.

- 5.16. **Fees and Charges Income:** The total income from the proposed fees and charges for 2024/25 is £4.827m compared to £5.407m in 2023/24, a decrease of £580k or 11%. The decrease in income from the current year's approved budget is driven by the reduction in the volume of Planning fees following the marked decline in activity, mitigated by a statutory 25% increase in those fees. Other Fees & Charges have been increased to move incrementally toward full cost recovery of the services to reduce their subsidisation from other areas of the budget. Fees & Charges were approved by Cabinet on 9th January 2024. (Ref: MCa/22/35)
- 5.17. **Investment Income:** More detailed information on this income will be found in the annual Treasury Management, Investment, and Capital Strategy report that will be presented to Council on 22 February 2024 which will also give information regarding the Council's subsidiary companies. The key points to highlight in this report are as follows:
- a) **Pooled Investment Income:** No potential impact has yet been assumed in the pooled investment income budget arising from the Council's emerging and developing proposals to incorporate ESG (Environmental, Social and Governance) criteria into its investment decisions.
  - b) **Gateway 14 Ltd Loan:** The Council will no longer receive interest income from the lending it has made to Gateway 14 Ltd as the last tranche of loan repayment was received by the Council in December 2023. That income budget line has therefore decreased to zero for 2024/25.
  - c) **Gateway 14 Ltd Dividend:** the Council is anticipating a dividend receipt of approximately £20m in 2024/25 from Gateway 14 Ltd. It is proposed that this is taken to reserves and used to invest in key strategic projects within the district. £5m of the amount will be used to part fund the construction of the Skills and Innovation Centre at Gateway 14. Whilst further dividends from Gateway 14 Ltd are probable in future years they are not anticipated to be of the same size as the 2024/25 dividend. Given that the amounts from 2025/26 onwards are not certain they have not been incorporated into the medium-term forecast.
  - d) **Interest income from CIFCO Ltd:** A reduction of £232k in the interest income budget received by the council from its lending to CIFCO Ltd was shown in the January 2024 Overview & Scrutiny Committee report. This reduction has been reversed in the figures included in this report following the completion of budget forecasting work by CIFCO Ltd and their advisers. CIFCO Ltd are now in a position to pay rather than defer the interest from 2024/25 onwards.
  - e) **Accounting for Loan Impairments:**
    - Where local authorities finance capital expenditure from borrowing, including any borrowing undertaken to finance capital loans to third parties, they must set aside an amount of money each year to ensure that the loan amount can be repaid in the future. This amount of money is called the

Minimum Revenue Provision (MRP). In practice, the application is more complex, but the 2003 Local Authority (Capital Finance & Accounting) regulations were introduced with the aim of ensuring that councils do not borrow more than they can afford. This is because MRP is a cost that must be met from a council's revenue budget which has to be balanced each year. Therefore, in deciding whether any new capital expenditure is to be funded by borrowing a council must consider whether it can afford the cost of the associated MRP (and interest charged on the borrowing) from its revenue budget.

- In recent years, central government has been concerned that many councils employ practices which result, in its view, in the underpayment of MRP. They are therefore currently consulting on changes to the regulations governing MRP. Given that this is the third consultation undertaken over the last couple of years on this issue – it is highly likely that their final proposals will be introduced in April 2024.
- The changes likely to be introduced include regulations relating to the treatment of a loan impairment, more properly called an Expected Credit Loss (ECL). The word “expected” in this term comes from probability theory: it is the arithmetic mean of the possible values a random variable can take, weighted by the probability of those outcomes. It doesn't mean that the expected value will definitely happen.
- Councils already account for expected or actual losses of loans not being repaid in their annual Statement of Accounts. If these are not capital loans that have been funded by council borrowing, then under existing rules these are “reversed out” of the accounts so that they do not impact on the revenue budget.
- If the loan is a capital loan funded by the council undertaking borrowing, then under the existing regulations councils are required to make an MRP charge of at least equal to the expected credit loss or actual loss and charge this to the revenue budget over the estimated useful life of the asset starting in the year after the asset/s become operable.
- Under the government's revised proposals any expected credit loss or actual loss arising from a loan lent to a third party must be charged to the revenue budget in the year the loss is recognised, with no option to spread the cost over future years. The amount charged however only needs to be equal to any increase from the previous year's calculated loss and not the total cumulative loss. If the calculated ECL has decreased from the previous year, then the credit can be applied to the Capital Funding Requirement (the amount of indebtedness the council holds) to reduce future MRP payments to the revenue budget.
- The proposed changes from government in accounting for ECLs have implications for the council in terms of the lending it has undertaken to CIFCO Ltd. Arlingclose has undertaken ECL calculations and advise that, given current assumptions regarding the agreed deferment of interest

income owing to the council in 2022/23 and 2023/24 from CIFCO Ltd, a sum of £538k needs to be set aside to fund the ECL if the proposed regulations come into effect in 2024/25.

- They further advise that the council could minimise its risks if it sets aside this amount in the current, i.e. 2023/24, financial year with the objective of making a voluntary overpayment of MRP at year-end as part of the annual Statement of Accounts preparation. It may be known then whether government has introduced the regulatory changes and whether there are any transitional arrangements to dampen the impact of the changes. In order to do this the council will be asked to change its MRP Policy Statement for both this financial year and for next. This Statement is part of the annual Treasury Management, Investment and Capital Strategy report which is a separate report on this Council's meeting agenda.

### **Local Government Funding**

5.18. The provisional local government finance settlement for 2024/25 was announced on 18 December 2023. The key headlines for District Councils 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%.
- 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 (however see paragraph 5.20 below).
- 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 announced in the provisional settlement 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 local choices are made on council tax, efficiencies, or reserves. This has now been increased (see paragraph 5.20 below).

- All current enhanced business rates retention areas. e.g., Suffolk Business Rates Pool will continue for 2024/25.
- The Government has asked authorities to continue to consider how they can use their reserves to maintain services over this and the next financial year, recognising that not all reserves can be reallocated, and that the ability to meet spending pressures from reserves will vary between authorities.
- The Government also states that it is their view that now is not the time for fundamental reform of the local government finance system, for instance implementing the Review of Relative Needs and Resources or a reset of accumulated business rates growth.

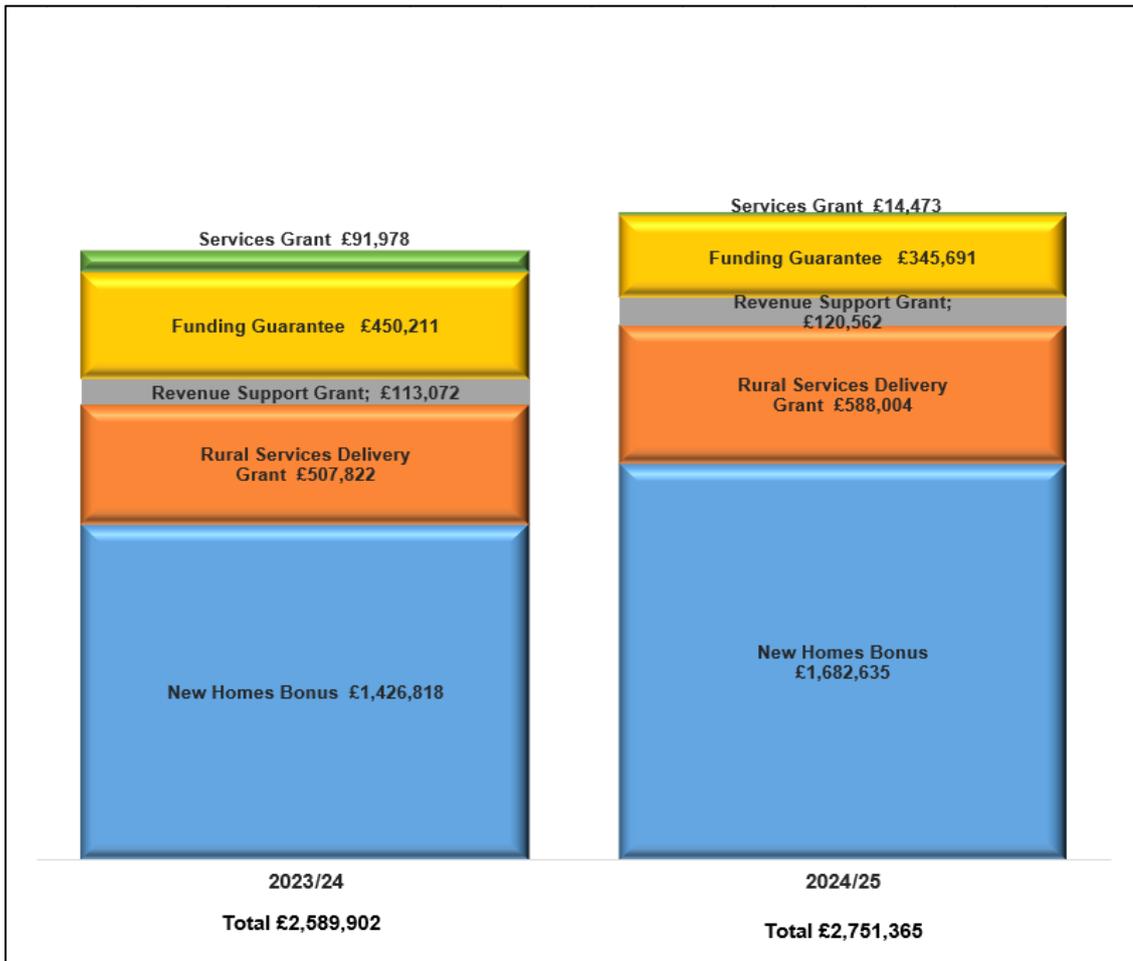
5.19. On 24 January 2024 the Department of Levelling Up, Communities and Housing (DLUCH) announced that Councils across England will receive a £600m support package, in addition to funding outlined at the provisional settlement, to help them deliver key services.

5.20. The majority of the money (£500m) will go into the Social Care Grant. All councils will see an increase in Core Spending Power of at least 4% through the Funding Guarantee - an increase from the 3% announced at the provisional settlement. An additional £15m Rural Services Delivery Grant will also be given.

5.21. The final financial settlement was received on 5 February 2024. This confirmed the increases announced by DLUCH on 24 January for the Funding Guarantee Grant and the Rural Services Delivery Grant. The total increase for this council from the provisional settlement is £121k.

5.22. The Council's overall 2024/25 final grant allocations have increased by £161.5k (6%) compared to 2023/24.

**Chart 6: Government grant allocations 2023/24 and 2024/25**



**New Homes Bonus (NHB)**

5.23. Since NHB was introduced in 2011/12 the Council will have received £21.47m in total by the end of 2024/25. As shown in Table 3 below, the use of NHB to balance the budget increased from 13% in 2017/18 to 24% in 2018/19. Since 2019/20 the Council has been in the position of being able to balance the budget without any use of NHB transferring the full allocation to earmarked reserves. From 2011/12 to 2023/24 £14.2m NHB has been transferred to earmarked reserves.

**Table 3: New Homes Bonus used from 2017/18 to 2024/25**

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
Amount of NHB received	2,641	2,028	1,463	1,380	1,612	1,061	1,778	1,427	1,683
NHB used to balance the budget	110	267	354	0	0	0	0	0	0
<b>% NHB used to balance the budget</b>	<b>4%</b>	<b>13%</b>	<b>24%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>

\* In both 2017/18 and 2018/19, the surplus outturn position meant that there was no use of NHB required.

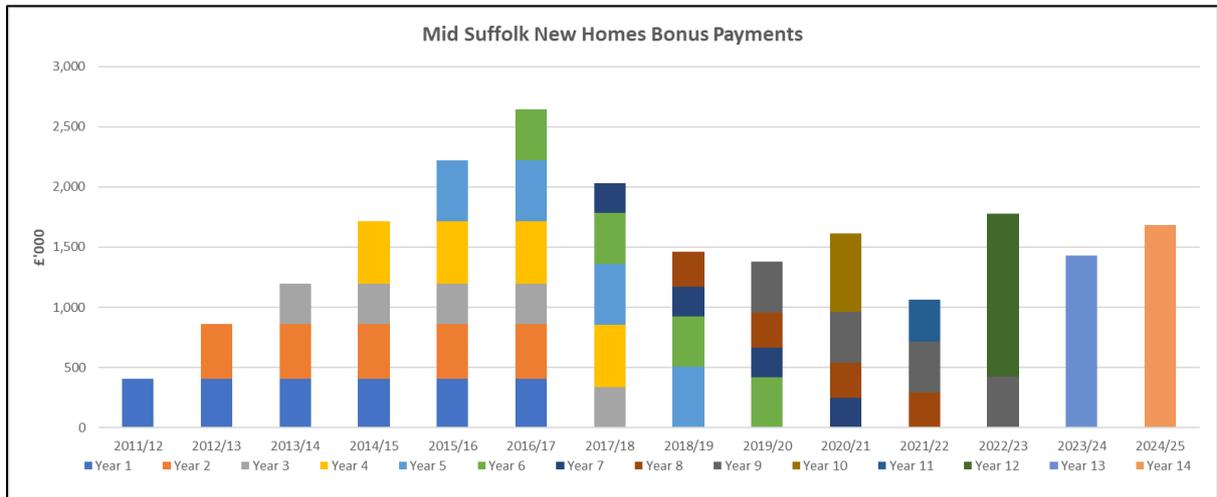
5.24. Table 4 and Graph 1 below shows the NHB over the last twelve years. This shows how NHB has declined from a peak of £2.6m in 2016/17 to £1.68m in 2024/25, after the Government announced it would reduce the allocation from 6 years to 5 years in 2017/18 and to 4 years in 2018/19 and continued to phase out the legacy payments, as well as introducing a 0.4% growth baseline in 2017/18.

5.25. For 2024/25 the 0.4% growth baseline for Mid Suffolk means that the first 182 new homes built received no payment.

**Table 4: New Homes Bonus sums per year**

Payments	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	Provisional 2024/25
Year 1	409	409	409	409	409	409								
Year 2		452	452	452	452	452								
Year 3			334	334	334	334	334							
Year 4				521	521	521	521							
Year 5					506	506	506	506						
Year 6						420	420	420	420					
Year 7							247	247	247	247				
Year 8								290	290	290	290			
Year 9									422	422	422	422		
Year 10										653				
Year 11											349			
Year 12												1,356		
Year 13													1,427	
Year 14														1,683
<b>Total</b>	<b>409</b>	<b>860</b>	<b>1,194</b>	<b>1,714</b>	<b>2,221</b>	<b>2,641</b>	<b>2,028</b>	<b>1,463</b>	<b>1,380</b>	<b>1,612</b>	<b>1,061</b>	<b>1,778</b>	<b>1,427</b>	<b>1,683</b>

**Graph 1: New Homes Bonus Payments**



## **Council Tax**

- 5.26. The taxbase for 2024/25 has increased from 40,126.96 to 41,264.65 (or 2.84%): this is growth between October 2022 and October 2023 reduced for the impact of discounts and reductions (the single person discount and the council tax reduction scheme). This growth in taxbase generates £195k for 2024/25 based on a band D equivalent.
- 5.27. A 2% increase in the Band D Council Tax for 2024/25 is proposed and 2.99% increases for following years. The 2023/24 Band D is £171.59. A 2.00% increase to the band D equivalent to £ 175.03 would mean an additional £3.44 per annum or 7p per week and would generate an additional £142k.
- 5.28. The decision to raise council tax influences not just the 2024/25 budget but future years and should be considered alongside the forecast reductions in the budget surplus over the next 4 years (shown in Table 9), as there are long term consequences in setting a council tax increase lower than the maximum permitted. This is particularly significant given the uncertainties faced by local government in terms of future funding reforms and the level of financial support that may be received from central government.
- 5.29. A surplus of £98k is currently projected for the Collection Fund in 2023/24, which is £79k less than the previous year. The way that the Collection Fund operates means that this will be recognised in the Council's budget in 2024/25.
- 5.30. In line with recent changes in legislation, it is being proposed in a separate report at this council meeting that from 1st April 2025 a 100% premium will be applied to Second Homes, and that from 1st April 2024, a levy will be applied on dwellings that are long term or periodically unoccupied as below:
- Dwellings left unoccupied and substantially unfurnished for 12 months or more, a premium levied of 100%
  - Dwellings left unoccupied and substantially unfurnished for 5 years or more, a premium levied of 200%; and
  - Dwellings left unoccupied and substantially unfurnished for 10 years or more a premium levied of 300%.
- 5.31. This has not been included in the 2024/25 budget.

## **Local Council Tax Reduction Scheme**

- 5.32. The Council introduced an ongoing 100% Local Council Tax Reduction Scheme last year. It is proposed to update the Income Bands by the Consumer Price Index (6.7%) as for other welfare benefits to ensure the scheme continues to support the most vulnerable households. The contribution rates will be increased by indicative council tax increases to control the cost of the LCTR Scheme. This ensures that the scheme remains affordable and sustainable. The proposed criteria for 2024/25 are summarised in the table below.

**Table 5: 2024/25 Proposed Income Bands**

<b>Income Bands (Monthly)</b>	<b>monthly contribution</b>	<b>Income Bands (Weekly up to)</b>	<b>Weekly contribution</b>
Not in work or less than £309	£0	Not in work or less than £71.30	£0
£309 - £649.99	£41	£150.00	£9.46
£650 - £1236.99	£87	£285.46	£20.08
£1237 to £1967.99	£128	£454.15	£29.54
£1968 - £2527.99	£195	£583.38	£45.00
£2528 - £2999.99	£254	£692.30	£58.62
Over £3000	No entitlement to LCTR	over £692.31	No entitlement to LCTR

**Business Rates**

5.33. The headlines for Business Rates are as follows:

- Forecast baseline business rates along with section 31 are forecast to be £3.776m in 2024/25 and this is an increase of £1m from 2023/24.
- The finalisation of the government return (NNDR1) that is required to be submitted by 31 January 2023, has resulted in changes to the business rates estimates from those reported at the January 2024 Overview and Scrutiny Committee. The external advisers, Wilks, Head and Eve, have recently updated their advice regarding the level of appeals and the impact of these on the forecast income levels. They advise that at the end of March 2023 agents put through speculative appeals nationwide against the 2017 valuation list, as this list was closing due to the 2023 revaluation. The national process is that if the Valuation Office Agency (VOA) rejects these claims then agents have a 4 month period to appeal against the rejection. Wilks, Head and Eve did not anticipate the level of the March appeals that would come through and the VOA did not reject a lot of these appeals until July 2023 – which is when the 4-month period for agents to appeal against the VOA rejections started. Now that the 4-month period for the majority of the March claims have ended they have been removed from the appeals listing – which means that the provision for the impact of successful appeals can be reduced, and the forecast income levels increases.
- The benefit from being part of the Suffolk business rates pool will increase by £22k to a total of £700k. In addition, it has been agreed that the top slice awarded annually to Suffolk Public Sector Leaders Group (SPSLG) to fund county wide projects would instead be retained by each council in the pool to help fund each council's budget. Mid Suffolk will benefit from an additional £600k from this in 2024/25.

- The Collection Fund forecast balance at the end of March 2023 is a surplus position of £396k, which is an improved position from the previous year by £1,186k. This will be a benefit to the budget in 2024/25 due to the way the collection fund operates.

## **6. RESERVES**

- 6.1. Section 43 of the Local Government Finance Act 1992 requires that, 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.
- 6.2. Reserves only provide one-off funding, so the Council should avoid using reserves to meet regular recurring financial commitments.
- 6.3. The reserves table (table 6) includes the estimated forecast surplus for 2023/24 and 2024/25 transferred to the Thriving Communities Reserve. In addition, the reserves have been increased in 2024/25 by the £20m dividend the council will receive from Gateway 14 Ltd.
- 6.4. New reserves have been created namely £1m for a financial resilience reserve to act as a contingency amount for future years adverse changes to the local government finance regime and £0.538m for an expected credit loss reserve (as mentioned in paragraph 5.16 e).
- 6.5. Table 6 below shows the planned earmarked reserve movements and balances from 31 March 2022, forecast through to 31 March 2024.
- 6.6. The council also has a General Fund reserve balance of £1.08m on top of the earmarked reserves reported in table 6. This is totally uncommitted and acts as a contingency to fund unforeseen costs. There is no statutory minimum level set such a reserve; it is a matter for each local authority's own judgement after taking into consideration the strategic, operational, and financial risks it faces. Many councils set a minimum reserve provision of between 6% to 10% of the Net Revenue Budget. This council's General Fund balance is 7%.

**Table 6: Earmarked Reserves**

Reserve	Budget Balance as at 31/03/24	Forecast Balance as at 31/03/24	To Reserve 2024/25	From Reserve 2024/25	Estimated Balance at 31/03/25	Committed 2025/26	Committed 2026/27	Committed 2027/28	Balance with known commitments as at 31st March 2028
<b>Business Rates &amp; Council Tax</b>	5,201,905	4,081,920	0	0	4,081,920	0	0	0	4,081,920
<b>Business Rates Retention Pilot (BRRP)</b>	394,335	380,463	0	-48,855	331,608	-40,569	0	0	291,039
<b>Carry Forwards</b>	128,799	128,799	0	0	128,799	0	0	0	128,799
<b>Climate Change and Biodiversity</b>	849,433	629,141	0	0	629,141	0	0	0	629,141
<b>Commercial Development Risk Management</b>	5,364,025	0	0	0	0	0	0	0	0
<b>Community Development Fund</b>	-	500,000	0	0	500,000	0	0	0	500,000
<b>Community Housing Fund</b>	140,827	140,827	0	-28,441	112,387	-29,294	-30,173	-31,078	21,842
<b>Commuted Maintenance Payments</b>	390,323	436,080	0	-113,979	322,101	-74,455	-74,455	-74,455	98,736
<b>COVID 19</b>	841,624	848,616	0	-848,616	0	0	0	0	0
<b>Elections Equipment</b>	35,000	35,000	0	0	35,000	0	0	0	35,000
<b>Elections Fund</b>	158,895	20,000	40,000	0	60,000	41,200	42,436	43,709	187,345
<b>Expected Credit Loss Reserve</b>	-	537,850	0	-537,850	0	0	0	0	0
<b>Financial Resilience Reserve</b>	-	0	1,000,000	0	1,000,000	0	0	0	1,000,000
<b>Government Grants</b>	326,851	326,851	0	0	326,851	0	0	0	326,851
<b>Thriving Communities Fund</b>	8,303,779	14,506,051	5,398,610	-3,632,552	16,272,110	-4,947,386	-570,000	-250,000	10,504,724
<b>Insulation Project Reserve (Cosy Homes)</b>	-	2,000,000	0	-2,000,000	0	0	0	0	0
<b>Homelessness</b>	337,019	378,124	0	-86,934	291,190	-86,934	-86,934	-86,934	30,388
<b>Strategic Planning Reserve</b>	310,715	40,942	0	-10,000	30,942	-10,000	-10,000	0	10,942
<b>Neighbourhood Planning Grants</b>	72,523	72,268	0	0	72,268	-26,523	-26,523	-26,523	-7,301
<b>Planning (Legal)</b>	1,259,913	1,259,913	0	-107,000	1,152,913	-107,000	-107,000	-107,000	831,913
<b>Planning Enforcement</b>	45,000	45,000	0	0	45,000	0	0	0	45,000
<b>Repair &amp; Renewals</b>	292,690	292,690	0	0	292,690	0	0	0	292,690
<b>Rough Sleepers</b>	25,665	25,665	0	0	25,665	0	0	0	25,665
<b>Strategic Priorities</b>	3,923,638	0	0	0	0	0	0	0	0
<b>Strategic Efficiencies</b>	250,000	750,000	0	0	750,000	0	0	0	750,000
<b>Temporary Accommodation</b>	362,585	362,585	77,850	-85,918	354,518	-8,068	-8,068	-9,316	329,066
<b>Waste</b>	186,148	186,148	0	-186,148	0	0	0	0	0
<b>Welfare Benefits Reform</b>	6,573	6,573	0	0	6,573	0	0	0	6,573
<b>Well-being</b>	89,387	18,763	0	0	18,763	0	0	0	18,763
<b>Gateway 14 Dividend Reserve</b>	-	0	20,000,000	-1,594,332	18,405,668	-3,883,639	0	0	14,522,030
<b>Skills &amp; Innovation Reserve</b>	-	0	3,188,664	-3,188,664	0	0	0	0	0
<b>TOTAL</b>	<b>29,297,652</b>	<b>28,010,269</b>	<b>29,705,124</b>	<b>-12,469,289</b>	<b>45,246,104</b>	<b>-9,172,667</b>	<b>-870,716</b>	<b>-541,597</b>	<b>34,661,124</b>

## 7. MEDIUM TERM PROJECTIONS

- 7.1. Table 9 below shows the forecast position for the period 2024/25 to 2027/28. Over the forecast period to 2027/28, the net cost of service increases by £1.5m (10.5%) from the 2024/25 proposed budget, mainly due to forecast pay awards, increments, inflationary increases on major contracts and capital financing charges. For a summary of the major cost assumptions used see Table 7 below.

**Table 7: Cost assumptions for 2024/25 onwards**

Description		2025/26	2026/27	2027/28
		£'000	£'000	£'000
Employee Costs	Pay Award- 4% 24/25 then 3%	527	201	331
	Increments - 2%	215	100	220
	Insurance Premiums - 3%	17	9	9
Contracts	Refuse Contract 5% reducing to 2%	107	65	45
	Shared Revenues Partnership - 3%	33	34	35
	ICT Contract -4%	78	20	20

- 7.2. The estimated tax base growth over the same period along with a 2% increase in council tax for 2024/25, followed by a 2.99% increase every year for the next three years, would generate an additional £1.038m (14%). A £5 increase every year for the next three years would generate an additional £629k or 18% of the increase in the net cost of service. Table 8 below provides a year-on-year comparison.

**Table 8: Council Tax scenarios**

Scenario	Budget	Forecast	Forecast	Forecast
	2023/24	2024/25	2025/26	2026/27
	£'000	£'000	£'000	£'000
2.99% increase - 2024/25 onwards	6,886	7,311	7,658	7,965
Cumulative increase to taxbase	-	213	338	414
Cumulative increase to council tax funding	-	212	434	665
£5 increase - 2024/25 onwards	6,886	7,305	7,641	7,928
Cumulative increase to taxbase	-	212	338	413

- 7.3. There is significant uncertainty however over local government funding in the medium term in the absence of a longer-term Spending Review and the outcome of other significant reforms to Local Government funding, for example the Fair Funding review and reforms to the business rates regime including a base line reset of accumulated business rates growth. As reported above the

government has said that “now is not the time” for reform but they have not clarified this any further.

- 7.4. As a result, our longer-term financial position remains very uncertain which does not allow the council to effectively plan for the future. These future year forecasts should not therefore be seen as robust figures but rather a direction of travel.
- 7.5. When forecasting the expected level of government funding for the next four years, we have assumed that local government will still receive funding but at a reduced rate given the current state of the public finances and the possible effects of the financial reforms. We have therefore assumed that all the grant income we currently receive from government will continue in 2025/26 but at half the current amount.
- 7.6. We have not considered however the impact on Business Rates income levels arising from a possible baseline reset and this is possibly the greatest concern and risk for the council. The current baseline was set in 2013, when all councils were given a share of Business Rates equal to their calculated needs. Since then councils have been allowed to keep a share of their growth, For authorities who have had significant business rate growth and are significantly above their current funding baseline, such as Mid Suffolk, this will have a significant impact if the baseline is reset as we will lose this growth, subject perhaps to any damping arrangements on existing funding levels through the business rates retention scheme. However, the actual impact on the council is difficult to calculate with any robustness without any guidance from government on the possible changes that may be implemented.

**Table 9: Forecast Position 2024/25 - 2027/28**

Service Area		Budget 2024/25	Forecast 2025/26	Forecast 2026/27	Forecast 2027/28
		£'000	£'000	£'000	£'000
<b>Service Expenditure</b>	Employees	13,698	13,896	14,414	15,123
	Premises Expenses	1,337	1,320	1,321	1,326
	Supplies & Services	6,717	6,226	5,807	5,710
	Transport Expenses	504	497	500	516
	Third Party Payments	4,827	4,977	5,098	5,189
<b>Grants &amp; Income</b>	Grants and Contributions	(1,705)	(1,741)	(1,714)	(1,725)
	Sales, Fees & Charges	(4,827)	(5,069)	(5,291)	(5,507)
	Rental & Other Income (incl. PV panels)	(1,894)	(1,886)	(1,889)	(1,892)
<b>Housing Benefits</b>	HB Transfer Payments	9,239	9,239	9,239	9,239
	HB Grants and Contributions	(9,366)	(9,366)	(9,366)	(9,366)
<b>Net expenditure on services as above</b>		<b>18,532</b>	<b>18,094</b>	<b>18,121</b>	<b>18,614</b>
<b>Recharges</b>	Charge to HRA/Capital	(1,792)	(2,522)	(2,580)	(2,657)
<b>Capital Financing Costs</b>	Interest Payable - CIFCO	396	375	353	309
	Interest Payable - Other	951	2,088	1,128	716
	Minimum Revenue Provision (MRP)	1,324	1,601	1,773	2,006
	Pooled Funds Net Income	(566)	(566)	(566)	(566)
<b>Investment Income</b>	Interest Receivable - CIFCO	(2,172)	(2,160)	(2,146)	(2,132)
	Interest Receivable - Gateway 14	-	-	-	-
	Interest Receivable - Other	(31)	(31)	(31)	(31)
	Dividend from Gateway 14 Ltd	(20,000)			
<b>Reserves</b>	Transfers to / (from) Reserves	(2,411)	(1,405)	(871)	(542)
	Transfer of Gateway 14 Dividend into reserves	20,000			
<b>Total Net Cost of Services</b>		<b>14,230</b>	<b>15,474</b>	<b>15,181</b>	<b>15,718</b>
<b>Government Grants</b>	New Homes Bonus	(1,683)	(841)	(841)	(841)
	Revenue Support Grant (RSG)	(121)	(60)	(60)	(60)
	Services Grant	(14)	(7)	(7)	(7)
	Rural Services Delivery Grant	(588)	(508)	(508)	(508)
	Funding Guarantee	(346)	(173)	(173)	(173)
<b>Business Rates</b>	Baseline Business Rates	(2,935)	(2,935)	(2,935)	(2,935)
	S31 Business Rates Grant	(3,841)	(3,841)	(3,841)	(3,841)
	Business Rates - Renewable Energy	(647)	(767)	(767)	(767)
	Income from Freeport	(240)	(420)	(420)	(420)
	Business Rates Pool share of Growth Benefit	(700)	(600)	(600)	(600)
	Business Rates Pool - Removal of Top Slicing	(600)			
	B/R Prior Year Deficit/(Surplus)	(396)	(11)	(11)	(11)
<b>Council Tax</b>	Council Tax	(7,222)	(7,679)	(7,991)	(8,314)
	Council Tax Prior Year Deficit/(Surplus)	(98)	(98)	(98)	(98)
<b>Total Funding</b>		<b>(19,431)</b>	<b>(17,941)</b>	<b>(18,253)</b>	<b>(18,576)</b>
<b>Net Position Before Reserves</b>		<b>(5,201)</b>	<b>(2,467)</b>	<b>(3,072)</b>	<b>(2,858)</b>

## **8. MEDIUM TERM FINANCIAL STRATEGY (MTFS) 2025-2028**

- 8.1. To achieve its ambitions, the Council needs to take a medium-term view of budgeting through a robust financial strategy that is focused on delivering the priorities in the new Mid Suffolk Plan.
- 8.2. The Council's Medium Term Financial Strategy (MTFS) is in part dependent on Government policy and funding. This reduction in funding from Government is expected to continue and the Council has to manage this.
- 8.3. The Council must ensure it has the funds for core services and additional investment into the district - including working with its partner, Babergh District Council, to deliver these core services.
- 8.4. Effective management of the Council's budget must take into account:
  - Cost management
  - Income generation and
  - Service levels.
- 8.5. To achieve the outcomes in the Mid Suffolk Plan we have to address our challenges in a holistic way. The approach over the medium term is to transform the Council into an organisation that doing more than just surviving. For our communities to thrive, the organisation also needs to thrive; to promote environmental sustainability, we have to be environmentally and financially sustainable; to achieve social justice we have to be able to deliver more than just our statutory responsibilities. The budget is a core component of strengthening and enhancing our services and encouraging and empowering individual citizens, communities, and businesses to play their part in creating a resilient district.
- 8.6. The following overarching principles are considered when evaluating ideas and opportunities for change:
  - Increase social value.
  - Reduce our costs (both internally and across the wider system)
  - Increase our income.
  - Provide better / "best" value.
  - Whole system / holistic approach.
  - Provide a better service for our citizens and customers.
  - Reduce administration costs, without compromising service.
  - Work effectively with all stakeholders and partners
- 8.7. The focus is on:
  - internal efficiencies and improvements
  - continuously streamlining work and reducing waste in processes
  - greater cross-functional working and multi-skilling

- improving ways of working to move away from ‘professional silos’ and toward integrated services for the public.
  - demand understood, analysed, and met through new services and business models.
  - demand is re-shaped and managed while engaging service users to ascertain priorities.
- 8.8. The approach to the Budget is in line with the Council’s policy of Review/Remodel/Reinvent, finding efficient processes, using technology to best effect and using that to focus service delivery around the residents.
- 8.9. The Council will focus on further work across the organisation to create efficiencies and ensuring work is value-added. Opportunities exist in terms of improving digitisation and automation of some processes.
- 8.10. As part of the 2023/24 budget setting work, Corporate Managers and Directors identified a number of areas where further savings and efficiencies could be made across the organisation. This work will continue during 2024/25 to develop a delivery and implementation plan to support the MTFs and to continue the development of a financially robust, risk-based programme of change.
- 8.11. It is likely that additional resources and investment will be required up front in order to deliver efficiencies and improvements in the longer term. Reserves have been set aside to enable this. The Council will continue this approach to further transform the way it operates over the next three years.
- 8.12. A further key element of the Strategy is having adequate reserves available to manage any unexpected changes to spending and funding plans. They are a fundamental part of the way the Council manages its business risks and maintains a stable financial position.

## **9. CAPITAL PROGRAMME**

- 9.1. The proposed Capital Programme is attached at Appendix A. Revised Estimates for 2023/24 of £7.879m are proposed and new approvals of £17.890m for 2024/25. This means that along with slippage of £6.726m from this year, the 2024/25 capital budget is forecast to be £24.616m in total. This will be financed by using £7.117m of grants, £2.851m of capital receipts and s106/CIL monies, £3.309m of reserves largely for the skills and innovation centre, £0.608m as a revenue contribution to capital outlay (RCCO), and by borrowing £10.676m.
- 9.2. The most significant items included in the proposed total budget are the construction of a new depot to be shared with Babergh District Council (£6m), the construction of a skills and innovation centre at the Gateway 14 Freeport site (£18.2m), phase 1 of a sports, leisure and health based development at Stowmarket (£2.3m), and funding for Mid Suffolk Growth Ltd (£4.4m) to

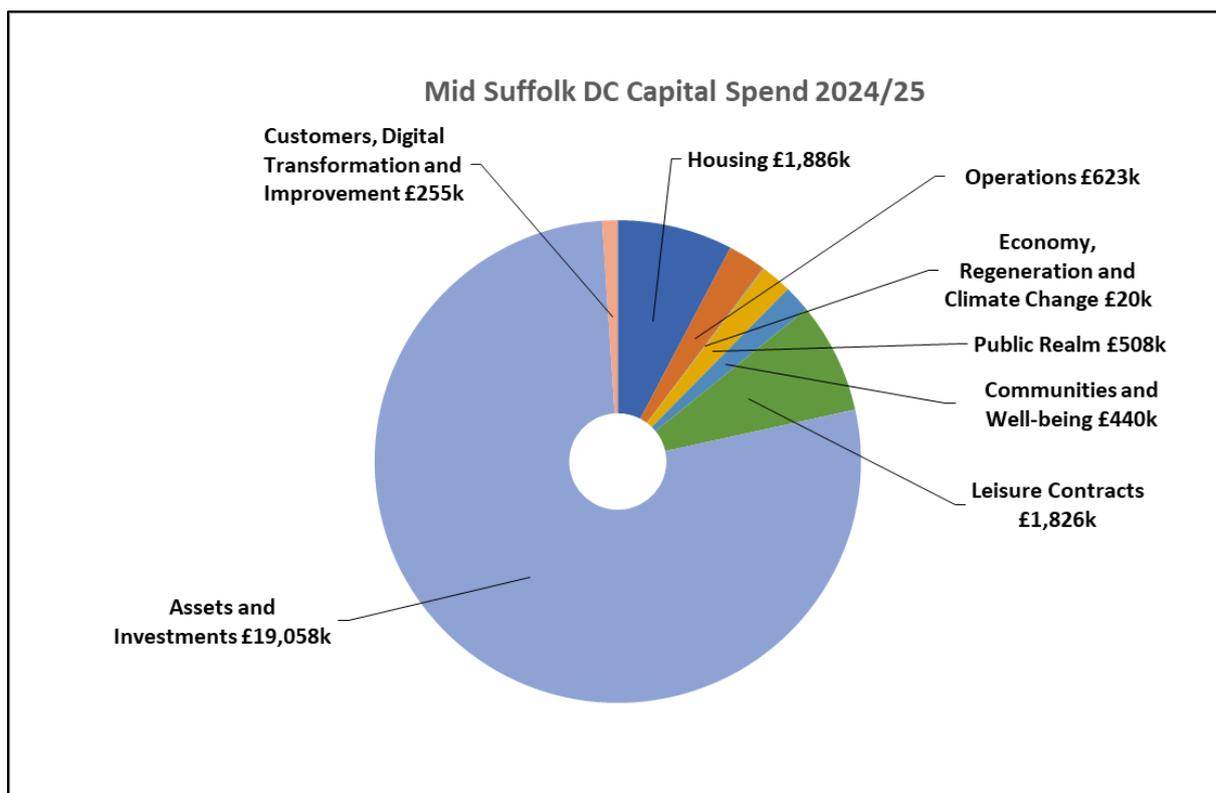
undertake housing developments. Budgets are also included to continue a range of annual capital initiatives such as housing and community grants.

9.3. Work is currently being undertaken on reviewing the best way of financing the building of the new depot with the aim of bringing a report on this matter to each Council in the near future. At this point in time the budget figures presented in this report assume that this is a jointly shared budget being financed through borrowing with the resultant financing charges impacting equally on the General Fund revenue budget of each council.

9.4. The Council's future capital programme will reflect the Council's new priorities. The Council is ambitious to use its resources to help create resilient and thriving communities in Mid Suffolk. As part of this, the capital strategy will include the following, and other, projects to be developed over the next few years and to which significant funding will be allocated:

- Development of housing for specific social groups, such as key workers
- Enabling community-led exemplar housing
- Bringing disused land back into use for amenity or other uses
- Land for biodiversity and to meet Biodiversity Net Gain
- Stowmarket town centre regeneration
- New foot/cycle paths to improve connectivity
- Improved sports provision in the district
- Utilisation or re-purposing of out of use heritage buildings
- Land for improved access to green spaces
- Solar roof programme

**Chart 7: Capital Programme 2024/25 (including carry forwards) of £24.616m**



9.5. Following review by Joint Audit and Standards Committee in January 2024, the Treasury Management, Investment, and Capital Strategy will have further details of the Council's borrowing capacity and the impacts of the capital programme, this is a separate agenda item on this Council's meeting Agenda.

## **10. LINKS TO THE CORPORATE PLAN**

10.1. Ensuring that the Council makes best use of its resources underpins the ability to achieve the priorities set out in the Mid Suffolk 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 is to be financially sustainable.

## **11. FINANCIAL IMPLICATIONS**

11.1. These are detailed in the report.

## **12. LEGAL IMPLICATIONS**

12.1. The provisions of the Local Government Finance Act 1992 (LGFA 1992) require the Council to set a balanced budget with regard to the advice of its Chief Finance Officer (Section 151) in relation to the level of reserves and the risks associated with the proposed budget.

## **13. RISK MANAGEMENT**

Key risks are set out below:

<b>Key Risk Description</b>	<b>Likelihood 1-4</b>	<b>Impact 1-4</b>	<b>Key Mitigation Measures</b>	<b>Risk Register and Reference</b>
The income projections for the Councils investment in the Capital Investment Fund (CIFCO) may not be met.	2 - unlikely	3 - Bad	Implementation of strong corporate governance. Engagement of independent professional advisers and preparation of annual audited accounts. Business Plan 23/24 approved by Council. Review by Overview and Scrutiny Committee. Council oversight of trading companies' management accounts.	Significant Risk Register - SRR001
Income, capital and economic outcomes projected for Gateway 14 Ltd may not be delivered	2 - unlikely	3 - Bad	Treasury management advice. Business plan 23/24 approved by Holding Co. Repayment of debt. Knowledgeable and experienced Board of Directors. Support from market leading experts. Delivery Partner appointment. Gateway14 Ltd is founding partner of Freeport East. Council oversight of trading companies' management accounts.	Significant Risk Register - SRR002
Mid Suffolk District Council may be unable to react in a timely and effective way to financial demands.	2 - unlikely	3 - Bad	Monitoring and reporting of financial forecast. Capital reserves. SLT position review workshops. Cabinet briefings to review position and budget options. Budget approval. Internal and external audits.	Significant Risk Register - SRR004 MSDC

<p>Mid Suffolk District Council may fail to be financially sustainable.</p>	<p>2 - unlikely</p>	<p>4 - Disaster</p>	<p>Sharing of integrated workforce with Babergh. Single efficient office space with agile working strategy. The Mid Suffolk Plan. Development of medium-term financial strategy and creation of long term financial strategy. New outcomes framework. Joint performance and risk monitoring. Shared policies and procedures. Joint Cabinet briefings, audit and standards, overview and scrutiny.</p>	<p>Significant Risk Register - SRR008MSDC</p>
<p>Mid Suffolk District Council may suffer a significant overspend that needs to be funded from reserves.</p>	<p>3 - probable</p>	<p>2 - Noticeable</p>	<p>Reporting of impacts of inflationary pressure forecast to SLT and early warning cabinet and monitored through the quarterly outturn reports. Review level of reserves with SLT. Quarterly financial monitoring.</p>	<p>Significant Risk Register - SRR0013MSDC</p>
<p>Mid Suffolk District Council may expose itself to financial risk through its own subsidiary companies and other commercial activities.</p>	<p>3 - probable</p>	<p>3 - Bad</p>	<p>Directors representing the Council Shareholders on the board. Non-Exec Directors Management accounts shared with the Council Finance team monthly. Director of Assets and Investments is a Director on each Company Board. Director of Finance is provisioned with Company accounts annually in addition to receiving quarterly financial reporting.</p>	<p>Significant Risk Register - SRR0017MSDC</p>

			Quarterly risk briefing attended by Risk Management Lead. Reserve created to fund Expected Credit Losses.	
The councils may face significant increases in their borrowing costs.	3 - probable	2 - Noticeable	Significant reserves held to fund if necessary. Regular review of current interest rates and ongoing advice from Arlingclose. Review as part of treasury and investment strategy, and budget setting to ensure further decisions that incur borrowing are affordable.	Significant Risk Register - SRR0025MSDC
If Government funding does not keep pace with demand and other pressures, then the Council will have to consider how it continues to fund existing service levels	3 - Probable	3 - Bad	The Council will continue to lobby Government both directly and via networks such as the District Councils' Network (DCN) and the Rural Services Network (RSN)	Finance, Commissioning and Procurement Operational Risk Register – 005MSDC and 007
If demand pressures and cost inflation exceed forecasts, then the Council could be in an overspend position at the year-end	3 - Probable	2 - Noticeable	Service areas will identify and analyse data that enable the best possible forecasts to be determined and act where possible to contain costs in year to offset the impact	Finance, Commissioning and Procurement Operational Risk Register – 005MSDC and 007
If income levels are below forecast, then the Council could be in an overspend position at the year-end	2 - Unlikely	2 - Noticeable	Service areas will identify and analyse data that enable the best possible forecasts to be determined and act where possible to generate income to anticipated levels	Finance, Commissioning and Procurement Operational Risk Register – 005MSDC and 007
If borrowing costs exceed projections, then the Council may need to fund	2 - Unlikely	2 - Noticeable	Discussions with the Council's treasury management adviser	Finance, Commissioning and Procurement

the excess costs from reserves at year-end			on interest rates to be used when setting the budgets	Operational Risk Register – 005MSDC
If capital projects exceed budgeted figures, then the Council will achieve less with the resources available	2 - Unlikely	2 - Noticeable	Capital projects will include an appropriate level of contingency that will cover potential increases in costs	Finance, Commissioning and Procurement Operational Risk Register – 005MSDC
If the Councils achieve a poor return on investments, there will be fewer resources available to deliver services.	3 - Probable	2 - Noticeable	Focus is on security and liquidity, and careful cash flow management in accordance with the Joint TM Strategy is undertaken throughout the year.	Finance, Commissioning and Procurement Operational Risk Register – 006 & 007

## 14. CONSULTATIONS

- 14.1. Consultations have taken place with Directors, Corporate Managers and other Budget Managers as appropriate.
- 14.2. 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.
- 14.3. The consultation also includes engagement around how the Council currently spends its money by presenting the budget by % spend in different areas. Respondents were shown a breakdown of the councils' (combined) spend and asked to what extent they agreed or disagreed this was the right mixture of spending activities. Views were mixed: with 38% agreeing (6% 'strongly'), 35% disagreeing (13% 'strongly') and 23% neutral. Four per cent gave a 'Don't know' response.
- 14.4. One-in-five felt spending should be increased on climate change and a similar proportion felt spending should be reduced on 'running the organisation'. Between 6-8% each felt that spending should be increased on economic growth, housing/affordable housing and communities and wellbeing.
- 14.5. A number (5%) felt that the presentation of spend data needed more information / better explanation or that they did not have sufficient understanding or expertise to judge (3%).

## 15. EQUALITY ANALYSIS

- 15.1. An Equality Impact Assessment (EIA) initial screening has been completed. This determined that a full EIA was not required. The proposed budget does

not include any proposals that impact upon protected characteristics. If proposals are brought forward 'in year' then Directors and Corporate Managers will undertake an Equality Impact Assessment for any individual budget proposals that have the potential to impact any of the protected characteristics under the Equality Act 2010.

## **16. ENVIRONMENTAL IMPLICATIONS**

- 16.1. The Council's new strategic priorities state that environmental and social responsibilities will be at the heart of all the work the council undertakes and the budget underpins this.
- 16.2. Directors, Corporate Managers and other Budget Managers will continue to consider the environmental impact of their budgets and take the opportunity to reduce their carbon footprint as opportunities arise.
- 16.3. In support of the Council's commitment to be Carbon Neutral by 2030, including membership of UK100, several initiatives have and are being undertaken from a combination of the Council's own resources and those secured from external sources.

## **17. APPENDICES**

<b>Title</b>	<b>Location</b>
Capital Programme	Appendix A
Budget, Funding and Council Tax	Appendix B
Robustness of Estimates and Adequacy of Reserves	Appendix C

## **18. BACKGROUND DOCUMENTS**

Final Local Government Finance Settlement 2024/25

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

Draft General Fund assumptions 2024/25 – MOS/23/01

Fees and Charges 2024/25 - MCa/23/35

General Fund and Housing Revenue Account 2023/24 – MOS/23/01 and MOS/23/05

EQIA Screening

## APPENDIX A - CAPITAL PROGRAMME 2023/24 TO 2027/28

	2023/24 Revised Budget	2023/24 C/Fwds to 2024/25	2024/25 New Approval	2024/25 Total Budget	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Housing</b>							
Mandatory Disabled Facilities Grant	700	200	698	898	698	698	698
Renovation/Home Repair Grants	120	8	100	108	100	100	100
Empty Homes Grant	29	440	100	540	100	100	100
Grants for Affordable Housing	0	340	0	340	0	0	0
<b>Total Housing</b>	<b>849</b>	<b>988</b>	<b>898</b>	<b>1,886</b>	<b>898</b>	<b>898</b>	<b>898</b>
<b>Operations</b>							
Replacement Refuse Freighters - Jt Scheme	162	208	255	463	420	210	210
Bins	160	0	160	160	160	160	160
Electric Buses	0	0	0	0	0	0	0
<b>Total Operations</b>	<b>322</b>	<b>208</b>	<b>415</b>	<b>623</b>	<b>580</b>	<b>370</b>	<b>370</b>
<b>Economic Development and Regeneration</b>							
EV Charging Points in Car Parks	220	20	0	20	0	0	0
<b>Total Economic Development and Regen</b>	<b>220</b>	<b>20</b>	<b>0</b>	<b>20</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Public Realm</b>							
Street care - Vehicles and Plant Renewals	90	0	90	90	90	90	90
Planned Maintenance / Enhancements - Car Parks	50	200	40	240	40	40	40
Parking Strategy Implementation	15	100	0	100	0	0	0
Needham Lake Footpath - Planned Maintenance	20	63	15	78	15	15	15
<b>Total Public Realm</b>	<b>175</b>	<b>363</b>	<b>145</b>	<b>508</b>	<b>145</b>	<b>145</b>	<b>145</b>
<b>Communities and Well-being</b>							
Play equipment	50	200	50	250	50	50	50
Community Development Grants	233	0	190	190	190	190	190
<b>Total Communities and Well-being</b>	<b>283</b>	<b>200</b>	<b>240</b>	<b>440</b>	<b>240</b>	<b>240</b>	<b>240</b>
<b>Leisure Contracts</b>							
Stowmarket Leisure Centre - Repairs and Renewals	130	1,296	0	1,296	0	0	0
Stradbroke Pool - Repairs and Renewals	16	530	0	530	0	0	0
<b>Total Leisure Contracts</b>	<b>146</b>	<b>1,826</b>	<b>0</b>	<b>1,826</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Assets and Investments</b>							
Corp Buildings - Planned Maintenance / Enhancements	60	207	30	237	30	30	30
Corporate Buildings - New Joint Depot	0	0	500	500	5,500	0	0
CIL Funded Infrastructure Grants	4,226	0	2,400	2,400	0	0	0
Strategic Investment Fund	10	2,816	0	2,816	0	0	0
Gateway 14 (capital loan to company)	0	0	0	0	0	0	0
Wingfield Barns	0	34	20	54	20	20	20
Regeneration Fund - HQ Sites	0	0	0	0	0	0	0
Gateway 14 Ltd - Skills and Innovation Centre	350	0	9,446	9,446	8,375	0	0
Housing Delivery - cap loan to MS Growth Ltd	413	0	2,500	2,500	1,500	0	0
Business Hub Cross Street, Eye	442	0	0	0	0	0	0
SHELF Phase 1	0	0	1,104	1,104	1,158	0	0
<b>Total Assets and Investments</b>	<b>5,501</b>	<b>3,057</b>	<b>16,001</b>	<b>19,057</b>	<b>16,583</b>	<b>50</b>	<b>50</b>
<b>Customers, Digital Transformation and Improvement</b>							
Replacement Finance Management System	335	0	39	39	0	0	0
ICT-Hardware/Software Refresh	48	65	152	217	225	150	150
<b>Total Customers, Digital Transformation and Improvement</b>	<b>383</b>	<b>65</b>	<b>191</b>	<b>255</b>	<b>225</b>	<b>150</b>	<b>150</b>
<b>TOTAL General Fund Capital Spend</b>	<b>7,879</b>	<b>6,726</b>	<b>17,890</b>	<b>24,616</b>	<b>18,671</b>	<b>1,853</b>	<b>1,853</b>
<b>GF Financing</b>							
External Grants and contributions	1,105	200	6,917	7,117	1,856	698	698
s106/CIL	4,226	0	2,851	2,851	0	0	0
Capital Receipts	0	0	55	55	0	0	0
Reserves	608	20	3,289	3,309	7,767	0	0
RCCO	0	0	608	608	608	0	0
Borrowing	1,941	6,506	4,171	10,676	8,440	1,155	1,155
<b>Total GF Capital Financing</b>	<b>7,879</b>	<b>6,726</b>	<b>17,890</b>	<b>24,616</b>	<b>18,671</b>	<b>1,853</b>	<b>1,853</b>

## **APPENDIX B: Budget, Funding and Council Tax Requirements**

- 1) The precept requirements of Parish / Town Councils must be aggregated with the requirement of this authority to arrive at an average Council Tax figure for the district / parish purposes. This figure however is totally hypothetical and will not be paid by any taxpayer (other than by coincidence). A schedule of the precept requirements from Parish / Town Councils will be reported to Council on 22 February 2024.
- 2) The County and the Police and Crime Commissioner's precept requirements are added to this.
- 3) The legally required calculation will be tabled at this Council's meeting.

## **APPENDIX C: Section 25 report on the robustness of estimates and adequacy of reserves**

### **Introduction**

1. The Local Government Act 2003 (Section 25) requires that when a local authority is agreeing its annual budget and Council Tax requirements, the Council's Section 151 officer must report to it on the following matters:
  - the robustness of the estimates made for the purposes of the calculations; and
  - the adequacy of the proposed financial reserves.
2. The Chartered Institute of Public Finance and Accountancy's (CIPFA) Financial Management (FM) Code, published in October 2019, also makes this report a requirement.
3. The Council must have due regard to the report when making decisions on the budget and Council Tax.
4. This report covers the General Fund budget, the Housing Revenue Account, and the Treasury Management, Investment and Capital Strategies.
5. In the current absence of the Director of Corporate Resources (the S151 Officer), this advice is being given to Council by the Interim Corporate Manager: Finance who is the designated Deputy S151 Officer. CIPFA's guidance on the role of the Chief Financial Officer in Local Government states the following:

*"The CFO in local government is not only bound by professional standards but also by specific legislative responsibilities. This statement should also be applied to those individuals who carry out the role of deputy CFO or section 151 officer. They must have regard to the fact that delegated responsibility brings with it all the professional standards and legal responsibilities of the CFO".*
6. I can confirm that I hold a recognised qualification needed to fulfil the professional standards required to give the section 25 advice (I am a fully qualified CIPFA chartered accountant) and the appropriate experience to do so (I have been the S151 Officer at three councils as both an interim as well as a permanent employee).
7. In expressing this Section 25 opinion, I have considered the financial management arrangements that are in place, the level of reserves the Council has available, and the budget assumptions and financial risks.

### **Financial Management Arrangements**

8. The Council's Draft Statement of Accounts for 2020/21 to 2022/23 remain unsigned by the Council's External Auditors, thereby creating some uncertainty as to the exact size of carried forward balances and reserves. The issues delaying conclusion are sector wide and are largely associated with auditor capacity.

9. The Council has a sound system of budget monitoring, evidenced by the production of quarterly budget monitoring reports to Overview & Scrutiny and Cabinet within a reasonable timeframe from the period end. These reports are also reviewed by the Senior Leadership Team. However, in my opinion, improvements could be made to tighten budgetary control going forwards to ensure mitigating management action is taken to keep expenditure and income within the overall approved budget envelope as much as possible.
10. The budget planning process for 2024/25 was admittedly difficult primarily due to the following reasons:
  - Late overall start to the process with a tight timetable that did not readily allow for iterations, intensive challenge and review with Senior Leadership Team and Cabinet Members along with limited engagement with elected members outside of Cabinet.
  - Lack of capacity within the Finance Team with many of the finance officers undertaking the 2024/25 process not involved in the 2023/34 budget preparation.
  - Late advice received on certain budget items resulting in large swings in figures from those reviewed by the Overview & Scrutiny Committee to those now being presented to Council for approval.
11. It is recommended that the budget process is reviewed for the 2025/26 cycle.
12. However, looking at the budget estimates rather than the budget process, these have been prepared by using the latest 2023/24 detailed forecasts which are produced quarterly by Budget Managers and the Finance Business Partners and with certain key estimates, (for example, the employees' budget, interest, and grant income), being prepared afresh from a zero base and in many cases with the use of expert external advice.

#### **Level of reserves available – General Fund**

13. The Council has a significant amount of earmarked reserves which have been increased by the forecast receipt of the £20m dividend from Gateway 14 Ltd and the estimated 2024/25 General Fund revenue budget surplus of £5.2m. Much of these earmarked reserves have not yet been committed to fund the priorities of the Green administration's Mid Suffolk Plan. Whilst it is the administration's objective to invest in the district and funding this investment from some of the council's earmarked reserves, if a sudden adverse financial impact were to happen, the fact that these reserves are not yet contractually committed would mean they could readily be repurposed to fund such an impact.
14. In addition, the council has a general fund balance of £1m and is proposing to establish a Financial Resilience Reserve of £1m – both of which will be available to fund any future budget gaps and budget pressures that might arise.

15. The proposals also include the creation of a new reserve of £538k to fund the impact of government changing the MRP regulations regarding the funding of Expected Credit Losses on loans lent to third parties by the council. The establishment of this reserve is a prudent measure.

### **Level of reserves available – Housing Revenue Account (HRA)**

16. The long-term position as set out in the draft 30-year Business Plan shows that reserves are currently forecast to go below the minimum working balance in 2028/29 and will be depleted in the following year if forecast expenditure and income levels remain unchanged. Significant action needs to take place to ameliorate this unsustainable position.

### **The budget assumptions used and financial risks**

17. We have sought appropriate expert advice in preparing the 2024/25 budget particularly for the assumptions used for inflation, interest rate forecasts, Business Rates income, HRA business planning and modelling, Business Cases for large capital projects, and the calculation for Expected Credit Losses.
18. However, assumptions are just that and are not the same as a guarantee. Some of the assumptions made are outside of this council’s control and influence.
19. The key financial risks in the 2024/25 budget, in my view, are as follows:

<b>Financial Risk</b>	<b>Assumptions made</b>
<b>Employees Budget</b>	We have assumed a 2024/25 Pay Award of 4% as we did in 2023/24. In 2023/24 the actual award was much higher than budgeted and has resulted in an additional cost of £527k.
<b>Interest rates and inflation</b>	<p>The global economic situation is currently uncertain, particular the situation in the Middle East, and this could have an impact on interest rates and inflation.</p> <p>A key risk is the cost of short-term borrowing as the council’s 2024/25 Treasury Management Strategy proposes no long-term borrowing in 2024/25 given the high interest rates and the adverse impact on the council of locking itself into long-term borrowing at these rates. This proposed strategy will need to be reviewed for 2025/26. We have assumed interest rates on the council’s short-term borrowing of 5.06%. A 1% difference would impact the revenue budget by £455k.</p> <p>It is more difficult to assess the impact of a rise in inflation as different expenditure budgets have increased by specific inflation indices.</p>
<b>Business Rates</b>	The forecasting of Business Rates income is always difficult given the potential volatility arising from businesses moving out of the area or becoming bankrupt and the number of successful appeals lodged with the Valuation Office Agency on the rateable values used.

	<p>One of the largest differences between the estimates presented to the Overview &amp; Scrutiny Committee and those in this budget report has arisen from changed assumptions on the level of appeals. Our external advisers have changed their assumptions significantly as part of the recent NNDR1 preparation process.</p>
<p><b>Capital Programme</b></p>	<p>Key assumptions have been made in the capital programme on the following:</p> <p>Skills &amp; Innovation Centre – it has been assumed that the construction of the Centre can proceed to plan so that the £6m Freeport Seed Funding grant can be utilised within the grant deadline (i.e. within 2024/25). If construction is delayed, then the total grant may not be received, and the council would need to fund this element itself.</p> <p>New shared depot – the costing and funding of this key project is still work in progress and therefore the capital budget for this scheme will need to be reviewed.</p> <p>Construction inflation – prices have started to fall very slowly by about 5% over the last 12 months mainly due to construction work drying up and contractors being more competitive to secure work. However, prices for steel and aggregate remain high. This would suggest that project overspends are now more likely to be driven by project specific factors (e.g. on-site contamination) rather than general price rises. The other factor is when budgets for the capital schemes were originally set and whether these budgets have been updated since the significant inflation that we saw in the last couple of years. The Finance Team have not undertaken a review of whether the capital budgets need updating from their original approval date.</p> <p>The Council is required to charge repayments of sums borrowed to its General Fund in the form of Minimum Revenue Provision (MRP). The MRP budget assumes that spending will be incurred in accordance with the proposed 2024/25 Capital Budget. If spending is delayed this will impact the MRP charge required in-year. Due to forecast slippage in the 2023/24 capital programme, MRP costs are currently estimated to reduce by 11% (£163k) from the original agreed budget.</p>

## **Assurance on adequacy of reserves and robustness of estimates**

### Reserves

20. I am satisfied that the Council's General Fund has adequate reserves. I would however advise that given this council's ambitions to use its resources to help create resilient and thriving communities in Mid Suffolk, further work is needed

to incorporate robust spending plans into the forecast reserve position over the medium term. I understand however that this planning work will commence in the next few months.

22. I would also caution the Council in not committing all its usable reserves in funding its capital investment ambitions. The future is uncertain, particularly future funding levels from central government and any impacts from reforming the local government finance regime. The creation of a new Financial Resilience Reserve of £1m is a prudent proposal. However, this reserve may need to increase when the national government's Spending Review is announced in 2025 and any implications for local government, and this Council in particular, are better known.
23. I can give short term assurance over the level of reserves held by the HRA. However, the HRA has a fundamental structural financial problem and is not sustainable given current forecasts for expenditure and income levels.
24. Officers, led by the Director of Housing will continue to work to ensure the HRA business plan is sustainable over the 30-year period. This work is already in motion: £2.3m was taken out of the 2024/25 budget to ensure it was a balanced. It is important to note that the reasons for the challenges around the HRA account are complex and span a period back to 2012. The majority of Councils are in a similar position and the sector continues to lobby Central Government.

#### Robustness of Estimates

25. Taking all factors into consideration I can give you assurance on the reliability and robustness of the forecasts and estimates in the 2024/25 budget proposals (except for the budget items highlighted in the paragraph below). This assurance is based on the estimates incorporating current year spending and income levels, a zero-based budgeting approach for key items in the budget, and the use of expert external advisers to formulate estimates for some of the more complex elements of the budget. In addition, the Council has complied fully with the requirements of the Prudential Code for Capital Finance in Local Authorities and has taken a prudent approach to the likely changes to the MRP regulations.
26. I have concerns however on the following estimates and cannot give you full assurance on these.
  - The capital expenditure profiled for the new shared depot in the capital budget. As mentioned above, the budget is currently a preliminary estimate only and, whilst detailed work has been undertaken to produce this estimate of £6m (total project cost forecast at £12m to be shared with Babergh District Council), further work is needed to develop the final Business Case (this work is currently proceeding).
  - The interest costs forecast in the general fund and HRA revenue budgets. As mentioned earlier in the report the Finance Team will enhance the current model used for forecasting this expenditure incorporating more

detailed cash flow projections into the model. This work may result in revised estimates for interest costs in 2024/25 and in the Medium-Term.

- The Medium-Term forecasts from 2025/26 onwards are not firm estimates but they do show the direction of travel. The priority for this budget cycle has been to review all the variables anticipated for 2024/25, including sufficiently estimating the budget pressures, so there is confidence in the immediate short-term planning horizon. The estimates from 2025/26 are not robust largely because of the following:
  - uncertainties over central government financial support,
  - the need to incorporate capital investment ambitions into the forecasts,
  - possible costs of changing legislation such as the new burdens costs arising from government's revised Waste Strategy,
  - the potential impact of the work needed to improve our forecasting of interest costs. and
  - Improvements needed in modelling future years including the use of scenarios and stress testing of key assumptions.

Karen Watling, CIPFA  
Interim Corporate Manager: Finance (Deputy S151 Officer)