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| <b>REPORT TITLE:</b> | <b>2024/25 BUDGET AND 2024-29 MEDIUM TERM FINANCIAL STRATEGY</b>       |
| <b>REPORT OF:</b>    | <b>Cllr Hoy, Lead Member – Resources, Climate Change &amp; Economy</b> |

## 1 REPORT SUMMARY

- 1.1 The Council is legally obliged to set a budget each year which must balance service expenditure against available resources. It is a key element of effective financial management for the Council to compile a financial strategy that ensures it is well placed to meet future challenges, such as changes to funding levels, demographic and legislation changes, and other external risk factors outside the Council's direct control.
- 1.2 This report sets out the proposed Medium Term Financial Strategy (MTFS) for the period 2023/24 to 2025/26, including the 2023/24 Budget and Council Tax level. The MTFS outlines the anticipated budget changes over the next five years, including assumptions regarding changes to funding levels, inflation, pressures and savings.

## 2 RECOMMENDATIONS

- 2.1 It is proposed that the Executive recommends to Council that it **RESOLVES:**
  - R1** That the 2024/25 Budget and 2024-29 Medium Term Financial Strategy for both Revenue and Capital are approved
  - R2** That the Section 151 Officer be authorised to adjust capital project budgets in 2024/25 after the 2023/24 accounts are closed and the amounts of slippage and budget carry forward required are confirmed.
  - R3** That the increase in Rochford District Council Tax of £7.55 for a Band D property (2.99%) for 2024/25 is approved by recorded vote.
  - R4** That the proposed Council Tax requirement for the Council's own purposes (excluding Parish & Town Councils and Precepts) for 2024/25 is £8.583m is noted.

**R5** That the statement on the robustness of the estimates and reserves at Section 14 is noted.

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### **BACKGROUND INFORMATION**

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## 4 STRATEGIC CONTEXT

- 4.1 There remains significant uncertainty about the future of local government finance. Potential changes to the Business Rates Retention Scheme, the reviews of Fair Funding and New Homes Bonus have been delayed again, meaning that the future allocation of funding within local government also remains unclear pending consultation with the sector and further detail on the Government's plans. This uncertain funding position makes it difficult to plan for the long term.
- 4.2 The Government published the Provisional Financial Settlement for Local Government (the "Settlement") on 18 December 2023. The Settlement increases local authorities' spending power by a minimum of 3%. It has been assumed that authorities will increase Band D Council Tax levels by the maximum amount without a referendum. The core Council Tax referendum principle for shire districts is to permit an increase of 3% or £5 (whichever is higher) without a referendum.
- 4.3 There is a continuation of Business Rates Pooling arrangements for a further year. Rochford will continue to be part of an Essex Business Rates Pool in 2024/25. Any late changes to the calculations regarding Business Rates will be accommodated within the Business Rates smoothing reserve.
- 4.4 The main sources of Government funding provided in the Settlement are:
- Services Grant of £11,059 in 2024/25 (£70,284 in 2023/24). The Services Grant has reduced nationally, as well as for Rochford.
  - New Homes Bonus of £432,729 in 2024/25 (£839,687 in 2023/24) recognises housing growth above 0.4%. It is one-off and expected to be the last year of the current scheme.
  - Revenue Support Grant of £85,354 in 2024/25 (£80,051 in 2023/24) which represents a top-up to Business Rates retention.
  - Funding Guarantee of £580,789 in 2024/25 (£zero in 2023/24). This enables a minimum Government funding increase of at least 3% in Core Spending Power.
  - The district will receive a Homelessness Prevention Grant, designed to tackle homelessness and rough sleeping, which is awaiting confirmation.
- 4.5 Any changes to Provisional Settlement figures once the Final Settlement is announced will be accommodated within the Budget equalisation reserve.
- 4.6 During the past year, inflation and interest rates have remained high, although inflation appears to be past its peak. Economic forecasts are for both inflation and interest rates to fall during 2024. Lower inflation will assist with cost

management, although lower interest rates, in the absence of debt, will have a detrimental impact for Rochford through reduced investment income.

- 4.7 Demand on services is driven by a growing and changing population. Rochford's population is growing and the proportion aged over 65 is also growing. Demand is also driven by a high cost of living which can (for example) have an adverse impact on income (fees and charges, Council Tax and Business Rates) and increase the cost of Council Tax Support.

## **5 COUNCIL PRIORITIES AND PROGRAMMES**

- 5.1 The corporate priorities are below. The Budget/MTFS has been prepared with these in mind:

- Being Financially Sustainable
- Maximise Our Assets
- Early Intervention
- Enable Communities.

- 5.2 Following the agreement to create a formal strategic partnership between the Council and Brentwood Borough Council (BBC), savings have been delivered at the senior management levels and are reflected in the MTFS. In future, it is anticipated that a fresh approach will be adopted to the identification of savings as a result of transformation/reorganisation. Ongoing savings are budgeted to be £160,000 in 2024/25 and £115,000 in 2025/26 and thereafter.

- 5.3 Full Council on 7 September 2023 agreed a new approach to the Council's asset strategy that replaced the Asset Delivery Programme. Although business cases are still to be produced to set out how the new strategy will be implemented, the Capital Programme has been updated to accommodate the new approach.

## **6 MEDIUM TERM FINANCIAL STRATEGY 2024-2029**

- 6.1 The MTFS has been extended to a period of five years, 2024-29. This is primarily to enable a slightly longer-term view, especially for the Capital Programme, as compared to the previous MTFS term of three or four years. There are still many uncertainties regarding local government finance beyond 2024/25, so projections are subject to change, especially for the later years of the MTFS.

- 6.2 The main assumptions for the MTFS are:

- The minimum level of General Fund balance should be held at 10% of the net budget requirement.

- Inflation is set at 2% each year for pay and non-pay, except where there are known contractual increases.
- There is an ongoing revenue contribution to capital of £255,000.
- Council Tax increases are 2% each year.
- There is 1% growth in the Council Tax baseline.
- Government funding – currently defined as covering Revenue Support Grant, Services Grant, New Homes Bonus and Funding Guarantee – remains at the 2024/25 level throughout the MTFS period.
- Use of a newly-established Budget Equalisation reserve to enable shortfalls (budget gaps) in some years to be offset by surpluses in other years.

6.3 Over the period of the MTFS the Council's financial priorities will be:

- To deliver a balanced budget and long-term financial sustainability, while maintaining appropriate levels of reserves, balances and contingencies to protect council services and assist in mitigating future risks.
- To maintain unqualified accounts each year.
- To maximise recovery of income due to the council and minimise the impact of fraud on council business.
- To support sustainable economic growth and strong communities, ensuring the district is a great place in which to invest, live, work and visit.
- To create an agile and flexible workforce, including maximising ICT efficiencies, including through its partnership with BBC.
- To deliver the objectives of the Council's Asset Strategy.

6.4 The challenge to balance the MTFS over the full five years is extremely difficult, and one being faced by very many other local authorities. The Settlement is for one year only (2024/25) and there are few indications of what to expect from Government funding beyond that. There are also macro-economic uncertainties that could have an impact on inflation and interest rates. It is therefore acceptable to approve an MTFS that does not balance expenditure and income over the five years. However, it is important for the Council to commit to a strategy that identifies ways to bridge future budget gaps.

6.5 The strategy over the coming years is proposed to be:

- Increase Council Tax by the maximum permissible without a referendum.

- Aim to increase fees and charges (in general) by at least inflation prevalent at the time the charges are set.
- Develop an efficiency strategy that continues the transformation process begun through OneTeam, to achieve savings through reorganisations achievable by partnership working and the use of information systems that enhance customer service.
- Identify ways in which front-line services can offer improved value for money, through efficient ways of working and maximising income generation.

6.6 The above strategy could feasibly deliver significant savings and/or additional income each year, which would assist in funding the projected shortfalls in years four and five of the MTFS. Depending on the quantum they could also be used to invest in services, either directly or to enhance funding for the Capital Programme.

## **7 REVENUE BUDGET 2024/25**

7.1 The Budget has been developed over a period of many months, taking into account external factors, corporate priorities and the resident survey. Members have been engaged throughout, as indicated below. The list does not include the actual meetings, calls and emails that go to make up the extent of dialogue that involves members sharing thoughts and having questions answered by officers. The intention has been to give every member an opportunity to be adequately informed about the Budget, not only the Joint Administration and the Opposition as collective bodies.

- 26 October – Financial priorities awayday for all members.
- 8 November – Notes from financial priorities awayday sent to all members.
- 27 November – invitation to all Group Leaders to meet to discuss with the S151 Officer any Budget issues or questions, and to receive a briefing.
- 13 December – report on the results of the residents Budget survey circulated to all members.
- 19 December – Briefing note on the impact of the 18 December Provisional Settlement on Rochford circulated to all members.

7.2 The table below sets out a summary of the 2024/25 Budget and MTFS:

|                                                              | 2024/25         | 2025/26         | 2026/27         | 2027/28         | 2028/29         |
|--------------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|                                                              | £m              | £m              | £m              | £m              | £m              |
| Leader                                                       | 1.594           |                 |                 |                 |                 |
| Resources, Climate Change & Economy                          | 0.600           |                 |                 |                 |                 |
| Governance & Communications                                  | 1.346           |                 |                 |                 |                 |
| Communities & Health                                         | 0.394           |                 |                 |                 |                 |
| Housing                                                      | 1.023           |                 |                 |                 |                 |
| Strategic Planning                                           | 0.317           |                 |                 |                 |                 |
| Environmental Services                                       | 3.926           |                 |                 |                 |                 |
| Public Space & Assets                                        | 1.225           |                 |                 |                 |                 |
| Leisure Tourism & Wellbeing                                  | 0.344           |                 |                 |                 |                 |
| Customer Services                                            | 2.349           |                 |                 |                 |                 |
| Staffing Vacancy Factor and anticipated one team savings     | (0.224)         |                 |                 |                 |                 |
| <b>Total Service Expenditure</b>                             | <b>12.896</b>   | <b>13.478</b>   | <b>14.161</b>   | <b>14.860</b>   | <b>15.575</b>   |
| <b>Funding Sources:</b>                                      |                 |                 |                 |                 |                 |
| Revenue Support Grant                                        | (0.085)         | -               | -               | -               | -               |
| Retained Business Rates                                      | (3.396)         | (3.430)         | (3.464)         | (3.499)         | (3.534)         |
| Business Rates Collection Fund (Surplus)/Deficit             | -               | -               | -               | -               | -               |
| New Homes Bonus                                              | (0.433)         | -               | -               | -               | -               |
| Council Tax (Proposed)                                       | (8.583)         | (8.841)         | (9.107)         | (9.381)         | (9.663)         |
| Council Tax Collection Fund Surplus)/Deficit                 | -               | -               | -               | -               | -               |
| Investment Fund Contribution / (Withdrawal)                  | -               | -               | -               | -               | -               |
| Business Rates Smoothing Reserve Contribution / (Withdrawal) | -               | -               | -               | -               | -               |
| Funding Guarantee                                            | (0.581)         | (1.100)         | (1.100)         | (1.100)         | (1.100)         |
| Budget Equalisation Reserve                                  | 0.193           | (0.107)         | (0.486)         | -               | -               |
| Services Grant                                               | (0.011)         | -               | -               | -               | -               |
| <b>Total Funding</b>                                         | <b>(12.896)</b> | <b>(13.478)</b> | <b>(14.157)</b> | <b>(13.980)</b> | <b>(14.297)</b> |
| General Fund Contribution / (Withdrawal)                     | 0.000           | 0.000           | (0.004)         | (0.880)         | (1.278)         |
| (Surplus) / Deficit / Balanced budget                        | -               | -               | -               | -               | -               |
| ESTIMATED General Fund Balance Brought Forward               | 1.359           | 1.359           | 1.359           | 1.355           | 0.475           |
| Contribution to / From Reserves                              | 0.000           | 0.000           | -0.004          | -0.880          | -1.278          |
| General Fund Balance Carried forward                         | 1.359           | 1.359           | 1.355           | 0.475           | -0.803          |
| 10% General Fund Balance required                            | 1.290           | 1.348           | 1.416           | 1.486           | 1.558           |

7.3 After taking income and specific grants into account, the net cost of 2024/25 services amounts to £12.896m, compared to £12.080m in 2023/24. The service budget summary is shown in Appendix 1.

7.4 The key pressures and growth items are:

- Contract inflation/specification changes (£0.464m): price increases in relation to major contracts including waste, IT, insurance, audit costs and utilities.
- Staffing costs (£0.406m): this includes the pay award for 2023/24, future annual uplifts and incremental increases.
- Increase in the MRF contract costs (£0.300m).
- Loss of income (0.136m): Loss of land charges income due to transfer of service and demand decrease in Building Control.
- Staffing increase (£0.115m) for a technical accountant post and asset project officer.

7.5 Key savings, efficiencies and income are:

- Additional Fees and Charges income from review of charges (£0.325m); includes an increase in statutory charges on planning.
- Increase in investment income due to increased interest rates (£0.375m).
- Increase in recycling income (£0.103m).

7.6 There may be some changes to forecasts in 2024/25 after this Budget report has been finalised. These will be accommodated within reserves. This will potentially apply to Business Rates and the net cost of Housing Benefits.

## **8 BUSINESS RATES**

- 8.1 Local authorities currently retain 50% of Business Rates across the local government sector (with the other 50% returned to central Government). Within the local government share there is a system of redistribution, based on relative need, which means that each individual authority is subject to a top up or tariff payment to bring their nominal share of rates in line with their assessed need. Each authority can individually retain up to 50% of any growth in business rates revenue over an agreed baseline. Rochford remains part of the Essex Business Rates Pool in 2024/25 which means that collectively, the Pool can retain the remaining 50% of any growth over a shared baseline position.
- 8.2 The business rate multiplier for small businesses will be frozen in 2024/25, meaning the rates business pay will not increase; however, the Council will be fully compensated for this loss of income.
- 8.3 As a Billing Authority, the Council collects Business Rates on behalf of central government, Essex County Council and the Essex Fire and Rescue Authority via the Essex Business Rates Pool. The amount of Business Rates to be collected includes an assumption about collection rates. If the amount actually collected during the year varies compared to this assumption, then the balance is held in the Collection Fund.

## **9 COUNCIL TAX**

- 9.1 The Settlement sets out a 3% (or up to £5 if higher) referendum limit on Council Tax increases for shire districts in 2024/25. Government illustrations of local authorities' core spending power assume that councils will increase their Council Tax when calculating the total funding available to each authority.
- 9.2 When considering the Council Tax level for 2024/25, it should be noted that the current level of Council Tax is:



|                                       | 2023/24<br>Band D<br>Average<br>£ |
|---------------------------------------|-----------------------------------|
| Essex County Council                  | 1,252.71                          |
| Essex County Council Social Care Levy | 197.46                            |
| Essex Fire Authority                  | 80.28                             |
| Police & Crime Commissioner           | 233.46                            |
| Town/Parish Councils (average)        | 59.76                             |
| Rochford District Council             | 252.45                            |
| <b>Total</b>                          | <b>2,076.12</b>                   |

- 9.3 The Council is proposing an increase in its share of Council Tax by 2.99% in 2024/25; this equates to £7.55 per year or an extra 15 pence per week on a Band D property.
- 9.4 The Section 151 Officer has delegated powers to set the Council Tax base, which is based on the current council tax valuation list plus an estimate of changes anticipated to occur in 2024/25. This has been set at 33,010.
- 9.5 The Local Council Tax Support Scheme (LCTS) is based on a discount rather than a benefit, so results in a reduction in the tax base. For 2024/25, the tax base is calculated as follows:

|               |                                            | Band D Equivalents |                 |
|---------------|--------------------------------------------|--------------------|-----------------|
|               |                                            | 2023/24            | 2024/25         |
|               | Tax Base                                   | 34,652.0           | 35,002.6        |
| Less          | LCTS Adjustment                            | (2,290.8)          | (1,992.6)       |
| <b>Equals</b> | <b>Tax Base for Council Tax Collection</b> | <b>32,888.9</b>    | <b>33,010.0</b> |

- 9.6 The calculation of the indicative Council Tax for Rochford District is set out below (please note that the Parish position currently reflects the 2023/24 position as not all have yet been received):

|                                                      | 2023/24<br>Current | 2024/25<br>Original |
|------------------------------------------------------|--------------------|---------------------|
|                                                      | £m                 | £m                  |
| Gross Expenditure                                    | 14.897             | 14.861              |
| Reversal of Parish Precept                           | (1.966)            | (1.966)             |
| <b>Total Service Expenditure</b>                     | <b>12.931</b>      | <b>12.896</b>       |
| Contribution to /(from) Reserves                     | (0.899)            | 0.000               |
| <b>Net Expenditure for Budget Purposes</b>           | <b>12.032</b>      | <b>12.896</b>       |
| Revenue Support Grant                                | (0.080)            | (0.085)             |
| Retained Business Rates                              | (3.129)            | (3.396)             |
| New Homes Bonus                                      | (0.840)            | (0.433)             |
| Collection Fund Adjustments                          | 0.390              | -                   |
| Funding Guarantee                                    | -                  | (0.581)             |
| Business Equalisation Reserve                        | -                  | 0.193               |
| Lower Tier Services Grant                            | -                  | -                   |
| Services Grant                                       | (0.070)            | (0.011)             |
| <b>Rochford's Element of Council Tax Requirement</b> | <b>(8.303)</b>     | <b>(8.583)</b>      |
| Council Tax Base                                     | 32,889             | 33,010              |
| <b>TOTAL COUNCIL TAX<br/>(BAND D EQUIVALENT)</b>     | <b>252.45</b>      | <b>260.00</b>       |

- 9.7 The total Council Tax, including the amounts for Essex County Council, Essex Police and Crime Commission, Essex Fire Authority and the Town and Parish Councils are set out in the separate report being considered by Council.
- 9.8 As a billing authority, the Council collects Council Tax on behalf of Essex County Council, Essex Fire and Rescue Authority and Police and Crime Commissioner (known as main precepting bodies). The amount of Council Tax to be collected includes an assumption about collection rates. If the amount actually collected during the year varies compared to this assumption, then the balance is held in the Collection Fund. This reserve is ring fenced and is distributed between the billing authority and the main precepting bodies on a proportionate basis, based on the Band D Council Tax amount for each body.

## 10 RESIDENT ENGAGEMENT

- 10.1 The Rochford District Council Budget Consultation ran between 18 September to 29 October 2023 using a new engagement tool, Engage With Us. It was publicised across a variety of channels including an article in the Echo newspaper, business bulletins, emails to various local community-based groups and social media posts. The consultation report was published on the Council's website here: [Rochford District Council Budget Consultation | Engage With Us](#). There was a total of 329 responses from residents across all wards within the district.

- 10.2 Detailed findings can be explored in the consultation report. Most residents wanted to spend the same on Council services. most residents felt that to "Maintain, protect, and enhance our many green parks, playgrounds and open spaces" was most important. When it came to raising funds and driving efficiencies, most residents opted for "Increase the use of modern technologies in the delivery of services" and "Increase commercial activity to make money that can be used to fund local services".

## 11 GRANTS FOR SPECIFIC SERVICES

- 11.1 The following table shows the amounts of grant that are included in the baseline budget that are assumed to be received in 2024/25:

| Grants for specific services:                                  | 2024/25<br>£       |
|----------------------------------------------------------------|--------------------|
| Local Council Tax Support Scheme (now part of central funding) | -                  |
| Homelessness Prevention Fund                                   | (287,448)          |
| Housing Benefit Admin                                          | (110,000)          |
| Business Rates collection                                      | (103,585)          |
| New Burdens - Universal Credits                                | -                  |
| New Burdens - Housing Benefits                                 | -                  |
| Disabled Facilities Grant (estimated)                          | (540,059)          |
| Police Crime Commissioner Funding                              | (12,400)           |
| Health and Wellbeing Grant (Public Health Improvement Officer) | (20,000)           |
| <b>Total Specific Grants</b>                                   | <b>(1,073,492)</b> |

## 12 FEES AND CHARGES

- 12.1 There is a separate report on this agenda that sets out the proposed fees and charges for 2024/25. These have assumed to have been agreed for the purposes of this report.

## 13 CAPITAL PROGRAMME

- 13.1 A proposed capital programme covering the period 2024/25 to 2028/29 has been developed to enable effective planning, prioritisation and financial management. This is detailed at Appendix 2.
- 13.2 Both revenue and capital funding must work to complement each other in support of the delivery of the Business Plan, which is dependent upon both investment in capital infrastructure and transformation and modernisation in operational service delivery.
- 13.3 External borrowing (if required and endorsed) would create an ongoing revenue cost pressure as a result of the capital financing charges arising (interest payments and principal repayment of debt), so any business case for borrowing would need to be supported with an appropriate mitigation strategy. None has been assumed.

- 13.4 It should be noted that the Programme contains specific projects as listed in the paragraphs below, but one line for “Other Capital Projects”. This is to address the difficulty with inadequate funding to deliver all of the projects identified in previous programmes. The sums previously identified for these projects, compared to the amounts that can be funded now, are:

|                                | <b>2024/25<br/>£</b> | <b>2025/26<br/>£</b> | <b>2026/27<br/>£</b> | <b>2027/28<br/>£</b> | <b>2028/29<br/>£</b> |
|--------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Previously identified projects | 720,600              | 510,600              | 510,600              | 545,600              | 485,600              |
| Funding available              | 550,000              | 285,000              | 135,000              | 285,000              | 205,000              |
| <b>Difference</b>              | <b>170,600</b>       | <b>225,600</b>       | <b>375,600</b>       | <b>260,600</b>       | <b>280,600</b>       |

- 13.5 The Programme includes a £1.4m allocation for the Rochford District Council Office Relocation, which is assumed to be funded from the receipts from the sale of the existing offices. Essential works to the Mill Hall in line with a condition survey report are funded from UKSPF (£200k) the Community Investment Fund (£290k) and the remainder from reserves. There are two capital projects identified through the UK Prosperity Fund, value £170k. Two new waste vehicles are proposed to be acquired for £380k, funded from reserves. Disabled Facilities Grants of £540k are funded from a central pot by Government.
- 13.6 The Programme does not include any rolled forward amounts from 2023/24 projects that have not yet spent their allocations. These will be picked up once the 2023/24 accounts have been finalised and built in to the 2024/25 Capital Programme. There is a recommendation in this report to authorise the S151 Officer to make these changes, which will be reported to members in the summer.
- 13.7 It is recognised that the programme cannot accurately predict all demands for the future and that will require periodic review and revision at least annually to enable the Council to allow adjustments in the light of changing circumstances.

#### **14 ROBUSTNESS OF THE BUDGET ASSUMPTIONS; ASSURANCE FROM THE S151 OFFICER**

- 14.1 The Section 151 Officer is required under section 25 of the Local Government Act 2003 to report to the Council on the robustness of the estimates and adequacy of reserves when determining the Budget and level of Council Tax.
- 14.2 The financial planning process for 2024/25 has taken place in an environment of significant uncertainty due to inflationary pressures and uncertainty over the economic outlook and local government funding levels. Despite these challenges the Council has been able to set a balanced budget in 2024/25.

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- 14.3 The financial planning process takes into account the strategic context for the district, medium-term resource projections, and the quantification of new pressures on resources, and the identification of potential budget savings and efficiencies, including income generation.
- 14.4 The feedback from the budget survey will be taken into consideration as the Council further develops its Medium Term Financial Strategy.
- 14.5 At Member level, budget discussion has taken place to share information and provide national and local context. Lead members have been engaged and provided with the evidence required to enable the MTFS recommendations outlined to be referred to Council for approval. The Opposition have had opportunities to receive briefings and have questions answered.
- 14.6 The Council will continue to face challenging financial times for the foreseeable future, with the impact of ongoing pressures on local government funding, inflationary pressures and increasing demand. The process that has been undertaken to set the Budget has included engagement of officers throughout the year who have provided regular feedback of ideas into the process, engagement with the public and members and benchmarking exercises, along with due consideration of statutory duties, including in respect of equalities.
- 14.7 The Council has a credible track record of delivery of savings and holds reserves and contingencies to help mitigate against risks and uncertainties, as well as to support specific projects and grant funded work. Any pressures that cannot be met through grant funding or in-year cost reductions will need to be met from reserves; however, I am satisfied that the Council has sufficient reserves and balances to operate over the medium term.
- 14.8 The financial climate reinforces the need for on-going robust financial management, strict budgetary control and the on-going monitoring of both savings and investment delivery plans, and I am confident that there are adequate processes in place to promote these.
- 14.9 Risks have been taken into account when setting the budget and in considering the adequacy of reserves. For these reasons, it can be confirmed that the 2024/25 budget setting process has been robust.

## **15 RESERVES & BALANCES**

- 15.1 The continued provision of adequate reserves is essential. Without these, it may be necessary to take remedial urgent action in-year to mitigate challenges that arise, which could lead to longer term consequences.
- 15.2 The Section 151 Officer recommends the level of reserves within the Council's budget. However, it is important that members understand the level

of reserves that the council holds and ensure that the reserves policy fits in line with the organisational strategy.

15.3 There is no statutory minimum level of reserves, but it is important to manage the level of reserves in order to:

- Maintain adequate balances to provide contingency funds for unforeseen events.
- Provide resources to support the Council's long-term spending plans.
- Avoid holding excessive amounts because of the opportunity costs in not utilising these resources.

#### General Fund Balance

15.4 This is a contingency fund i.e., money set aside for emergencies or to cover any unexpected costs that may occur during the year, such as flooding or unexpected repairs.

15.5 The current strategy is to maintain the General Fund balance at a minimum of 10% of the annual net budget requirement. This will provide a short-term contingency to manage the risks identified in this report.

15.6 The level of the General Fund reserve is reviewed annually as part of the budget process and the current 2024/25 target for General Fund balances is £1.3m.

#### Earmarked Reserves

15.7 These comprise monies that are set aside for a particular purpose, such as infrastructure or investment funds or funds held on behalf of partnership arrangements, which cannot therefore be used to support general Council expenditure.

15.8 The total forecast movement in earmarked reserves and balances during 2024/25 is £2.964m to a projected total of £4.981m. The main movements are use of reserves for funding of the Capital Programme. These are estimates at the time of formulating the Budget and a further update on balances will be made to Council as part of the closure of the accounts for 2023/24.

15.9 Earmarked reserves are set out in the table below:

| Earmarked Reserves                   | Opening balance<br>2023/24 £'s | Transferred Out<br>£'s | Transferred In<br>£'s | Projected Opening balance<br>2024/25<br>£'s | Forecast Mov't In Year<br>£'s | Estimated Closing Balance<br>2024/25<br>£'s |
|--------------------------------------|--------------------------------|------------------------|-----------------------|---------------------------------------------|-------------------------------|---------------------------------------------|
| Transformation Reserve               | (257,186)                      | 239,831                | -                     | (17,355)                                    | 17,355                        | -                                           |
| Waste Provision Reserve              | (341,592)                      | 341,592                | -                     | (0)                                         | -                             | -                                           |
| Legal/Insurance Reserve              | (248,576)                      | 63,665                 | -                     | (184,911)                                   | -                             | (184,911)                                   |
| Elections Reserve                    | (37,644)                       | 1,522                  | -                     | (36,122)                                    | -                             | (36,122)                                    |
| Housing Reserve                      | (214,068)                      | -                      | -                     | (214,068)                                   | -                             | (214,068)                                   |
| Hard / Soft Infrastructure Reserve   | (1,350,816)                    | 142,413                | (400,000)             | (1,608,403)                                 | 1,608,403                     | 0                                           |
| Business Rates Smoothing Reserve     | (1,666,735)                    | 389,703                | -                     | (1,277,032)                                 | -                             | (1,277,032)                                 |
| Housing Benefit Equalisation Reserve | (312,727)                      | 94,199                 | -                     | (218,528)                                   | -                             | (218,528)                                   |
| Leisure Smoothing Reserve            | (133,385)                      | 161,840                | (28,455)              | -                                           | -                             | -                                           |
| Investment Fund                      | (3,547,433)                    | 2,961,255              | (255,000)             | (841,178)                                   | 841,178                       | -                                           |
| IT Transformation Reserve            | (257,552)                      | 147,801                | (64,691)              | (174,442)                                   | -                             | (174,442)                                   |
| COVID 19 Smoothing Reserve           | (67,036)                       | 67,036                 | -                     | -                                           | -                             | -                                           |
| Collection Fund New Burdens          | (669,672)                      | 72,663                 | (9,602)               | (606,611)                                   | -                             | -                                           |
| Connect - Invest to Save             | (335,266)                      | 335,265                | -                     | (0)                                         | -                             | -                                           |
| Grant Funding                        | (254,239)                      | 11,720                 | -                     | (242,519)                                   | 60,000                        | (182,519)                                   |
| Housing Grant Reserve                | (775,974)                      | 44,277                 | -                     | (731,697)                                   | 144,103                       | (587,594)                                   |
| Corporate Priorities                 | (250,000)                      | -                      | -                     | (250,000)                                   | 250,000                       | -                                           |
| SEPP Partnership                     | (150,000)                      | 70,000                 | -                     | (80,000)                                    | 80,000                        | -                                           |
| Corporate Staffing                   | (356,771)                      | 229,852                | -                     | (126,918)                                   | -                             | (126,918)                                   |
| Community Investment Fund            | (970,947)                      | -                      | -                     | (970,947)                                   | -                             | (970,947)                                   |
| Budget Equalisation Reserve          | -                              | -                      | (400,000)             | (400,000)                                   | (193,000)                     | (593,000)                                   |
| Service Based                        | (1,152,873)                    | 586,475                | (4,370)               | (570,767)                                   | 156,000                       | (414,767)                                   |
| <b>Total Earmarked Reserve</b>       | <b>(13,350,491)</b>            | <b>5,961,110</b>       | <b>(1,162,118)</b>    | <b>(8,551,499)</b>                          | <b>2,964,039</b>              | <b>(4,980,849)</b>                          |

15.10 The Council regularly reviews the reserves as part of the budget setting and closure of accounts processes to make sure that they are appropriate. Reserves should be used in accordance with the reasons they were set up and their use is authorised by the Section 151 Officer. If necessary, the Section 151 Officer may approve the use of earmarked reserves to cover unforeseen expenditure, in line with Council's financial regulations.

## 16 CAPITAL AND TREASURY MANAGEMENT STRATEGY

16.1 The Prudential Code for Capital Finance in Local Authorities (the Prudential Code) plays a key role in capital finance in local authorities, and it requires the Section 151 Officer to comment specifically on the Capital Strategy adopted by the Council. The full strategy is set out in a separate report on this agenda.

16.2 Local authorities determine their own programmes for investment. In order to demonstrate that capital expenditure and investment decisions are taken in line with service objectives and properly take account of stewardship, value for money, prudence, sustainability and affordability, the Prudential Code requires authorities to have in place a Capital Strategy that sets out the long term context in which capital expenditure and investment decisions are made, and gives due consideration to both risk and reward and impact on the achievement of priority outcomes.

- 16.3 The Council's approach to treasury management investment activities is set within the Treasury Management Strategy and includes the criteria for determining how and where funds will be invested to ensure that the principal sums are safeguarded from loss and that sufficient liquidity is maintained to ensure that funds are available when needed. The treasury management investment strategy proposed for 2024/25 is consistent with that applied in previous years.

## **17 CONCLUSION**

- 17.1 The MTFS has been prepared against a background of significant uncertainty as a result of increasing cost pressures, mainly due to high rates of inflation, and a lack of clarity around future funding levels. These factors could jeopardise the Council's sustainable financial position without continued budgetary vigilance alongside the delivery of the Council's priorities.
- 17.2 The MTFS covers a five-year period over which time there is significant uncertainty. Although the financial context is increasingly challenging, the Council has a track record of identifying and delivering significant savings within the approved budget, supported by a framework of effective financial planning. This approach will need to continue to ensure that a sustainable medium-term financial position can be maintained.
- 17.3 The Corporate Leadership Team will review the strategy annually to ensure that it continues to be aligned to overall Council objectives and priorities and that the Council continues to be able to set a balanced budget year on year.

## **18 RELEVANT RISKS**

- 18.1 There are a number of risks and opportunities to the Council's financial position as a result of changes in demographics, changes to legislation and other factors. The Council holds reserves and contingency balances to address future risks and concerns. These risks will be kept under review if and when they materialise:
- Inflation - there is risk posed by rising inflation in that amounts budgeted for significant cost headings such as staffing, major contracts and utilities could be insufficient. It is difficult to predict this accurately, as it will depend on wider market factors and mitigating actions taken by the Bank of England and Government to manage the economy. The Council will continue to monitor this risk and any cost pressures can be managed through general reserves if needed over the short-term, with appropriate adjustments being made to the MTFS if required in future years.
  - BBC Partnership Arrangements – the partnership presents an opportunity to reduce costs over the medium term. Estimated savings have been included in the MTFS and provision has been made within earmarked



reserves to fund the Council's share of one-off costs associated with the Transformation Programme required to deliver these ongoing savings.

- Homelessness - ongoing prevention and partnership work continues to help with the supply of temporary and settled accommodation, which has significantly reduced the number of residents in emergency accommodation and directly helped to reduce budget pressures. The number of households requiring temporary accommodation has been put under increased pressure and demand will continue to be closely monitored.
- Housing Benefit Net Costs - this is a demand driven budget linked to housing need across the district and is therefore subject to fluctuation. An equalisation reserve has been set up to help manage these fluctuations on the net budget position.
- Recycling Costs - the budget has been set based on the revised unit prices and best intelligence of probable volumes; however, if either of these assumptions are higher than anticipated a further cost pressure could arise.

## **19 FINANCIAL IMPLICATIONS**

19.1 These are contained in the report.

## **20 LEGAL IMPLICATIONS**

20.1

## **21 EQUALITY AND DIVERSITY IMPLICATIONS**

21.1 The Council has formulated its budget proposals having regard to the duties under the Equality Act 2010. At the time of developing specific service plans and policies the Council will consider in greater detail the specific impact of the proposals that might be implemented within the budgetary framework. Proposals shall only be implemented after due regard has been paid to the need to achieve the three aims set out in Section 149 of the Equality Act.

## **22 ENVIRONMENT AND CLIMATE IMPLICATIONS**

22.1 The MTFS includes budget allocations that enable service areas to deliver our responsibilities in this area.

**23 ECONOMIC IMPLICATIONS**

- 23.1 The Capital Programme includes investments which help enable economic growth.

**Tim Willis**  
**Interim Director – Resources/ Section 151 Officer**

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**Background Papers:-**

None.

For further information please contact Tim Willis, Interim Director of Resources, on:-

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If you would like this report in large print, Braille or another language please contact 01702 318111.

| BUDGET BOOK MEMBER LEAD STRUCTURE 2024-25      |                         |                                      |                     |                   |                     |
|------------------------------------------------|-------------------------|--------------------------------------|---------------------|-------------------|---------------------|
| LEAD MEMBER NAME                               | DIRECTOR                | ALL SERVICES                         | 2023/24<br>ORIGINAL | 2023/24<br>LATEST | 2024/25<br>ESTIMATE |
| <b>Leader</b>                                  |                         |                                      |                     |                   |                     |
| Cllr John Mason                                | People & Governance     | Human Resources                      | 186,680             | 188,429           | 193,798             |
| Cllr John Mason                                | Chief Executive         | Corporate Management                 | 304,425             | 306,960           | 356,122             |
| Cllr John Mason                                | Chief Executive         | Corporate Leaders                    | 593,948             | 555,198           | 616,800             |
| Cllr John Mason                                | Chief Executive         | Strategic Directors                  | 200,877             | 198,177           | 120,830             |
| Cllr John Mason                                | Chief Executive         | Managing Director                    | 112,455             | 108,355           | 120,930             |
| Cllr John Mason                                | Communities & Health    | Emergency Planning                   | 54,600              | 53,600            | 42,880              |
| Cllr John Mason                                | Policy & Delivery       | Policy & Transformation              | 0                   | 0                 | 143,139             |
|                                                |                         |                                      | 1,452,985           | 1,410,719         | 1,594,499           |
| <b>Resources, Climate Change &amp; Economy</b> |                         |                                      |                     |                   |                     |
| Cllr Michael Hoy                               | Place                   | Economic Development                 | 114,850             | 114,850           | 158,737             |
| Cllr Michael Hoy                               | Resources               | Audit                                | 127,500             | 127,500           | 132,750             |
| Cllr Michael Hoy                               | Resources               | Financial Services                   | 446,030             | 505,480           | 499,686             |
| Cllr Michael Hoy                               | Resources               | Non Distributed Costs                | 394,000             | 394,000           | 394,000             |
| Cllr Michael Hoy                               | Resources               | Other Operating Income & Expenditure | (275,000)           | (275,000)         | (650,000)           |
| Cllr Michael Hoy                               | Resources               | Procurement                          | 76,700              | 74,700            | 64,870              |
|                                                |                         |                                      | 884,080             | 941,530           | 600,043             |
| <b>Governance &amp; Communications</b>         |                         |                                      |                     |                   |                     |
| Cllr James Newport                             | Policy & Delivery       | Communications                       | 132,400             | 138,700           | 102,570             |
| Cllr James Newport                             | People & Governance     | Members and Committee Services       | 472,200             | 533,400           | 606,650             |
| Cllr James Newport                             | People & Governance     | Civics                               | 80,000              | 78,100            | 83,330              |
| Cllr James Newport                             | People & Governance     | Conducting Elections                 | 159,050             | 155,072           | 164,822             |
| Cllr James Newport                             | People & Governance     | Registration of Electors             | 92,350              | 92,350            | 96,430              |
| Cllr James Newport                             | People & Governance     | Legal Services                       | 119,500             | 115,580           | 111,350             |
| Cllr James Newport                             | Customer & Data Insight | Information                          | 30,000              | 28,800            | 31,280              |
| Cllr James Newport                             | People & Governance     | Leadership Support Team              | 141,900             | 136,350           | 149,880             |
|                                                |                         |                                      | 1,227,400           | 1,278,352         | 1,346,312           |
| <b>Communities &amp; Health</b>                |                         |                                      |                     |                   |                     |
| Cllr Lisa Newport                              | Communities & Health    | Community Safety                     | 30,700              | 29,500            | 74,980              |
| Cllr Lisa Newport                              | Communities & Health    | Licensing                            | 55,250              | 51,050            | 37,100              |
| Cllr Lisa Newport                              | Communities & Health    | Public Health                        | 23,500              | 23,500            | 23,500              |

|                                         |                      |                                   |           |           |           |
|-----------------------------------------|----------------------|-----------------------------------|-----------|-----------|-----------|
| Cllr Lisa Newport                       | Communities & Health | Environmental Health              | 354,700   | 350,897   | 337,000   |
| Cllr Lisa Newport                       | Communities & Health | Hackney Carriage                  | (78,200)  | (78,200)  | (78,200)  |
|                                         |                      |                                   | 385,950   | 376,747   | 394,380   |
| <u>Housing</u>                          |                      |                                   |           |           |           |
| Cllr Adrian Eves                        | Housing              | Housing Strategy                  | 10,000    | 10,000    | 10,000    |
| Cllr Adrian Eves                        | Housing              | Private Sector Housing Renewal    | 74,620    | 72,420    | 78,800    |
| Cllr Adrian Eves                        | Housing              | Homelessness                      | 871,704   | 835,504   | 934,054   |
|                                         |                      |                                   | 956,324   | 917,924   | 1,022,854 |
| <u>Strategic Planning</u>               |                      |                                   |           |           |           |
| Cllr Jim Cripps                         | Place                | Development Management            | 322,100   | 334,373   | 151,880   |
| Cllr Jim Cripps                         | Place                | Planning Policy                   | 193,980   | 600,150   | 164,681   |
|                                         |                      |                                   | 516,080   | 934,523   | 316,561   |
| <u>Environmental Services</u>           |                      |                                   |           |           |           |
| Cllr Chris Stanley                      | Environment          | Cemeteries & Churchyards          | (135,870) | (130,870) | (131,879) |
| Cllr Chris Stanley                      | Environment          | Street Cleansing                  | 15,900    | 15,900    | 15,900    |
| Cllr Chris Stanley                      | Environment          | Public Conveniences               | 42,540    | 42,540    | 39,770    |
| Cllr Chris Stanley                      | Environment          | Coast Protection                  | 2,300     | 2,300     | 2,300     |
| Cllr Chris Stanley                      | Environment          | Depot                             | 18,090    | 18,090    | 19,019    |
| Cllr Chris Stanley                      | Environment          | Recycling Collection              | 4,184,500 | 4,178,900 | 4,433,830 |
| Cllr Chris Stanley                      | Environment          | Recycling Disposal                | (795,000) | (495,000) | (598,000) |
| Cllr Chris Stanley                      | Environment          | Highways/ Roads Routine           | 3,500     | 600       | 1,570     |
| Cllr Chris Stanley                      | Environment          | Building Control - Client Account | 263,750   | 254,950   | 272,280   |
| Cllr Chris Stanley                      | Environment          | Building Control - Fee Account    | (225,000) | (225,000) | (180,000) |
| Cllr Chris Stanley                      | Assets & Investments | Health & Safety                   | 51,600    | 50,600    | 51,430    |
|                                         |                      |                                   | 3,426,310 | 3,713,010 | 3,926,220 |
| <u>Public Space &amp; Assets</u>        |                      |                                   |           |           |           |
| Cllr Vilma Wilson                       | Assets & Investments | Off Street Parking                | (818,938) | (827,788) | (893,285) |
| Cllr Vilma Wilson                       | Assets & Investments | Office Accommodation Rayleigh     | 58,810    | 78,980    | 49,279    |
| Cllr Vilma Wilson                       | Assets & Investments | Office Accommodation Rochford     | 339,270   | 337,870   | 365,950   |
| Cllr Vilma Wilson                       | Assets & Investments | Estates Management Services       | 322,900   | 313,700   | 423,740   |
| Cllr Vilma Wilson                       | Environment          | Parks & Open Spaces               | 741,790   | 726,090   | 764,159   |
| Cllr Vilma Wilson                       | Assets & Investments | Leisure Premises                  | 433,760   | 433,760   | 514,680   |
|                                         |                      |                                   | 1,077,592 | 1,062,612 | 1,224,523 |
| <u>Leisure, Tourism &amp; Wellbeing</u> |                      |                                   |           |           |           |
| Cllr Julie Gooding                      | Assets & Investments | Culture & Heritage - Windmill     | (15,530)  | (15,410)  | (17,570)  |
| Cllr Julie Gooding                      | Assets & Investments | Leisure Client Account            | 102,000   | 99,000    | 69,850    |

|                          |                         |                                |            |            |            |
|--------------------------|-------------------------|--------------------------------|------------|------------|------------|
| Cllr Julie Gooding       | Communities & Health    | Sports Development & Promotion | 58,349     | 65,869     | 106,880    |
| Cllr Julie Gooding       | Communities & Health    | Corporate Policy & Partnership | 162,200    | 159,800    | 168,680    |
| Cllr Julie Gooding       | Communities & Health    | Safeguarding                   | 15,700     | 15,200     | 16,580     |
|                          |                         |                                | 322,719    | 324,459    | 344,420    |
| <b>Customer Services</b> |                         |                                |            |            |            |
| Cllr Arthur Williams     | Customer & Data Insight | Digital Services               | 180,400    | 173,500    | 187,620    |
| Cllr Arthur Williams     | People & Governance     | Support Services               | 135,750    | 132,850    | 169,650    |
| Cllr Arthur Williams     | Customer & Data Insight | Computer Services              | 1,262,647  | 1,258,504  | 1,287,371  |
| Cllr Arthur Williams     | Resources               | Housing Benefit Administration | 343,797    | 366,056    | 378,620    |
| Cllr Arthur Williams     | Resources               | Housing Benefit Payments       | (136,023)  | (136,023)  | (136,023)  |
| Cllr Arthur Williams     | Customer & Data Insight | Customer Services              | 485,300    | 466,300    | 461,980    |
| Cllr Arthur Williams     | Resources               | Council Tax                    | 78,800     | 88,110     | 93,140     |
| Cllr Arthur Williams     | Resources               | Business Rates                 | (46,320)   | (38,035)   | (43,871)   |
| Cllr Arthur Williams     | Customer & Data Insight | Local Land Charges             | (140,000)  | (140,000)  | (49,000)   |
|                          |                         |                                | 2,164,351  | 2,171,263  | 2,349,487  |
|                          |                         | Staff Vacancy Factor           | (333,374)  | (200,000)  | (223,581)  |
|                          |                         |                                |            |            |            |
|                          |                         | Service Related Costs          | 12,080,417 | 12,931,138 | 12,895,718 |

**Capital Programme 2024/25 to 2028/29**

| Item                                      | 2024/25<br>FORECAST<br>£ | 2025/26<br>FORECAST<br>£ | 2026/27<br>FORECAST<br>£ | 2027/28<br>FORECAST<br>£ | 2028/29<br>FORECAST<br>£ |
|-------------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| HQ relocation                             | 1,400,000                |                          |                          |                          | -                        |
| Mill Hall                                 | 845,000                  |                          | 150,000                  |                          | 80,000                   |
| Waste vehicles                            | 380,000                  |                          |                          |                          |                          |
| UKSPF projects                            | 170,000                  |                          |                          |                          |                          |
| Disabled Facilities Grant                 | 540,059                  | 540,059                  | 540,059                  | 540,059                  | 540,059                  |
| Other Capital Projects                    | 550,000                  | 285,000                  | 135,000                  | 285,000                  | 205,000                  |
| <b>Total Cost</b>                         | <b>3,885,059</b>         | <b>825,059</b>           | <b>825,059</b>           | <b>825,059</b>           | <b>825,059</b>           |
| Capital Receipts Reserve                  | (1,400,000)              |                          |                          |                          |                          |
| Hard/Soft Infrastructure Reserve          |                          |                          |                          |                          |                          |
| Prior year New Homes Bonus                | -                        | -                        |                          |                          |                          |
| Capital Grants - DFGs                     | (540,059)                | (540,059)                | (540,059)                | (540,059)                | (540,059)                |
| Capital Grants - UKSPF                    | (370,000)                |                          |                          |                          |                          |
| Capital Grants - DEFRA                    | (100,000)                |                          |                          |                          |                          |
| Developer Contributions                   | (30,000)                 | (30,000)                 | (30,000)                 | (30,000)                 | (30,000)                 |
| Community Investment Plan                 | (290,000)                |                          |                          |                          |                          |
| Investment Reserve / Revenue Contribution | (1,155,000)              | (255,000)                | (255,000)                | (255,000)                | (255,000)                |
| <b>Total Funding</b>                      | <b>(3,885,059)</b>       | <b>(825,059)</b>         | <b>(825,059)</b>         | <b>(825,059)</b>         | <b>(825,059)</b>         |