


Agenda Item No:	6	
Committee:	Cabinet	
Date:	18 December 2023	
Report Title:	Revised General Fund Budget and Capital Programme 2023/24; Draft General Fund Budget Estimates 2024/25 and Draft Medium Term Financial Strategy (MTFS) 2024/25 to 2028/29; Capital Programme 2024 - 2027	

Cover sheet:

1 Purpose / Summary

To consider and approve:

- the revised General Fund Budget and Capital Programme for 2023/24;
- the Draft General Fund Budget Estimates 2024/25 and the Draft Medium Term Financial Strategy 2024/25 to 2028/29 for consultation;
- Capital Programme 2024-2027.

2 Key issues

- The Provisional Local Government Finance Settlement announcement is expected week commencing 18 December 2023. **Consequently, until the details of the Finance Settlement have been received, the figures detailed in this report should be treated as being provisional.**
- In accordance with the decision of Council at their meeting of 17 July 2023 (Minute C8/23), the cash amount of Council Tax raised has been kept at the current level for 2024/25 and over the MTFS period rather than the 0% increase previously adopted by Council in July 2019.
- Council Tax Referendum limits for 2024/25 will be set at an increase of 3% or £5 whichever is the higher.
- Current forecasts for 2024/25 show a shortfall of £539k based on the assumptions detailed in Appendix C. This shortfall increases to £2.558m in 2028/29.
- At this time, more detailed work is required on a number of issues which could potentially impact on these figures, both positively and negatively (as detailed in paragraph 7.11 of the report). Further information is expected over the next few weeks and this will be incorporated where possible, into the final budget report in February 2024.
- Although there are currently many uncertainties regarding the budget for 2024/25 and the MTFS, there remains a significant structural deficit which the Council will need to address.
- The final deficits for 2023/24 and 2024/25 will have to be funded from Council reserves (current balances shown in Appendix E). At this stage, due to the many uncertainties around the potential deficits, there is no requirement to formally approve any amounts to be funded from reserves.

- An updated Capital Programme for 2023/24 and for the medium term 2024-27 is proposed.
- Further work is required on the potential new capital schemes identified in Appendix D(ii) and the final proposals will be considered as part of the final budget report in February 2024.

3 Recommendations

- It is recommended that:-
 - (i) the draft budget proposals for 2024/25 outlined in this report be approved for consultation;
 - (ii) the revised General Fund Budget and revised Capital Programme for 2023/24 be approved;
 - (iii) the proposed Capital Programme for 2024-2027 be approved.

Wards Affected	All
Portfolio Holder(s)	Cllr Chris Boden, Leader and Portfolio Holder, Finance
Report Originator(s)	Peter Catchpole, Corporate Director and Chief Finance Officer (S.151 Officer) Mark Saunders, Chief Accountant
Contact Officer(s)	Paul Medd, Chief Executive Peter Catchpole, Corporate Director and Chief Finance Officer (S.151 Officer) Mark Saunders, Chief Accountant
Background Paper(s)	Provisional Finance settlement – Department for Levelling Up, Housing & Communities (DLUHC). Autumn Statement 2023 (HM Treasury) Medium Term Financial Strategy working papers. Government announcements since February 2023.

Report:

1 INTRODUCTION

- 1.1 This report sets out the financial implications of the council's priorities described in the draft Business Plan 2024/25. Revenue budget estimates are draft at this stage and along with the draft Business Plan will be subject to public and stakeholder consultation prior to final budget and council tax setting for 2024/25 in February 2024.
- 1.2 Much of the financial information provided is necessarily based on a number of assumptions which are wholly or partly influenced by external factors. Some of these factors, such as the outcome of the Local Government Finance Settlement, and the impact of Business Rates Retention arrangements incorporating the effect of the multiplier changes, will not be known until later in the process and any amendments will be reported to Cabinet and Council at the February 2024 budget setting meeting.

2 AUTUMN STATEMENT 2023

- 2.1 On 22 November 2023, the Chancellor delivered his Autumn Statement confirming the Government's spending plans for 2024-25.
- 2.2 The relevant points for this Council from these announcements are as follows:

Council Tax

- A Council Tax referendum limit of up to 3% (or £5 whichever is the higher), together with an additional 2% increase for authorities with responsibilities for Adult Social Care (the same as for 2023/24).

Business Rates

- **Retail, Hospitality and Leisure Relief (RHL)** will continue in 2024/25 with the level of relief continuing at 75% with a maximum of £110,000 per business. Local authorities will be compensated in the usual way through S31 grants;
- **The small business rates multiplier in 2024/25 will be frozen** (currently 49.9p which normally would increase in line with the CPI rate as at September 2023, ie.6.62%), while **the standard multiplier will be updated by September CPI to 54.6p** (from 51.2p currently). Local authorities will be fully compensated for the decision to freeze the small business multiplier;
- De-coupling the multipliers for 2024/25 will impact on the Council's Business Rates Baseline and the Baseline Funding Level which could potentially have either a positive or negative impact on the Council's overall business rates income, although the intention is for the changes to be financially neutral;
- A further distribution of the surplus from the national Levy Account is likely (£100m in 2023/24 in respect of 2022/23 and likely to be at least that amount in the 2024/25 settlement). The individual allocations to authorities (if any) will be detailed in the provisional settlement. The last surplus distribution in 2022/23 (in respect of 2021/22) resulted in an additional £31k allocation for Fenland.

Local Authority Housing Fund

- There will be a further £450m for a third round of the Local Authority Housing Fund to deliver 2,400 new housing units nationally to house Afghan refugees and ease wider housing and homelessness pressures.

Core Spending Power and Other Announcements

- There will be cash-terms growth in Core Spending Power (CSP) in 2024/25 because of the increases in social care funding and Band D thresholds. Growth is likely to be less than inflation, however.
 - Full details of the allocation of funding within CSP will be announced later this month in the 2024/25 Finance Settlement. There are still a number of issues remaining to be resolved, even though there is unlikely to be a change in the overall allocations announced as part of last year's settlement. Decisions will have to be made about the Services Grant, Core Spending Power Guarantee Grant and the New Homes Bonus.
 - Local government funding reforms (Fair Funding Review and business rates retention changes) are not likely until at least 2025/26;
 - A decision about the future of the New Homes Bonus (NHB) was promised before the provisional settlement but none has yet been released. We are expecting that there will be one more further year of NHB in 2024/25 but this is not confirmed;
- 2.3 Details of how this will be converted into specific funding allocations for individual local authorities will be announced as part of the provisional local government finance settlement which is expected week commencing 18 December 2023.

3 LOCAL GOVERNMENT FINANCE SETTLEMENT

- 3.1 The Provisional Finance Settlement for 2024/25 is expected to be announced during the week commencing 18 December 2023. Consequently, the figures included in this report are estimates based on previous funding announcements. It is therefore, almost certain that the figures announced in the Provisional Settlement will be different from those detailed in this report. An update on any changes will be given to members as soon as they are available.
- 3.2 For the purposes of this report, it has been assumed that the Council's overall Settlement Funding Assessment for 2024/25 (Revenue Support Grant, Business Rates Baseline Funding and Tariff Payments) together with the Services Grant and Core Spending Power Guarantee Grant will remain the same as 2023/24. The figures included in the draft budget are detailed below.

Table 1 – Settlement Funding Assessment (Core Funding) – Estimate prior to provisional settlement

	Actual 2023/24 £000	Estimate 2023/24 £000	2024/25 % Increase
Settlement Funding Assessment			
Revenue Support Grant (RSG)	173	173	0.0%
Business Rates income	11,207	11,207	
Tariff Payment to government	<u>-7,367</u>	<u>-7,367</u>	
Business Rates Baseline Funding	3,840	3,840	0.0%
Services Grant	150	150	0.0%
Core Spending Power Guarantee Grant	601	601	0.0%

- 3.3 Business Rates Baseline Finding levels for 2024/25 will be updated to take into account the de-coupling of the multiplier increase as detailed in paragraph 2.2 above. At this time, it is not possible to determine what impact this will have on the Council's overall Business Rates income although the intention is that this change will be financially neutral.
- 3.4 The RSG, Services Grant and CSP guarantee grant will all change in the provisional settlement although the figures in this report assume no overall change in the total allocations.
- 3.5 The Medium Term forecasts detailed in Appendix B have also assumed a continuation of the policy of increasing business rates baselines by CPI inflation from 2025/26 onwards, based on current Treasury forecasts over the medium term.

Fair Funding Review

- 3.6 Local government funding reforms (Fair Funding Review or business rates retention changes) will not now happen until at least 2025/26.

4 NEW HOMES BONUS

- 4.1 As mentioned earlier, a decision about the future of the New Homes Bonus (NHB) was promised before the provisional settlement but none has yet been released. We are expecting that there will be one more further year of NHB in 2024/25 but this is not confirmed.
- 4.2 Actual NHB received in 2023/24 was £369k and an estimate of £440k has been included for 2024/25 (calculation based on the increase in dwelling numbers between October 2022 – October 2023).
- 4.3 We wait to see what the Provisional Finance Settlement includes (if anything) for New Homes Bonus allocations for 2024/25.
- 4.4 The Future of the New Homes Bonus is very uncertain. The current national total of £291m allocated by way of NHB may also change in future spending reviews. There is however expected to be some form of housing growth incentive scheme. The impact on this Council's funding could be significant. We have included £440k of NHB funding in the MTFS from 2025/26 onwards. These could be replaced by allocations we receive from whatever the new Housing Incentive system will look like.
- 4.5 **The lack of clarity around the future of the NHB is a significant risk to the MTFS.**

5 BUSINESS RATES

- 5.1 Members will be aware that the Business Rates Retention system was introduced in April 2013. Under this system, authorities would benefit if their actual Business Rates income collected in a year was higher than the baseline funding determined by government.
- 5.2 There has been real business rates growth in Fenland over the last seven years, however how this impacts on the resources available to this Council is complex, due to the rules and the operation of the current 50% Business Rates Retention system. The complexity of the system has been exacerbated by the number of business rates relief schemes and multiplier caps and freezes implemented by the government over the last few years.

Business Rates Pooling Arrangement – 2023/24 and 2024/25

2023/24 Pool

- 5.3 The Council has joined with the County Council, Peterborough City Council, Fire Authority, East Cambridgeshire and South Cambridgeshire to become part of a pooling arrangement for business rates since 2020/21 up to and including 2023/24. Unlike the Business Rates Pilot schemes, this is not a bidding process against other pools but is part of the existing system whereby authorities can choose to apply to become a pool with the agreement of the constituent authorities.
- 5.4 The benefit of being in a pool is that authorities will not be liable to levy payments on their business rates growth, which is then shared amongst the pooled authorities by a mutually agreed method. This will be based on where the growth has originated from with an appropriate share allocated to the County Council and Fire Authority.
- 5.5 Depending on actual business rates received in 2023/24, the net effect of the pooling arrangement could be considerable for the authorities in the pool. Current forecasts indicate that this Council could receive up to £450k additional income according to the sharing methodology agreed between the pooled authorities.

2024/25 Pool

- 5.6 As a result of further detailed analysis of forecast business rates income, the current pool members decided that the most financially beneficial arrangement for 2024/25 would be a pool without Fenland. As recompense for not being in the pool, agreement has been reached with the other pool members that Fenland would be no worse off as a result of the revised pooling arrangement for 2024/25.
- 5.7 Consequently, an amount of £350k per annum has been included in 2024/25 as a 'pooling' benefit. This will be firmed up over the coming weeks as all authorities in the pool complete the annual statutory business rates estimate, the NNDR1 form, due to be returned to MHCLG by the end of January 2024. This Council's estimated share of any additional resources will then be calculated and included in the final budget report in February 2024.
- 5.8 There will be no further major changes to the rates retention system until 2025/26 at least. Consequently, assuming the proposed pooling and 'no detriment' arrangements to this Council continue, an amount of £350k per annum has been included in the MTFs as a pooling benefit to this Council.

Business Rates Reform – 2025/26 onwards

- 5.9 As stated earlier, no major changes will take place until 2025/26 at least. At that time, it is likely that the Baseline Funding Level of all Councils will be reset with all 'growth' income being taken into account nationally and redistributed in the new system. In the estimate for 2024/25 and the medium term forecasts, around £1.3m of business rates above the Council's Baseline Funding Level is being retained. Under a baseline reset, this would mean that initially the additional £1.3m business rates income would be removed and redistributed. What remains unclear, is how much of this £1.3m will be returned to the Council as part of its recalculated Baseline Funding Level.
- 5.10 In theory therefore, the Council could lose all of this additional £1.3m in the absolute worst case scenario. However, this is unlikely and would create significant volatility within future funding allocations nationally, which the government does not wish to see. There will also undoubtedly be some kind of transitional arrangements which

would also limit the extent of any gains and losses in funding arising from the new system.

- 5.11 Although it is extremely difficult to exemplify the impact of this redistribution, in broad terms, if the Council were to lose 50% of its growth income then this would add a further £650k per annum from 2025/26 to the current forecast MTFS shortfalls. A 20% loss of growth income would add a further £260k per annum to the current shortfalls.
- 5.12 In addition, the current system of retaining 100% of business rates from businesses generating Renewable Energy (estimated £1.416m in 2024/25) and the benefits from current pooling arrangements (estimated £350k in 2024/25) could also be reviewed and amended.
- 5.13 **At the time of writing, the Fair Funding Review, the implementation of Business Rates Reform and the changes to the New Homes Bonus are all major risk areas for this Council over the medium term.**

6 FORECAST OUTTURN 2023/24

- 6.1 The approved budget set by Council in February 2023, showed a balanced budget without any funding required from either the Budget Equalisation Reserve or the General Fund Balance.
- 6.2 The latest projected outturn for 2023/24 is set out at Appendix A and show the likelihood of a shortfall in the region of £707k by the end of this financial year.
- 6.3 There have been numerous significant variations during this year to date which have contributed to the projected shortfall.
- 6.4 The main additional cost variations compared with the February 2023 budget include the following:
- Increase in net additional cost of the difference between Housing Benefit paid and subsidy reclaimed from DWP of £204k. Officers are progressing a number of initiatives to increase the amount of subsidy reclaimed;
 - £410k of additional staffing costs of the Planning service due to the difficulties in recruiting and retaining employed staff and the necessity to engage contract/agency staff. An enhanced recruitment and retention package has recently been agreed by Employment Committee to attract more employed staff and reduce the reliance on agency staff;
 - £41k of additional staffing costs of Marine Services, mainly relating to the Pilotage Service;
 - Lower Marine Services income of £171k due to a significant reduction in ship numbers at both Wisbech Port (Statutory and Commercial Fees) and Port Sutton Bridge (Statutory Fees only);
 - £88k of increased costs of Council Transport (Refuse, cleansing vehicles etc) consisting of £36k additional staffing costs and £52k of additional running costs (repairs, parts etc);
 - £69k of additional staffing costs of Economic Estates Services, mainly relating to the use of contract/agency staff to fill vacancies;
 - Net additional cost of £47k for providing temporary accommodation for homeless persons. The current programme of purchasing houses for temporary

accommodation using funding from Round 2 of the Local Authority Housing Fund together with additional properties leased from Clarion HA will be beneficial in future years in reducing this cost;

- £117k of additional cost relating to the Household Dry Recycling service, consisting of £61k of additional gate fees (charged on 'contaminated' recycled waste) and £56k lower recycling credits. The gate fees are expected to increase significantly in 2024/25 as a result of the new recycling contract;
- £120k of additional ICT hardware maintenance (£11k), software licences (£93k) and telephony costs (£16k);
- £102k of additional external legal fees mainly relating to costs associated with the Wisbech Incinerator planning application (£42k) and costs associated with the tender for the new dry recycling contract (£40k);
- £179k increase for the pay award for 2023/24 (£1,925 flat rate increase for NJC staff and 3.88% for others which equates to a 1.4% additional increase compared to a budgeted 4% increase).

6.5 To off-set these additional cost increases, there has been a number of higher income variances including the following:

- £151k net reduction in IDB Levies (additional grant income of £177k off-set by £26k of additional levies);
- £191k of additional government support for energy costs at the Leisure Centres;
- Additional income from a variety of services
 - £20k from Planning Fees, arising from the increase in planning fees from 6 December 2023;
 - £25k from Garden Waste Subscriptions;
 - £26k from Economic Estates;
 - £16k from Cemeteries;
- £445k additional investment income arising from higher cash balances, higher investment interest rates and higher interest recharge to Fenland Future Ltd;

6.6 There are still many uncertainties around the potential shortfall for 2023/24 and there is no requirement at this time to formally approve an amount to be funded from reserves. At the present time, Corporate Management Team, Senior Managers and the Accountancy Team are managing and monitoring the position carefully and will continue to review spending levels to ensure where possible, the amount to be funded from reserves at the year-end is minimised.

6.7 Use of reserves to fund any potential shortfall in 2023/24 will have a consequential impact on the Council's ability to fund the shortfall in 2024/25 from reserves. Details of the Council's reserves are at Section 10 and Appendix E.

7 DRAFT BUDGET ESTIMATES 2024/25 AND MTFS

- 7.1 The Council's MTFS has to ensure that the commitments made in the Business Plan are funded not only in the year for which formal approval of the budget is required (2024/25) but for forecast years as well, within a reasonable level of tolerance.
- 7.2 The impact of the Provisional Local Government Finance Settlement (expected to be announced during week commencing 18 December 2023) will also need to be clarified and the figures in this report make no assumptions about any potential changes to government funding.
- 7.3 The Council's medium term forecasts are shown at Appendix B and summarised in Table 2 below. The table includes for Council Tax income to remain at its' current level from 2024/25 onwards.

Table 2 - MTFS – Council Tax income constant level from 2024/25 onwards

	Estimate	Forecast	Forecast	Forecast	Forecast
	2024/25	2025/26	2026/27	2027/28	2028/29
	£000	£000	£000	£000	£000
Expenditure					
Net Service Expenditure	16,574	16,591	16,682	16,822	17,001
Corporate Items	1,499	1,744	1,775	1,859	2,066
Contribution to/from(-) Earmarked Reserves	-628	-88	-88	-88	-88
Net Expenditure (before use of balances)	17,445	18,247	18,369	18,593	18,979
Funding					
Revenue Support Grant	-173	-173	-173	-173	-173
Business Rates Funding (<i>detailed in Appendix B</i>)	-7,778	-8,064	-8,125	-8,195	-8,271
Business Rates Collection Fund Surplus(-)	-970	0	0	0	0
Council Tax Collection Fund Surplus(-)	-58	-50	-50	-50	-50
Council Tax (<i>cash level constant from 24/25 onwards</i>)	-7,927	-7,927	-7,927	-7,927	-7,927
Total Funding	-16,906	-16,214	-16,275	-16,345	-16,421
Shortfall(+) before use of balances	+539	+2,033	+2,094	+2,248	+2,558
Contribution to/from(-) Budget Equalisation and/or General Reserve	0	0	0	0	0
Shortfall(+) after use of balances	+539	+2,033	+2,094	+2,248	+2,558

- 7.4 Government support for 2024/25 will be announced as part of the provisional finance settlement. This Council currently receives retained business rates and a small amount of Revenue Support Grant from the finance settlement. The projections for 2024/25 onwards are based on the best estimates and information available and are consistent with the announcements in the Autumn Statement 2023. However, subject to further clarity on the detailed implementation of the announcements there remains significant uncertainty in these projections.
- 7.5 The net budget requirement for 2024/25 is currently estimated at **£17.445m** after all identified savings, contingencies and reserve transfers are included. This includes the assumptions detailed at Appendix C. With the provisional funding assumptions and Council Tax income remaining at current levels, a **shortfall of £539k** is currently forecast for 2024/25.

- 7.6 The estimates for 2024/25 have benefited from a significant estimated surplus on the Business Rates Collection Fund account at the end of 2023/24. This surplus of £969k is a result of a significant decrease in the appeals provision required in 2023/24. There will always be an estimated surplus or deficit relating to the Business Rates Collection Fund in a particular year which is then included in the following years estimates (included in the 2023/24 estimates was a deficit of £211k). Without this significant one-off surplus, the estimates for 2024/25 would be showing a shortfall of £1.508m.
- 7.7 The development of the Commercial and Investment Strategy has the potential to generate additional significant returns over the MTFS. Currently, recharges to Fenland Future Ltd (FFL) for officer time, loan interest receipts and future dividends from current FFL developments have been included in the forecasts at Appendix A and B. These are based on the current business plan of FFL over the next three years. Additional returns may also be realised depending on the type and timing of investment opportunities. These are however limited at the current time due to high interest rates and the current policy of the PWLB not to lend for purely investment for yield projects. Consequently, no allowance for any further potential returns (over and above the recharges, loan interest and dividends from FFL) have been included in the MTFS at the current time.
- 7.8 As mentioned in Section 6 above, officers are progressing a number of initiatives to increase the amount of Housing Benefit subsidy reclaimed and together with the anticipated reduction in temporary accommodation costs (partly resulting from the additional houses purchased with assistance from the Local Authority Housing Fund), a significant increase in subsidy reclaimed and lower temporary accommodation costs of £370k has been included in the estimates for 2024/25.
- 7.9 Members will be aware that the Transformation Agenda 2 (TA2) programme is now underway and together with the Accommodation Review, is critical in achieving the necessary savings over the course of the MTFS. An amount of £270k has currently been included in the 2024/25 estimates as savings from the TA2 programme, increasing to £372k per annum by 2028/29. Significant savings over and above these will be required from this programme over the MTFS period.
- 7.10 Taking into account the proposals in the Table 2 above, the estimated net budget requirement in 2024/25 is detailed in Appendix A. The level of forecast resources available to the Council and the estimated levels of expenditure over the medium term are set out in detail in Appendix B. These show a funding gap of £2.558m by the end of 2028/29.
- 7.11 There is still considerable uncertainty around the estimates for 2024/25 and the forecasts for the medium term. Currently there are a number of 'unknowns' which could both positively and negatively impact on the forecasts including:

Risks associated with the MTFS forecasts:

- Potential impact of the Provisional Finance Settlement (announcement in mid-December 2023) on 2024/25 and the medium term;
- Impact of potential changes to the New Home Bonus methodology and allocations from April 2025;
- Impact of the longer-term changes to the Business Rates Retention system from April 2025;
- Impact of pay awards higher or lower than currently allowed for in the MTFS (4% increase included for 2024/25 and 2% per annum from 2025/26 onwards);

- Impact of potential additional costs and income in 2025/26 from the Extended Producer Responsibility scheme for managing packaging waste;
 - Impact on income streams being greater than anticipated due to external factors such as Port Income;
 - Continuing impact of homelessness temporary accommodation costs in 2024/25 and the medium term and the impact on recovery of housing benefit subsidy;
 - Potential for additional support for the Leisure Management contactor in 2025/26 as a result of the energy costs crisis;
 - Impact of increases in Fees and Charges (where feasible) on the 2024/25 estimates and MTFS;
 - Impact of service developments eg. Car Parking Enforcement (CPE);
 - Revenue impact of funding new capital schemes not currently included in the capital programme;
 - Potential impact of the Council's future transformation programme with associated savings. Further detailed work is required to quantify the extent of these savings;
 - Potential positive impact over the MTFS of implementing the outcomes from the Accommodation Strategy;
 - Review of the recharge of staff time to the LATCO (Fenland Future Ltd) to quantify potential revenue savings. Currently recharges of £125k in 2024/25 onwards have been assumed in the MTFS;
 - Potential net benefits from FFL of loan interest and dividends from future developments over and above already included in the MTFS generating revenue income;
 - Commercial and Investment Strategy and future potential positive returns to the Council;
 - Review of the General Fund Balance and Earmarked Reserves to ensure they align with the future requirements of the Council.
- 7.12 Further details relating to several of the above issues should become clearer with the publication of the Provisional Finance Settlement expected to be announced in mid-December 2023.
- 7.13 Between now and the final budget report in February 2024 further analysis will be carried out on the impact of the issues detailed above, as and when further information becomes available. Consequently, the estimate for 2024/25 could change significantly from that detailed at Appendix A.
- 7.14 **Whatever impact the above issues may have however, there will remain a significant structural deficit for the Council to address over the medium term.**
- 7.15 The forecasts for the years 2025/26 – 2028/29 are provisional at this stage and should be considered with extreme caution. The Provisional Finance Settlement announcements regarding local government funding are imminent and therefore, the figures could be different to those included in the forecast. Future announcements and consultation outcomes will also determine government policy and therefore the funding in the future years. In addition, the forecasts are

dependent on permanently maintaining the savings identified through the My Fenland transformation initiative and the current TA2 programme.

- 7.16 As detailed earlier in this report, Business Rates Retention Reform, Fair Funding Review and changes to the New Homes Bonus could have a significant impact on the Council’s forecast resources over term of the MTFS. Further to the risks associated with these externally determined funding streams the Council should also ensure that income budgets are achieved and new income streams considered and implemented for medium to long term sustainability in combination with any operational and transformational benefits that the Council realises. The use of general reserves to support revenue expenditure adds to the overall risks to the Council as such reserves can only be used once but the cumulative impact of such use will continue to be felt into the future.

Other Risks

Capital Programme – Future Funding

- 7.17 The Council is increasingly relying on borrowing (Internal and Prudential) to fund its future programme as the amount of capital receipts and the level of reserves available to fund the capital programme are reducing considerably over the next two years. Consequently, any new capital schemes (which do not generate a return to repay borrowing costs) will have to be funded through borrowing which will result in revenue costs and therefore will impact on the MTFS and future shortfalls.
- 7.18 For example, a £1m scheme with a 20 year life, funded by prudential borrowing, would result in around an additional £100,000 per annum in interest (5%) and repayment costs.
- 7.19 Consequently, a review of the current capital programme together with potential new schemes (as detailed in Section 11) and the ongoing revenue cost impact will need to be undertaken prior to the final budget report in February 2024, to ensure the final approved programme is sustainable within the context of the Council’s Medium Term Financial Strategy.
- 7.20 To exemplify the effect on the MTFS of potential additional costs arising from the above risks, Table 3 below details a scenario whereby the Council loses 50% of its business rates growth income following the reforms in 2025/26.

Table 3: MTFS Potential Impact of Major Risks – for illustrative purposes only

	Estimate	Forecast	Forecast	Forecast	Forecast
	2024/25	2025/26	2026/27	2027/28	2028/29
	£000	£000	£000	£000	£000
MTFS Shortfall - Appendix B	539	2,033	2,094	2,248	2,558
<i>(Council Tax income level constant from 24/25 onwards)</i>					
50% loss of NNDR growth income		700	700	700	700
Increasing NHB threshold by 0.1%		100	150	200	250
Additional £1m per year borrowing	25	125	225	325	425
Revised Shortfall	564	2,958	3,169	3,473	3,933

- 7.21 As stated earlier, it is important to note that the figures detailed in the above table are purely illustrative as no decisions have yet been made regarding changes to

these funding streams or new capital schemes and the potential impact on this Council.

8 FEES AND CHARGES

- 8.1 The Overview and Scrutiny Panel will consider all fees and charges for 2024/25 at its meeting on 15 January 2024 and recommend the Schedule of Fees and Charges to Cabinet at its meeting on 22 January 2024.
- 8.2 For the purposes of this report, no increase in fees over and above what has already been agreed (eg. Planning Fees and Garden Waste Subscriptions) has been included in the estimates for 2024/25 and the medium term. Income forecasts within the figures in this report are based on current fees and projected activity levels.
- 8.3 Members will be aware that several of our fees and charges are set by government and we have no discretion to amend these. The number of fees and charges which we have discretion to amend and the extent to which any increases significantly impact the Medium Term Forecasts detailed in this report are limited.

9 COUNCIL TAX – 2024/25

- 9.1 The government has set the referendum limit for 2024/25 at 3% or £5, whichever is higher for District Councils (the same as 2023/24). A 3% increase on the Band D Council Tax equates to £7.65 per annum.
- 9.2 Social care authorities, such as Cambridgeshire County Council can also increase their element of council tax by a further 2% (5% in total which would equate to £77.14 on the County Council's Band D Council Tax if increase taken in full).
- 9.3 Council at its meeting on 17 July 2023, agreed to re-position the MTFS by keeping the cash level of Council Tax raised at the current level rather than the previously adopted 0% increase, while recognising that the Council continues to face significant financial challenges and uncertainties that may not allow this ambition to be met.
- 9.4 Members of the Council need to act responsibly each year when setting the precept to balance the ambition of keeping Council Tax income at its' current level with the legal need to balance the budget. It was agreed that raising Council Tax in any of the next four years will be a last resort in order to minimise the financial effects of Council Tax on all of Fenland's households.
- 9.5 For information, an additional 1% increase in Council Tax in 2024/25 would generate in the region of £81,000 of revenue per annum to the Council. Even with this additional revenue included, the estimates for future years show a significant shortfall (see Table 4 below).

Council Taxbase

- 9.6 The amount of Council Tax income recognised in the estimates is determined by the Council Taxbase (Band D equivalents) and the level of Band D Council Tax. For 2024/25, the Council Taxbase has been calculated using the number of dwellings (as notified by the Valuation Office Agency), the impact of exemptions and discounts (eg. Single Person discount) and the amount of Council Tax Support awarded as reported in the Council Tax Base return submitted to DLUHC in October 2023.

- 9.7 In addition, an allowance for growth and for non-collection is included together to produce the estimated taxbase. For 2024/25, the draft taxbase has been calculated as 31,463 (Band D equivalents), an increase of 404 (1.3%) on 2023/24.
- 9.8 The number of dwellings included on the VOA valuation list will be kept under review together with further analysis of growth within the district to ensure the final taxbase calculation reflects the latest position.
- 9.9 In line with the motion agreed by Council on 17 July 2023, assumed Council Tax income has remained at its' current level for 2024/25 and over the period of the MTFs.
- 9.10 At this level of Council Tax, there will be a significant deficit to fund over the period of the MTFs. Consequently, the Council will need to continually consider its strategy to meet the estimated shortfalls shown at Table 2 and in Appendix B.
- 9.11 The implications of not increasing Council Tax over the MTFs is that the Council will be reducing its financial base permanently as it would not be able to recover potential revenue foregone due to the cumulative year on year impact. The consequences of setting Council Tax at its' current level and not achieving the necessary savings/additional income have been clearly demonstrated by the events at other Councils. The ability to achieve significant year on year savings (without increasing existing and/or introducing new revenue streams together with transformational change) to balance the budget becomes progressively difficult without eventually impacting on front-line services and delivery.
- 9.12 Council can of course agree to an increase up to the referendum limit of 3% and a 1% increase in Council Tax raises around £81,000 revenue per annum. Table 4 shows the implications of increasing the Council Tax in 2024/25 by 3% per annum and thereafter compared to keeping the Council Tax income constant and compared to freezing the Council Tax in 2024/25 and throughout the MTFs period.

Table 4: MTFs Deficits at Differing Council Tax levels in 2024/25 onwards

Deficits based on different levels of Council Tax	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000
Deficits at CT at current level (as shown in Table 2/Appendix B)	+539	+2,033	+2,094	+2,248	+2,558
Additional CT with 0% increase p.a. from 2024/25	-103	-199	-295	-390	-486
Deficits at 0% increase	+436	+1,834	+1,799	+1,858	+2,072
Additional CT with 3% increase p.a. from 2024/25	-344	-692	-1,054	-1,429	-1,818
Deficits at 3% increase	+195	+1,341	+1,040	+819	+740

10 REVIEW OF GENERAL FUND BALANCE AND EARMARKED RESERVES

- 10.1 An important part of any budget strategy is the review and consideration of reserves. Earmarked Reserves are typically held and used in a planned way to deal with issues where it is foreseen that resources need to be set aside to meet a specific need but the exact amount and timing is not known. General Reserves are held to cushion the impact of an event or events that cannot be foreseen whilst maintaining these resources at a consistent and reasonable level over the medium term.

- 10.2 Sufficient levels of reserves are necessary to provide for various contingent and unplanned items that could include:-
- significant increased costs of providing statutory services
 - significant increased contractual costs
 - an unexpected and/or significant event or disaster, e.g. civil emergency
 - an unexpected major liability in law
 - the need to make significant payments in relation to prior year adjustments under the direction of the external auditor
- 10.3 The Council's current uncommitted General Fund Balance is £2m. It is good practice to keep the balance on this reserve under review alongside ensuring that the purposes for which other earmarked reserves were allocated remain consistent with and relevant to the Council's Medium Term Financial Strategy.
- 10.4 Consequently, a review of the level of the General Fund Balance and the number and purpose of the earmarked reserves will be undertaken and any amendments will be presented to Cabinet and Council in the final budget report in February 2024.
- 10.5 The Budget Equalisation Reserve was established in 2019/20 to provide a smoothing mechanism between financial years which could provide resources to help achieve balanced budgets in future years whilst maintaining a 0% Council tax increase each year. The current balance on this reserve is £1.866m and is available to meet potential budget shortfalls for 2023/24 and 2024/25.
- 10.6 In previous reports, the Leader has stated that one of the main purposes of the Budget Equalisation Reserve was to facilitate a form of feedback loop to counter what he described as the Council's systemic outturn surpluses. Table 5 below, demonstrates the point that the Leader was making. It is, ultimately, a matter of political interpretation whether the pattern of repeated outturn surpluses is evidence of taxing residents more than we need to each year, or if it bears a different interpretation. That is entirely a political matter for Cabinet and Full Council to consider.
- 10.7 At a time of much personal financial pressure for households across Fenland, the Leader proposed, and Full Council approved at their budget meeting in February 2023, a one-off 2% reduction in Council tax in 2023/24. Subsequently, Council at its meeting on 17 July 2023, agreed to re-position the MTFS by keeping the cash level of Council Tax raised at the current level rather than the previously adopted 0% increase, while recognising that the Council continues to face significant financial challenges and uncertainties that may not allow this ambition to be met. The decisions by Council in February and July 2023 was considered a more effective and appropriate way to eliminate the Council's pattern of outturn surpluses, and that the fact that the Budget Equalisation Reserve now stands at £1.866m (before any potential use to fund any shortfall in 2023/24) provides the facility to smooth any short term revenue account budget pressures in any year(s) over the term of the MTFS. In that way the Leader proposed that the Council will be able to rebalance its Council Tax take from residents against its spending requirements. That though is a political judgment, and it is quite appropriate for Cabinet and Full Council either to accept that judgment or to reach a different political conclusion.

Table 7: Net Deficit/Surplus(-) transferred from/(to) Reserves/Budget Equalisation Reserve

	Budget £'000	Outturn £'000		Outturn Transferred to Reserves		
				Capital Reserve	Management of Change	Budget Equalisation
2023/24	0	707 (estimate)				-707
2022/23	203	-800				800
2021/22	842	-584				584
2020/21	0	-167				167
2019/20	151	-115				115
2018/19	73	-200				200
2017/18	0	-935		600	335	

- 10.8 The analysis of reserves at Appendix E details the projected General Fund and earmarked reserves position as at 31 March 2024 and 31 March 2025 before any use of these reserves to fund the potential shortfalls detailed at Appendix A. The final budget report to be considered by Cabinet and Council on 26 February 2024 will consider the use of these reserves.

11 CAPITAL PROGRAMME

- 11.1 Capital Expenditure and Income plans have been prepared through the Council's service and financial planning cycle. The Council's capital resources are dependent on government funding, external grants or through the ongoing disposal of assets.
- 11.2 Since February 2023, Members have continued to receive regular updates on several high-profile schemes including Wisbech High Street and the Future High Street Fund, March.
- 11.3 An updated Capital Programme for 2023-27 is presented at Appendix D(i) for approval. The programme has been updated to ensure it adequately reflects the cost and anticipated timing of schemes previously approved. **At this stage, no further capital schemes over and above those already approved have been included in the updated programme and the financing costs included in the MTFs.**
- 11.4 No allowance has yet been made for any potential new schemes detailed in Appendix D(ii). These schemes will be subject to further review by officers and members prior to determining the final budget proposals in February 2024.
- 11.5 In addition, no allowance has yet been made for the following developments which will significantly impact the Council's capital programme.

Accommodation Strategy

Currently members and officers are working closely with the Council's professional advisors to produce an Accommodation Strategy. The decisions taken will inform the level of work required at Fenland Hall and The Base over the life of the capital programme. When decisions are taken regarding members' preferred option/s the capital programme will be adjusted accordingly. On this basis no commitments relating to Fenland Hall and the Base have been included in the current programme.

Structural Works – Wisbech Port

- 11.6 Major structural concrete repair works commenced in the current financial year to address the deteriorating condition of the suspended quay at Wisbech Port. Extensive further work will be required over the next few years to ensure the quay at the port of Wisbech remains safe and operational. Full details of this work was presented to Cabinet at their meeting on 16 March 2023. A detailed option appraisal regarding the future of Wisbech Port will be required before any further investment in the quay is considered. Ultimately, the long-term replacement of the suspended quay could cost in the region of £50m. Further reports will be brought to Cabinet for consideration of the future of Wisbech Port.
- 11.7 Should resources from external funding and/or capital receipts not generate the level of receipts forecast, or there is a delay in disposal of assets, then the capital programme will need re-visiting to ensure funding is sufficient to meet proposed expenditure including through borrowing. Reviews of the programme and resources available are carried out regularly during the year.
- 11.8 The Council's Borrowing Strategy which is incorporated into the Council's Treasury Management Strategy Statement, recognises that prudential borrowing will be required over the life of the capital programme. Details of the estimated borrowing required is detailed at Appendix D. The projected annual revenue costs for the Council of the current approved programme are reflected in the medium term forecasts at Appendix B.
- 11.9 As stated earlier, a review of the current and future capital programme and its ongoing revenue cost impact will be undertaken to ensure the programme is sustainable within the context of the Council's Medium Term Financial Strategy.

12 RISK ASSESSMENT

- 12.1 There is an element of risk inherent in any process that looks into the future to make forecasts, particularly in the current economic climate and other national and international events now or in the future that may impact on the Council either directly or indirectly. The Council has a strong track record in good financial management as recognised in the recent Annual Audit Letter. This risk is further minimised by adopting the following methodology when preparing the estimates:-
- Service managers and the Accountancy Team working together to define likely service income/expenditure patterns matched with service delivery plans;
 - Maintaining "earmarked" reserves for expenditure that it is known will occur but the exact amount and timing of the expenditure is not known;
 - Maintaining an adequate level of general reserves to meet sudden and or unforeseen expenditure;
 - Adopting clear guidelines and control systems (robust revenue and capital budget management and monitoring procedures, Financial Regulations and Contract Procedure Rules etc.) to alert service managers, and members before variances reach tolerance levels;
 - Using professional and expert advice and economic forecasts where these are available, e.g. treasury management, interest rates;
 - Maintaining a rolling review of forecast estimates beyond the current year.
- 12.2 These assumptions are made with all available information but are necessarily calculated based on broad assumptions. In the current economic climate, some of

these assumptions are particularly volatile. The MTFs will be prepared annually on a rolling basis so that as information becomes more certain the figures will be updated and early consideration can be given to any action or changes in direction that may be required.

13 CORPORATE DIRECTOR AND CHIEF FINANCE OFFICER (S151 Officer) STATEMENT

- 13.1 The proposed budget is set against the context of significant economic uncertainty in a post-Covid-19 world, the current cost of living crisis, together with considerable uncertainty regarding government funding over the MTFs. The Government intends to make fundamental changes to the funding system for Local Government through the introduction of a new needs based fairer funding formula and the introduction of business rates reforms and a new system of distributing the New Homes Bonus. The cumulative impact of these changes and lack of visibility on any transition or damping arrangements means that financial planning for 2025/26 and the medium term is very uncertain.
- 13.2 Although there are still many uncertainties around the estimates for 2024/25 and over the medium term to 2028/29 detailed in this report, there are undoubtedly significant challenges facing the Council over the next few years. The report also highlights several major areas of risk which could also adversely affect the estimates over the MTFs. Of particular concern is the additional revenue impact of any new capital schemes which may be included in the final budget in February 2024.
- 13.3 As detailed in the report, Council Tax over each year of the MTFs has been included at its' current level in accordance with the decision by Council at its' meeting on 17 July 2023. At this level, there are currently estimated shortfalls of £539k in 2024/25, rising to £2.558m in 2028/29.
- 13.4 It is therefore, imperative that the Council has a robust savings strategy in place to meet these challenges. As detailed in the report, significant savings are expected from the Transformation Agenda 2 (TA2) programme and the outcome of the Accommodation Review.
- 13.5 Consequently, the delivery of the planned savings and major business projects **is critical** to the successful delivery of the Council's budget strategy. Without these savings being delivered, the current Council Tax strategy of keeping the level at the same cash amount as this year (or even a 0% increase per annum), will be unsustainable and future increases in Council Tax inevitable to deliver a balanced budget. Table 4 in Section 9 of this report exemplifies the impact of increasing Council Tax by up to 3% (the current referendum limit) on the shortfalls over the MTFs detailed in Appendix B.
- 13.6 Given the uncertainties detailed in this report, it is imperative that the Council maintains sufficient resources to cover any in-year unforeseen expenditure. A risk based approach to the consideration of the level of reserves is a component of the Council's overall risk management framework. Operational risks should be managed within Services' bottom line budgets and thus will not normally result in any further call on the Council's General Balances, as detailed in Section 10 above.

FENLAND DISTRICT COUNCIL

Summary of Revenue Estimates

	Original Estimate 2023/24	Projected Outturn 2023/24	Estimate 2024/25
	£	£	£
Service Summary			
Growth & Infrastructure	1,149,154	1,447,945	1,579,700
Communities, Environment, Leisure & Planning	5,044,350	4,379,122	5,324,038
Resources & Customer Services	9,707,920	9,888,740	10,167,830
Pay Award 2023/24	0	691,000	0
Vacancy Factor (1.5%)	-199,000	0	-228,000
Transformation Programme - TA2 savings	0	0	-270,000
NET COST OF GENERAL FUND SERVICES	15,702,424	16,406,807	16,573,568
Corporate Items			
Internal Drainage Board Levies	1,877,510	1,903,750	1,999,010
Internal Drainage Board Levies Grant	0	-177,280	0
Contributions to/ (from) Earmarked Reserves	-740,187	-134,286	-628,104
Contributions to/(from) Business Rates Reserve	-211,048	-211,048	0
RTB Sharing Income	-20,000	-20,000	-20,000
Financing Charges - <i>Interest on External Borrowings</i>	618,990	618,990	1,023,325
Financing Charges - <i>MRP current Capital Programme</i>	396,900	396,900	587,700
Investment Income and Property Funds Income	-775,000	-1,220,000	-900,000
New Homes Bonus	-369,245	-369,245	-440,000
Services Grant	-149,720	-149,720	-149,720
Core Spending Power 3% Guarantee Grant	-600,957	-600,957	-600,957
Corporate Items	27,243	37,104	871,254
Net Expenditure	15,729,667	16,443,911	17,444,822
Contribution to/from(-) Budget Equalisation Reserve	3,695	0	0
NET EXPENDITURE after use of balances	15,733,362	16,443,911	17,444,822
Core Funding			
Revenue Support Grant	-173,414	-173,414	-173,414
Business Rates - Income due in Year			
Business Rates Funding	-10,557,996	-10,557,996	-10,790,823
Tariff Payment to Government	7,367,123	7,367,123	7,367,123
Renewable Energy Rates Retained	-1,904,210	-2,076,700	-1,416,450
Business Rates Pool - FDC Share of Benefit	-350,000	-450,000	-350,000
Business Rates S31 Grants due in year	-2,911,969	-2,897,620	-3,254,130
Business Rates Levy due in year	600,615	854,970	666,530
	-7,756,437	-7,760,223	-7,777,750
Business Rates Collection Fund Deficit(+)/Surplus(-)	211,048	211,048	-969,459
Council Tax Collection Fund Deficit(+)/Surplus(-)	-87,064	-87,064	-57,613
Council Tax	-7,927,495	-7,927,495	-7,927,495
Business Rates and Council Tax Funding	-15,733,362	-15,737,148	-16,905,731
Surplus(-)/Shortfall(+)	0	706,763	539,091

APPENDIX B
(Council Tax income level constant
2024/25 onwards)

Medium Term Financial Strategy	Projected 2023/24 £000	Estimate 2024/25 £000	Forecast 2025/26 £000	Forecast 2026/27 £000	Forecast 2027/28 £000	Forecast 2028/29 £000
<u>Expenditure</u>						
Service Expenditure/Income						
Gross Service Expenditure	29,428	29,239	28,754	29,035	29,474	29,924
Gross Service Income	-13,022	-12,167	-11,623	-11,778	-12,038	-12,303
Vacancy Factor (1.5%)	0	-228	-234	-236	-242	-248
Transformation Programme - additional savings	0	-270	-306	-339	-372	-372
Total Net Service Expenditure	16,406	16,574	16,591	16,682	16,822	17,001
Corporate Items						
Corporate Expenditure/Savings						
Internal Drainage Board Levies	1,904	1,999	2,059	2,121	2,184	2,250
Internal Drainage Board Levies Grant	-177					
Financing Charges - Interest on External Borrowing	619	1,023	1,216	1,320	1,527	1,427
Financing Charges - MRP Current Capital Programme	397	588	730	795	809	850
	2,743	3,610	4,005	4,236	4,520	4,527
Corporate Income Items						
Contribution to(+)/from(-) Earmarked Reserves	-134	-628	-88	-88	-88	-88
Contribution to(+)/from(-) Business Rates Reserve	-211	0	0	0	0	0
RTB/VAT Sharing Income	-20	-20	-20	-20	-20	-20
Investment and Property Fund Income	-1,220	-900	-1,050	-1,250	-1,450	-1,250
New Homes Bonus	-369	-440	-440	-440	-440	-440
CSP Guarantee Grant	-601	-601	-601	-601	-601	-601
Services Grant	-150	-150	-150	-150	-150	-150
Contribution to Budget Equalisation Reserve	0	0	0	0	0	0
	-2,705	-2,739	-2,349	-2,549	-2,749	-2,549
Total Corporate Items	38	871	1,656	1,687	1,771	1,978
Gross Service/Corporate Expenditure	32,171	32,351	32,219	32,696	33,380	33,831
Gross Service/Corporate Income	-15,727	-14,906	-13,972	-14,327	-14,787	-14,852
Net Budget Requirement	16,444	17,445	18,247	18,369	18,593	18,979
<u>Funding - RSG, Business Rates & Council Tax</u>						
Revenue Support Grant	-173	-173	-173	-173	-173	-173
Business Rates						
Business Rates Baseline Funding	-10,558	-10,791	-11,705	-11,831	-11,958	-12,085
Tariff Payment to Government	7,367	7,367	7,588	7,664	7,741	7,818
Renewable Energy Rates Retained	-2,077	-1,416	-1,505	-1,498	-1,499	-1,506
Business Rates Pool - FDC Share of Benefit	-450	-350	-350	-350	-350	-350
Business Rates S31 Grants due in year	-2,898	-3,254	-2,790	-2,819	-2,849	-2,879
Business Rates Levy due in year	855	667	698	709	720	731
Business Rates Collection Fund Deficit	211	-970	0	0	0	0
Total Business Rates Funding	-7,550	-8,747	-8,064	-8,125	-8,195	-8,271
Council Tax						
Council Tax Collection Fund Surplus(-)/Deficit	-87	-58	-50	-50	-50	-50
Council Tax (Constant level 2024/25 onwards)	-7,927	-7,927	-7,927	-7,927	-7,927	-7,927
Total Council Tax Funding	-8,014	-7,985	-7,977	-7,977	-7,977	-7,977
Total Funding - RSG/Business Rates/Council Tax	-15,737	-16,906	-16,214	-16,275	-16,345	-16,421
Surplus(-)/Shortfall(+)	+707	+539	+2,033	+2,094	+2,248	+2,558

Assumptions built into Budget and Medium Term Financial Strategy (MTFS)

Within the forecasts are a number of assumptions which are necessary to produce the overall budget strategy. However, there is an element of risk associated with this process although the aim is to mitigate these risks as detailed in section 12 of the main report.

The main assumptions are as follows:

- Council Tax income remains at current levels for 2024/25 and over the period of the MTFS. With the estimated increases in the Council Tax base, this equates to a reduction in Council Tax levels of £3.24 or 1.27% for 2024/25 with further reductions in the following years. The cumulative reduction in Council Tax by 2028/29 would be around £14.76 or 5.78%. (For comparison, a 0% increase would generate £103k of resources and a 3% increase around £344k of resources).
- 1.30% increase in Council Tax base in 2024/2025 (Tax-base 31,463) and 1.20% thereafter (increase of 375 Band D equivalent properties per annum).
- Inflation increases in Retained Business Rates income from 2025/26 onwards. Future net benefits from Business Rates will be dependent upon the impact of any potential system re-set and other changes from April 2025 onwards.
- Inclusion of this Council's share (£350k) of the potential benefit arising from the continuation of the Cambridgeshire Business Rates Pool in 2024/25 onwards. Although Fenland will not formally be part of the Pool for 2024/25, the Pool members have agreed for Fenland to be no worse off as a result of the new Pool arrangements. Potential benefit from the Pool in future years will be dependent on any changes to the Business Rates Retention System from April 2025.
- Continuation of the Services Grant (£150k allocated in 2023/24) and the Core Spending Guarantee Grant (£601k allocated in 2023/24) in 2024/25. Although the national totals of these grants will remain in the Local Government sector in future years, they may be allocated differently.
- The New Homes Bonus (£368k allocated in 2023/24) has been included at £440k per annum from 2024/25 onwards as detailed in Section 4 of the report. Future allocations will be dependent upon the scheme design and national totals of any replacement Housing Growth initiative.
- 4% pay award in 2024/25 (£608k cost) and 2% thereafter together with an allowance for pay increments of around 0.5% p.a. (£76k cost).
- Employer's Pension Contributions – following the triennial valuation as at 31.03.2022, the contribution rate for 2023/24 – 2025/26 increased slightly to 17.6% of salary (17.4% in 2022/23) with an additional past deficit lump sum payment of £922k for 2023/24, £884k for 2024/25 and £845k for 2025/26 representing an overall increase of 1% p.a. in total contributions.
- Inclusion of a vacancy factor for 2024/25 onwards, equivalent to a reduction in staff costs of 1.5% (£228k in 2024/25).
- Specific allowance for inflation where required eg: employee costs (as detailed above), business rates, external contracts, energy and water, fuel costs, drainage board levies etc. Otherwise, no allowance for inflation has been included.

- Investment interest rates are forecast to remain at current levels until Q2, 2024 before subsequently decreasing back to 3% in Q4, 2025 (£550k estimated income from temporary investments in 2024/25).
- Investment income includes the £4m investment in property funds in March 2022 (£130k p.a. income net of costs in 2024/25).
- Apart from the known increases to Planning Fees and Garden Waste Subscriptions, assumptions regarding forecast income levels from increases in fees and charges have not yet been included in 2024/25 and the medium term. There are only a limited number of these which we have discretion over setting. These will be reviewed by Overview & Scrutiny Panel and Cabinet in January 2024 for inclusion in the final budget report in February 2024. Income levels are currently included in the forecasts at current levels taking into account projected activity levels.
- For 2024/25 onwards, a full years' worth of Management Fee being received from the Leisure Management contractor has been assumed. This follows two years of significant additional Council support for the Leisure Management contract in 2020/21 and 2021/22 as a result of Covid-19, through deferral of the management fee and also cash support. Further support was agreed in 2022/23 and 2023/24 to mitigate the significant impact of rising energy costs. No allowance has been made at this stage for any potential additional support for 2024/25.
- For 2024/25 onwards, provision has been included for a reduction in costs/increase housing benefit subsidy of £370k relating to bed and breakfast and temporary accommodation for the homelessness and rough sleeper's service. This is a result of various initiatives currently progressing, in conjunction with current providers and from the impact of the additional houses purchased with support from the Local Authority Housing Fund.
- Recharges to Fenland Future Limited to reflect the use of FDC officer time on the company's behalf has been included (£125k in 2022/23 and future years). This amount could vary depending on the amount of time and types of activities being carried out for the company.
- Potential net benefits from Fenland Future Ltd of loan interest and dividends from future developments have been included. These amounts could vary depending on the timing and profitability of developments being carried out by the company.
- No potential additional income (or costs) from the Extended Producer Responsibility scheme for managing packaging waste (effective from 2025/26) has been included as there are currently no indications of the level of this income.
- £270k of in-year savings have been included in 2024/25 for potential savings from the Transformation Agenda 2 programme, rising each year to £372k savings included in 2028/29.
- Estimated financing costs (Interest and MRP) of the current capital programme as detailed in Appendix D(i) are included in the MTFs. No allowance has been made for any additional new capital schemes which may be included in the final budget in February 2024.

APPENDIX D(i)

CAPITAL PROGRAMME AND FUNDING 2023 - 2027

	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
CURRENT FORECAST EXPENDITURE	23,853	7,650	9,059	9,766
FORECAST RESOURCES AVAILABLE				
Capital Grants	13,541	1,754	1,194	1,194
Usable Capital Receipts - In Year	155	250	250	250
Reserves used in year to fund Capital	399	0	0	0
Section 106s and Other Contributions	25	0	0	0
Borrowing (Internal and Prudential) - Capital Programme	4,728	3,646	1,615	350
Borrowing (Prudential) - CIS	5,005	2,000	6,000	7,972
TOTAL FORECAST RESOURCES	23,853	7,650	9,059	9,766

CAPITAL PROGRAMME SUMMARY 2023/24 - 2026/27										APPENDIX D(i)
		2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	Total Cost £000	FDC Funding £000	External Funding £000	External Funders and FDC Reserves/S106	
Leisure Centres										
1	Condition Survey Improvements	208	1,055	1,055		2,318	2,265	53	£53k DLUHC 'Changing Places' Grant	
2	Energy Efficiency Works - Solar PV; Manor CHP; Manor Pool AHU	635				635	275	360	£110k CPCA Growing Fenland; £250k Sport England	
3	Manor Basketball/Tennis/Netball Improvements including site investment appraisal	80				80	0	80	£55k CPCA Growing Fenland; £25k FCC Communities Grant	
4	Leisure Centres - Facility Strategy	100	25	25	0	150	150	0		
Regeneration Programmes										
5	Heritage Lottery Fund - Non-FDC Properties	98				98	0	98	HLF Grant.	
6	Heritage Lottery Fund - 24 High Street, Wisbech	1,000	1,989			2,989	2,531	458	£220k CPCA Grant; £238k HLF	
7	Railway Station Master-Planning - Manea Station Car Park	10				10	10	0		
8	Future High Street Fund, March	6,716				6,716	197	6,519	£2,000k CPCA, £4,519k DLUHC Future High Streets,	
9	Growing Fenland - Capital Grants	33				33	0	33	£33k CPCA Grant	
10	Whittlesey Market Place Improvements	20				20	0	20	£20k CPCA Growing Fenland Grant	
11	Whittlesey Southern Relief Road - SOBC	265				265	0	265	£265k CPCA Growing Fenland Grant	
Parks and Open Spaces										
12	Wisbech Park Pavillion	950				950	449	501	£240K Cambs CC Capital Communities Fund Grant, £299K CPCA Grant, £60K DLUHC Changing Places Grant	
13	Wisbech Park - Play Area Refurbishment	135				135	88	47	£47k DLUHC Levelling Up Parks Fund, £25k S106	
14	National Trust Peckover House	40	0	0	0	40	40	0	£40K DLUHC Changing Places Grant	
Cemeteries										
15	Cemetery Chapels Condition Survey Works	237				237	237	0		
16	Remedial Works in Closed Cemeteries	50	150	150		350	350	0		
Highways										
17	Category 2 Street Lights - FDC Lights	54	110			164	164	0		
18	Street Light Improvements - Parishes (Contribution to Cat 2 Replacements)	2				2	2	0	£2k Capital Contribution Reserve	
19	Growing Fenland - Civil Parking Enforcement	5	322			327	0	327	£327k CPCA Grant	
20	Huntingdon Road Improvements, Chatteris	120				120	120	0		
Environment										
21	Replacement and Additional Litter Bins	27				27	27	0		
22	Sound Monitoring Equipment	30				30	30	0	£30k Capital Contribution Reserve	
Port										
23	Wisbech Suspended Quay - Structural Concrete Repairs	1,300				1,300	1,300	0		
Sub Total		12,115	3,651	1,230	0	16,996	8,235	8,761		

		2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	Total Cost £000	FDC Funding £000	External Funding £000	External Funders and FDC Reserves/S106		
Brought Forward		12,115	3,651	1,230	0	16,996	8,235	8,761			
Vehicles and Plant											
24 Vehicles		233	200	200	200	833	833	0			
25 CCTV Cameras		26				26	0	26	£26k Safer Fenland Funding		
ICT System Replacement Programme & Upgrades											
26 Replacement & Upgrade Programme		200	100	100	100	500	500	0	£149k Management of Change Reserve		
27 Transformation Projects		265				265	265	0			
Improvement of Assets											
28 Sewage Treatment Works Refurbishment		500	300	300	300	1,400	1,400	0			
29 March Moorings Renewals		20	25	25		70	70	0			
30 Lattersey Nature Reserve - Capping Layer			40	10		50	50	0			
31 Nene Waterfront Infrastructure Improvements		180				180	0	180	£180k Brownfield Land Release Fund		
Car Parks											
32 Eastwood, Chatteris		10	140			150	150	0			
Economic Estates											
33 Longhill Industrial Estate - Roof - Urgent Works		205				205	205	0	£205k Repairs & Maintenance Reserve		
Libraries											
34 Heritage Library Display - Whittlesey		10				10	0	10	£10k CPCA Growing Fenland Grant		
Private Sector Housing Support											
35 Private Sector Renewal Grants		60	40	40	40	180	0	180	£180k Govt Grant		
36 Disabled Facilities Grants/Loans		1,760	1,154	1,154	1,154	5,222	0	5,222	£5,222k Govt Grant		
UK Shared Prosperity Fund											
37 Investment in Business Grants		150				150	0	150	£150 CPCA Grant		
Commercial and Investment Strategy Schemes											
38 Local Authority Housing Fund (LAHF) 1		2,087				2,087	1,213	874	£874k LAHF 1		
39 Local Authority Housing Fund (LAHF) 2		5,032				5,032	2,792	2,240	£2,240k LAHF 2		
40 Loans to Fenland Future Ltd/Other Investment Opportunities		1,000	2,000	6,000	7,972	16,972	16,972	0			
Total - Approved Programme		23,853	7,650	9,059	9,766	50,328	32,685	17,643			
Capital Grants		13,541	1,754	1,194	1,194	17,683					
Usable Capital Receipts - In Year		155	250	250	250	905					
Reserves used in year to fund Capital		399	0	0	0	399					
Section 106s and Other Contributions		25	0	0	0	25					
Borrowing (Internal and Prudential)		9,733	5,646	7,615	8,322	31,316					
		23,853	7,650	9,059	9,766	50,328					

POTENTIAL NEW CAPITAL SCHEMES 2024/25 - 2026/27								APPENDIX D(ii)
	2024/25 £000	2025/26 £000	2026/27 £000	Total Cost £000	FDC Funding £000	External Funding £000	External Funders and FDC Reserves/S106	
Leisure Centres								
1 Manor Leisure Centre	500	2,000	0	2,500	2,500	0		
2 Hudson Leisure Centre	250	450	0	700	700	0		
3 George Campbell Leisure Centre	250	350	0	600	600	0		
4 Cardio Gym Kit Replacement	0	100	0	100	100	0		
5 Resistance Gym Kit Replacement	0	0	500	500	500	0		
Parks and Open Spaces								
6 Park Infrastructure (paths / gates etc)	200	150	0	350	350	0		
7 Play Park Re-furb Programme	205	200	0	405	405	0		
8 Tree Works	50	50	0	100	100	0		
Cemeteries								
9 Remedial Works in Open Cemeteries	140	100	0	240	240	0		
10 Flood Management Programme - Eastwood Cem, March	100	0	0	100	100	0		
Highways								
11 Algores Way, Wisbech - Road Resurfacing Works	300	0	0	300	300	0		
12 Europa Way, Wisbech - Road Resurfacing Works	275	0	0	275	275	0		
13 Brewin Chase, March - Road Resurfacing Works	250	0	0	250	250	0		
Port								
14 Small Twin Screw Tug, Wisbech Port	500	0	0	500	500	0		
Vehicles and Plant								
15 Vehicles (additional to current programme)	639	532	665	1,836	1,836	0		
16 Bring Banks							Budget and Funding to be decided	
Improvement of Assets								
17 West End Park Moorings, March	155	0	0	155	155	0		
18 Boat House							Budget and Funding to be decided	
19 Creek Hostel - Roof							Budget and Funding to be decided	
20 Accomodation Review							Budget and Funding to be decided	
Car Parks								
21 Chapel Road Car Park, Wisbech	750	0	0	750	750	0		
Grant Match Funding								
22 Potential Wisbech Levelling up Fund Bid; match funding required	350	1,650	0	2,000	2,000	0		
Total - Potential New Schemes	4,914	5,582	1,165	11,661	11,661	0		
Capital Grants	0	0	0	0				
Usable Capital Receipts - In Year	0	0	0	0				
Reserves used in year to fund Capital	0	0	0	0				
Section 106s and Other Contributions	0	0	0	0				
Borrowing (Internal and Prudential)	4,914	5,582	1,165	11,661				
	4,914	5,582	1,165	11,661				

EARMARKED AND GENERAL RESERVES - Revised 2023/24 and Estimated 2024/25

APPENDIX E

Reserve Name	Balance 01.04.23 £	Capital Funding £	Revenue Contributions to(+)/from(-) 2023/24 £	Revised Balance 31.03.24 £	Capital Funding £	Revenue Contributions to(+)/from(-) 2024/25 £	Estimated Balance 31.03.25 £
Travellers Sites	447,968		27,780	475,748		47,710	523,458
CCTV - Plant & Equipment	41,128		10,000	51,128		10,000	61,128
Station Road, Whittlesey - Maintenance	10,400		2,800	13,200		2,800	16,000
Management of Change	447,782	-149,000	-79,830	218,952		-206,690	12,262
Business Rates Equalisation Reserve	1,050,993		-211,048	839,945			839,945
Capital Contribution Reserve	131,117	-32,000		99,117			99,117
Port - Buoy Maintenance	146,999		-1,200	145,799			145,799
Repairs and Maintenance	704,706	-245,000		459,706			459,706
Heritage Lottery Fund (HLF) - Wisbech	51,682		-21,390	30,292		-21,390	8,902
Highways Street Lighting	65,910		19,230	85,140		19,230	104,370
Solid Wall Remediation	100,000			100,000			100,000
Investment Strategy Reserve	1,340,168			1,340,168			1,340,168
Budget Equalisation Reserve	1,866,568			1,866,568			1,866,568
Planning Reserve	325,418		-100,000	225,418		-166,680	58,738
Elections Reserve	194,742		-114,724	80,018		30,000	110,018
Port - Pilots Staff Development Training	24,000		-13,930	10,070			10,070
Cambridgeshire Horizons	2,515,244		-179,890	2,335,354		-122,230	2,213,124
Specific Government Grants (received in previous years)	1,659,859		316,868	1,976,727		-220,854	1,755,873
TOTAL EARMARKED RESERVES	11,124,681	-426,000	-345,334	10,353,347	0	-628,104	9,725,243
General Fund Balance	2,000,000			2,000,000			2,000,000
TOTAL RESERVES	13,124,681	-426,000	-345,334	12,353,347	0	-628,104	11,725,243

Comments / Conditions of Use

Can only be used for specific future maintenance liabilities.

Available for future CCTV maintenance & replacement liabilities.

Required for future road maintenance.

Available for the effective management of any organisational changes required to meet the Council's future priorities.

Available to assist the Council in smoothing out volatility in the business rates retention system.

Available to fund specific spending commitments in future years.

Available for future buoy maintenance to service windfarms.

Available to provide funding for one-off schemes, not covered by the normal Repairs and Maintenance revenue budgets.

To manage the Heritage Lottery Funded scheme in Wisbech.

Available to fund future repairs and maintenance relating to street lighting.

Available to fund potential costs linked to solid wall installations in the District.

Established to provide future funding for Commercial and Investment Strategy projects.

Year-end surpluses are transferred to this reserve. If a deficit is forecast this reserve can be used to offset the expected shortfall.

Available to fund additional planning costs not reflected in the annual budget, including the development of the Local Plan.

Available to fund four-yearly District-wide elections. Transfers are made to this reserve each year to fund the cost of the next District-wide election.

Available to fund the training of maritime pilots to fulfill the authority's statutory functions.

Available for the Council's future use in accordance with the conditions attached to the receipt.

Available to fund specific spending commitments in future years.

Unallocated general reserve required for various and unplanned for contingencies, to mitigate risks associated with future financial planning as well as for general day to day cash flow needs.

NB: In accordance with the Council's Financial Rules and Scheme of Financial Delegation (Part 4, Rule 6 of the Constitution), paragraphs B57 - B60 delegates authority to the Chief Finance Officer to approve expenditure from these reserves in accordance with their approved use as detailed above.