

Policy and Resources Committee – 27 January 2025

8. FINANCIAL PLANNING - RECOMMENDATIONS

(DoF)

1. Summary

- 1.1 This report enables the Committee to make its recommendations on the Council's Revenue and Capital budgets and Treasury Management Policy for the period 2025/26 to 2027/28 (medium term) to Council on 25 February 2025.

2. Details

Context

- 2.1 The Committee is reminded that each Financial Planning report on this agenda needs to be considered before the recommendations on this report are agreed.

Revenue Budget

- 2.2 The Committee should agree the revenue budget as amended for any growth or additional savings it proposes to add.

Capital Strategy and Investment Programme

- 2.3 The Committee should agree the level of capital investment for 2025/26 to 2027/28 having regard to any balances it wishes to see carried forward.

3. Options/Reasons for Recommendation

- 3.1 The recommendation below enables the Committee to make recommendations to the Council on 25 February 2025 concerning the Council's corporate framework, service and financial plans.

4. Policy/Budget Reference and Implications

- 4.1 The recommendations in this report contribute to the process whereby the Council will approve and adopt its strategic, service and financial plans under Article 4 of the Council's Constitution.

5. Equal Opportunities Implications

- 5.1 The Equality Impact Assessment Relevance Test is attached at Appendix 1.

Has a relevance test been completed for Equality Impact?	Yes
Did the relevance test conclude a full impact assessment was required?	No

- 5.2 Services changes arising from the budget will be subject to individual Equality Impact Assessments.

6. Financial Implications

- 6.1 The key financial implications for the Council are: -

- Officers recommend a minimum prudent revenue balance of **£2,000,000** in the light of the financial and budgetary risks.
- The general fund balance on 31 March 2028 is forecast to be **£2,549,076**.
- A 2.99% **increase** in its Council Tax charge for 2025/26 to 2027/28
- Capital balance is estimated to be **£2,884,010** on 31 March 2028.

7. Legal Implications

- 7.1 Various professional codes, statutes and guidance regulate the Council's capital and treasury management activities. These are:
- the Local Government Act 2003 ("the 2003 Act"), provides the statutory powers to borrow and invest and prescribes controls and limits on these activities, and in particular within the Local Authority (Capital Finance and Accounting) (England) Regulations 2003
 - the 2003 Act permits the Secretary of State to set limits on either the Council or nationally on all local authorities restricting the amount of borrowing which may be undertaken.
 - Statutory Instrument (SI) 3146 2003 ("the SI"), as amended, develops the controls and powers within the 2003 Act.
 - the SI requires the Council to undertake borrowing activity with regard to the Prudential Code. The Prudential Code requires indicators to be set – some of which are absolute limits – for a minimum of three forthcoming years.
 - the SI also requires the Council to operate the overall treasury management function with regard to the CIPFA TM Code
 - under the terms of the Act, the Government issues "Investment Guidance" to structure and regulate the Council's investment activities. The emphasis of the Guidance is on the security and liquidity of investments.
 - Localism Act 2011
- 7.2 The Local Government Finance Act 1992 stipulates that the Council must set an amount of council tax payable for the financial year 2025/26 by 11 March 2025.
- 7.3 There are statutory requirements in relation to consultation with users of the services the Council provides, employees and employee representatives.
- 7.4 When considering decisions on the budget and the level of Council Tax, Members should have regard to the legal framework for such decisions.
- 7.5 It may not be set before all precepts have been issued and the decision cannot be delegated to a committee or to Officers. Before setting the level of the tax the Council must have agreed a balanced budget, differentiated by services, which is sufficient to meet estimated revenue expenditure, levies, contingencies, any deficit estimated to be brought forward from previous years, and any amounts required to be transferred between funds. The tax itself must be sufficient to cover the difference between the agreed budget less government grants, retained Business Rates and other grants credited to the consolidated revenue account, and any other expenditure which must be met from the Collection Fund, less any surplus (or plus any deficit) brought forward from previous years.

- 7.6 In reaching decisions on these matters, Members are bound by the general principles of administrative law and must not fetter their discretion. All relevant considerations must be taken into account and disregard irrelevant ones. Any decision made must be one that only a reasonable authority, properly directing itself, could have reached. Members must also balance the interests of service users against those who contribute to the Council's finances. The full resources available to the Council must be deployed to their best advantage and Members must act prudently.
- 7.7 Among the relevant considerations, which Members must take into account in reaching their decisions, are the views of business ratepayers and the advice of officers. The duty to consult representatives of nondomestic ratepayers on the Council's expenditure plans which existed under previous legislation is repeated in Section 65 of the Local Government Finance Act 1992.
- 7.8 In considering the advice of officers, and the weight to be attached to that advice, Members must have regard to the personal duties placed upon the Director of Finance, the Council's Section 151 Officer. The Council may take decisions which are at variance with their advice, providing there are reasonable grounds to do so. However, Members must take into consideration their exposure to a personal risk if they disregard clearly expressed advice, for example, as to the level of provision required for contingencies, bad debts and future liabilities.
- 7.9 The Council is required by the Local Government Act 1972 and by the Accounts and Audit Regulations 2015 to ensure that the Council's budgeting, financial management, and accounting practices meet relevant statutory and professional requirements. Furthermore Section 25 of the Local Government Act 2003 requires the Director of Finance to report on the robustness of the budget estimates and the adequacy of reserves to which Members must have regard.
- 7.10 Members must also have regard to and be aware of the wider duties placed upon the Council by various statutes governing the conduct of its financial affairs. These include the distinction between revenue and capital expenditure, specified within the Local Government and Housing Act 1989. The Local Government Act 2003 requires that the prudential borrowing limits are set by the Council having regard to the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code ("the code"). This sets out a framework for self-regulation of capital spending, in effect allowing Councils to invest in capital projects without any limit, so long as they are affordable, prudent and sustainable. To facilitate this arrangement the code requires the Council to agree and monitor a number of prudential indicators.
- 7.11 Section 106 of the Local Government Finance Act 1992 makes it a criminal offence for any Member with arrears of Council Tax which have been outstanding for two months or more to attend any meeting of the Council or one of its committees at which a decision affecting the budget is to be made, unless the Member concerned declares at the outset of the meeting that they are in arrears and will not be voting on the decision for that reason. The Member concerned must then abstain from voting. The application of Section 106 is very wide and there have been successful prosecutions under this legislation. It can include meetings held at any time during the year, not just the annual budget meeting, and it may include meetings of committees or sub-committees as well as Council meetings. Members should be aware that the responsibility for ensuring that they act within the law at all times rest solely with the individual Member concerned.

- 7.12 Having set a budget at the beginning of the year, the Council is also under a duty to monitor that budget during the course of the year and to take remedial action if at any time it appears likely that expenditure will exceed available resources. Members are aware of the duty of the Section 151 Officer under Section 114(3) of the Local Government Finance Act 1988 to report to the Council if it appears that this will happen, and of the impact of Section 115(6) which prohibits any new agreement which would incur expenditure from being entered into following the issuing of such a report and pending its consideration by the Council. The Members of the Council, having received a Section 114 report are obliged to take all reasonable and practicable measures to bring the budget back into balance.
- 7.13 A Section 114 report is a serious matter which can destabilise an authority and can only be avoided by prudent budgeting and effective budgetary control. This adds emphasis to the need for an adequate contingency provision and a strong corporate commitment to holding chief officers accountable for containing expenditure within cash limits approved during the budget process.
- 7.14 It is the duty of the Director of Finance as the Section 151 Officer to provide the relevant financial information, which is or ought to be available and advise on the financial prudence of options before Members, and Members must take account of such information and advice in reaching their decisions. The Council is however free to take decisions which are at variance with the advice of those officers, providing there are reasonable grounds to do so.
- 7.15 The Director of Finance must consider whether in their view the Council has agreed a balanced budget which is capable of delivery taking all known factors into account. In the event that they consider this not to be the case, then they have a personal duty to indicate this by issuing the Council with a notice under Section 114 Local Government Finance Act 1988.

8. Risk Management Implications

- 8.1 The Committee should recommend that the financial and budgetary risks identified be incorporated into service plans as appropriate.

9. Recommendations

- 9.2 That the Policy and Resources Committee notes that the Administration will publish its final recommendations on Financial Planning 2025/26 to 2027/28 five working days prior to the Council meeting on 25 February 2025 and present them at this meeting.

Appendices

Appendix 1 Equality Impact Assessment Relevance Test

Report prepared by:

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Background Papers:

2024/25 Budget Monitoring Reports

Fees & Charges Reports to Council for 2025/26

2025-28 Financial Planning Report

Form A – Relevance Test

Function/Service Being Assessed: Financial Planning 2025/26

Officer completing form: Sally Riley

Date of completion: 16 December 2024

1. Populations served/affected:

Universal (service covering all residents)?

Targeted (service aimed at a section of the community –please indicate which)?

2. Is it relevant to the general equality duty? (see Q and A for definition of ‘general duty’)

Which of these three aspects does the function relate to (if any)?:

1 – Eliminating discrimination, harassment and victimisation

2 – Advancing equality of opportunity

3 – Fostering good relations

Is there any evidence or reason to believe that some groups could be differently affected?

Yes

No

Which equality categories are affected?

Race

Age

Sexual Orientation

Disability

Sex

Religion

Gender reassignment

Marriage / civil partnership

Maternity / Pregnancy

3. What is the degree of relevance?

In your view, is the information you have on each category adequate to make a decision about relevance?

Yes (specify which categories)

No (specify which categories)

Are there any triggers for this review (for example is there any public concern that functions/services are being operated in a discriminatory manner?) If yes please indicate which:

Yes

No

4. Conclusion

On the basis of the relevance test would you say that there is evidence that a medium or high detrimental impact is likely? (See below for definition)

Yes

No

Note: if a medium or high detrimental impact has been identified then a full impact assessment must be undertaken using Form B.