

2024/25 Budget Report to Council: Scrutiny 28 Feb 2024

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Agenda Item 9

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of our borough



Summary

- 8 Feb Council – approval of BAU budget.
- 4 March Council – treatment of historic debt.
- 4 March report also covers:
 - Ongoing costs & implications of debt repayment
 - Council’s reserve position
 - Section 25 statement by s151/Finance Commissioner
 - Recommendations for budget related matters including: Hardship Fund, Discretionary Business Rates
 - Formal recommendation on Council Tax for next year.

Debt Position

- Debt issues complex – cannot be resolved in one year.
- Significant work ongoing with Government to understand how Council can set legal budget given scale of debt.
- Govt support on capitalisation and MRP is significant and unprecedented: deficit next year approx. £785m without it.
- £330m capitalisation/£454m of MRP (debt repayment: £356m backdated).
- Too early to have discussions regarding ultimate solution for Gov't: full solution relies on WBC further developing its asset rationalisation programme.

Gov support - summary

Capitalisation
Directive =
£331m

MRP= £454m

Total Support
Package =
£785m

- Allows Council to set legal budget and continue to provide services in 2024/25.
- Future years support will be subject to further work including Asset Rationalisation & Debt Reduction plans.

Capitalisation Directive

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Allows costs in the budget to be capitalised (moved to the balance sheet) and spread over several years, until funds from debt reduction plan are available to meet them.

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Minimum Revenue Position

- Government has issued new guidance in relation to provision of MRP (debt repayment).
- Makes clear that WBC's previous approach was not compliant and seeks to prevent this happening again in future.
- However, guidance also makes exception for Council's in serious financial failure.
- This allows MRP of £454m not to be charged.
- Debt repayments then carried forward to be dealt via longer-term debt reduction plan.

Asset Rationalisation/ Debt Reduction Plans

- Asset Rationalisation Plan aims to optimise value from existing assets
- All Council assets under review, alongside Council Companies with significant asset holdings.
- Debt Reduction Plan key principle: sales proceeds will be applied to reducing level of debt, except for housing assets.
- Council housing assets held within the HRA and requires reinvestment in stock

Reserves

- Council's reserves currently negative – due to prior year underspends and incorrect accounting.

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However, if report & Government support is approved, the Council will be able to reconstitute a prudent level of general and earmarked reserves.

General
Reserves=
£5m

Earmarked
Reserves =
£11m

Risk
Reserve=
£7m

Statutory Section 25 Statement

- S25 requires Section 151 Officer opinion (incl Fin Commissioner) on robustness of budget/adequacy of reserves

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Draft report states: it is reasonable to set a legal budget for 2024/25, **subject to Govt support**

- Council is making good progress to ensure that it doing everything possible to reduce its level of debt.
- HRA position improved but longer term uncertainty requires further work on 30 year business plan
- Measures have been put in place to restate reserves.

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Council Tax

- Leader met Minister 11th January.
- Clear that support package from Govt includes expectation of 10% increase.
- Executive responded to Finance Working Group and put benchmarked figure to Government.
- 1% penalty on interest for a capitalisation: response to be in Minister's 1 March letter
- 10% tax increases overall bill by 1%
- Raises £1m

Hardship Fund

- Government have asked WBC to consider how to support those impacted by Council Tax rise.
- Have allocated £100,000 from the additional proceeds of Council Tax rise to support those struggling to pay rising bills.
- Only 1% increase and 100% CTax Support in place
- So, rather than simply extending CT relief scheme, have looked at holistic support offer
- Amended proposal since last Scrutiny
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Hardship Fund Proposal

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Extension of
Council Tax Relief
Scheme – £25k

Working with CAW
to strengthen
hardship advice
services – £50k

Replication of the
Household
Support Fund –
£25k

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