

Draft Budget Proposals 2024/25
GENERAL FUND & HRA REVENUE

1. Background and Introduction

- 1.1 The Council adopted a General Fund Medium-Term Financial Forecast (MTFF) covering the five-year period 2023/24 through to 2027/28 on 22nd February 2023. In setting the 2023/24 General Fund revenue budget, the MTFF met the balanced budget requirement for the year ahead, whilst projecting a deficit (a 'budget gap') of £0.193 million for 2024/25.
- 1.2 The adopted General Fund MTFF followed on from the approval of a five-year MTFF for 2023/24 through to 2027/28 by Cabinet on 25th January 2023; a balanced position was presented for the duration of the Forecast, including 2024/25.
- 1.3 As previously reported to Members, the delivery of the 2023/24 General Fund revenue budget is proving challenging. As with 2022/23, the economic background has created multiple, unforeseen, budget pressures with the peak in inflation and higher interest rates persisting for longer than predicted by the Treasury at the time the budget was set. This is resulting in higher costs, but also lower income from some services as disposable incomes are reduced and residents adjust their spending patterns. Additionally, the squeeze on incomes and higher housing costs are resulting in higher demands for some Council services, such as Homelessness. The delivery of some savings targets, including staffing costs (in respect of assumed vacancies) especially, has also proved very difficult.
- 1.4 The pressures noted above were reflected in a forecast net overspend of £1.447 million on the General Fund revenue budget for 2023/24 at the Quarter 2 (30th September 2023) stage, which was reported to the Governance & Audit Committee on 28th November 2023.
- 1.5 It is against this backdrop that the adopted General Fund MTFF was revisited and reviewed (and effectively reset) during October 2023. The opportunity was taken to reassess previous savings assumptions embedded within the projections for 2024/25 (especially) and 2025/26. The MTFF was also reviewed in the light of other intelligence including updated inflationary assumptions, interest rates and, most notably, emerging indications from the Government as to the potential Local Government Finance Settlement for 2024/25.
- 1.6 An initial (indicative) MTFF covering the five-year period 2024/25 through to 2028/29 was completed based on factors known as of 31st October 2023. The indicative outcome for 2024/25 was a revised deficit projection (a 'budget gap') of £1.466 million for 2024/25.

1.7 In arriving at the indicative projections in the MTFF, there were some significant alterations made to previous assumptions, most notably including:

- **Savings** - the opportunity was taken to *temporarily* remove previous savings assumptions, thus allowing Cabinet and senior officers to review and reflect on updated intelligence and changing priorities.
- **Capital Financing Costs** – building on the progress of the 2023 Capital Review, the opportunity was also taken to further improve the alignment between revenue and capital spending by exploring the potential impact on revenue costs of extending the Capital Programme to five years to be co-terminus with the MTFF. This allowed the introduction of initial ‘rolling investment programmes’ in key areas such as IT and Major Property Repairs; and
- **Local Government Finance Settlement** – along with many councils nationally, the Council had taken a cautious approach as to future financial settlements from Government, which was embedded in the February 2023 iteration of the MTFF. However, by August 2023, there was gathering sector intelligence to suggest that the Government was committed to providing at least some inflationary increase in the Settlement for 2024/25 (as opposed to the cut previously assumed). Funding projections were therefore uplifted accordingly.

1.8 The indicative MTFF also included the following key assumptions for 2024/25:

- **Pay Award 3.0%** - although – based on blanket annual awards of £1,925 to all staff in 2022/23 and 2023/24 – pay increases have recently exceeded this level, pay increase expectations for 2024/25 were lowered in the context of declining inflation in the economy.
- **Core Inflation 3.5%** - based on declining CPI forecasts as of Autumn 2023 covering the 2024/25 financial year.
- **Interest Rates** – ‘blended’ interest rate assumptions are now utilised as part of early Section 151 (Finance) shared services arrangements with Epping Forest District Council (taking the average forecast of two separate professional Treasury Management advisors). An average interest rate assumption of 4.8% has been included for 2024/25.
- **Council Tax increase 3.0%** - assumed to be the maximum allowable in accordance with the anticipated Referendum Limit.
- **Finance Settlement “Core Spending Power + 3.0%”** – based on emerging sector intelligence; and
- **Fees & Charges increase 6.7%** - reflecting September 2023 CPI.

- 1.9 Further net budget pressure of £0.923 million was identified by Finance officers during November 2023 as the detailed work on the 2024/25 budget progressed. The additional budget pressure increased the forecast General Fund revenue net budget deficit to £2.369 million for 2024/25 (£1.446 million + £0.923 million); this is the deficit that required eliminating in full if the Council were to fulfil its legal obligation to set a balanced budget for the forthcoming financial year.
- 1.10 Acting on the strategic direction provided by Cabinet, the draft Budget has been developed collaboratively over many months, with officers working through their respective Portfolio Holders to develop a set of proposals which address the Budget gap for both the forthcoming and future years. Engagement has included regular liaison with, and the views sought, of each of the main political groups. The objective has been to enable a shared understanding of the financial challenges facing this, and other councils, and the joint design and formulation of an approach to balancing the Budget, without resorting to annual incremental budget cuts.
- 1.11 This report allows Cabinet to consider the final budget proposals for 2024/25 – for both the General Fund and HRA – as presented, whilst taking into consideration the comments of the Scrutiny Panel.

2. Proposed General Fund Revenue Budget 2024/25

SUBJECTIVE ANALYSIS

- 2.1 The proposed General Fund revenue budget for 2024/25 comprises Net Expenditure of £24.959 million and is summarised by subjective heading – including subsequent changes to the October 2023 *Indicative* MTF – in the table below.

2024/25 General Fund Draft Revenue Budget: subjective analysis				
Description	Indicative MTFF (Oct 2023)	Additional Budget Pressures (Nov 2023)	Addressing the Budget Gap (Dec 2023/ Jan 2024)	Draft Budget (Jan 2024)
	£000's	£000's	£000's	£000's
EXPENDITURE				
Employees	30,311	1,404	(253)	31,462
Premises	10,753	(800)	1,492	11,445
Transport	2,124	(80)	73	2,117
Supplies & Services	8,928	193	345	9,466
Third Party Payments	6,199	180	1,002	7,381
Transfer Payments (inc. HB)	32,966	0	7,035	40,001
Financing Costs	10,229	0	2,948	13,177
Gross Expenditure	101,510	897	12,642	115,049
INCOME				
Government Grants	(32,375)	67	(4,146)	(36,454)
Other Grants & Contributions	(4,824)	0	220	(4,604)
Customer & Client Receipts	(27,669)	(41)	(8,222)	(35,932)
Income-Interest	(6,943)	0	(3,013)	(9,956)
Inter-Account Transfers	300	0	250	550
HRA/NEPP Recharges	(3,679)	0	(15)	(3,694)
Net Expenditure	26,320	923	(2,284)	24,959
FUNDING				
Council Tax	(14,597)	0	186	(14,411)
Business Rates	(6,675)	0	(300)	(6,975)
Collection Fund Adjustments	0	0	(584)	(584)
Council Tax Sharing Agreement (CTSA)	(570)	0	(350)	(350)
Revenue Support Grant (RSG)	(211)	0	(7)	(218)
New Homes Bonus	(600)	0	(34)	(634)
Funding Guarantee Allocation	(2,100)	0	160	(1,940)
Contribution to/(from) Reserves	(121)	0	274	153
Total Funding	(24,874)	0	(85)	24,959
(Surplus)/Deficit	1,446	923	(2,369)	0
2024/25 Cumulative Position	1,446	2,369	(2,369)	0

NOTE: TRANSITIONAL PRESENTATION

- 2.2 Members are requested to note that this is the first year that the proposed General Fund budget has been presented based on subjective headings (as opposed to service headings). The new approach has been implemented on the basis of Member feedback received from previous years' budget reports and enhances transparency and simplicity.
- 2.3 However, at the time of preparing this report, the Council's underlying management accounting processes (including Ledger coding etc.) remain configured to support the previous reporting approach. This results in some transitional challenges in terms of *presentation*, which are reflected in some large variances in the table above, with some gross figures representing internal transactions in complex areas such as Housing Benefit Subsidy. This is a priority development area, which will be addressed in readiness for the first iteration of the MTF in 2025/26 budget cycle. It should be emphasised that there is no net impact on the budget as demonstrated in the table below, which summarises the impact of three major adjustments.

Material Budget adjustments (excluding Savings)		
Subjective Category	Description	Impact £000's
<i>Homelessness Adjustment</i>		
Premises	Payments to Landlords	1,805
Third Party Payments	Payments to Third Sector Homelessness Providers	438
Transfer Payments	Housing Benefit Subsidy Loss	2,025
Transfer Payments	Rent Allowances	5,010
Government Grants	Homelessness Prevention Grant	(1,286)
Government Grants	DWP Housing Benefit Subsidy	(2,839)
Customer & Client Receipts	Housing Benefit Subsidy Loss	(2,025)
Customer & Client Receipts	Housing Subsidy (Gross)	(3,062)
Net Impact on General Fund Budget		66
<i>HRA Interest Adjustment</i>		
Financing Costs	Increased Interest Payable on HRA Debt	2,694
Income - Interest	Additional Interest Receivable from HRA	(2,694)
Net Impact on General Fund Budget		(0)
<i>Turnstone Adjustment</i>		
Third Party Payments	Lease Payments for Turnstone	1,002
Customer & Client Receipts	Income from Commercial Tenants	(1,319)
Net Impact on General Fund Budget		(317)

EXPENDITURE

2.4 The *Expenditure* highlights included in the table above are as follows:

- **Employee Costs (£31.462 million)** – the core inflationary assumption with regard to a 2024/25 Pay Award of 3.0% remains unchanged compared to the Indicative MTFF prepared in October 2023. However, a back-dated pay settlement for 2023/24 has now been adopted following agreement with the unions; it was a fixed sum increase of £1,925 for all employees, equating to an average pay increase in excess of 5.0%. This has a knock-on impact with the 2024/25 budget for Employee Costs as the base budget for 2023/24 (from which the 2024/25 budget is extrapolated) was originally assumed at 4.0% in the Indicative MTFF. This increases the required budget provision for 2024/25 by circa £600,000, although the full impact has been mitigated through the removal of some posts (impact £479,000). In addition, Employee Costs have also risen as a consequence of bringing all functions relating to maintaining and managing assets back into the back into the Council from Amphora and Colchester Borough Homes (impact £410,000).
- **Premises (£11.445 million)** – there has been a significant increase (£692,000) in the required budget provision for Premises in 2024/25. Most notably, anticipated savings of £800,000 in energy costs were identified in November, with a further £150,000 (making £950,000 in total) added during the more detailed stages of budget preparation. However, these budget reductions were outweighed by an adjustment of £1.805 million required in respect of additional Temporary Accommodation costs (presented above in Paragraph 2.3)
- **Supplies & Services (£9.466 million)** – a core inflation rate of 3.5% was initially applied to Supplies & Services in preparing the Indicative October 2023 MTFF, based on declining CPI forecasts as of late Summer/Autumn 2023. Subsequent events tend to support that assumption with the CPI rate declining to 3.9% in November 2023; at the time of reporting, there is a broad consensus amongst commentators, including the Bank of England, that a further decline in CPI can be expected in the calendar year 2024. A number of small miscellaneous required changes to Supplies and Service budgets have been subsequently identified since November 2023, including further increases in Insurance, ICT and Telephony budgets.
- **Third Party Payments (£7.381 million)** – an increased contractual payment of £1.002 million to Canada Life as part of the Northern Gateway “Turnstone” development has been included within the budget for Third Party Payments, which adds to a pressure of £438,000 on Temporary Homelessness Accommodation payments to Third Sector providers (presented above in Paragraph 2.3). There has also been a partially offsetting reduction in the anticipated Management Fee paid to Amphora (down by £205,000, from £1.749 million to £1.544 million).
- **Transfer Payments (£40.001 million)** – a net increase of £7.035 million is expected in Housing Benefit costs (mainly met by Government grant) in 2024/25, which reflects adjustments in respect of additional Homelessness costs as presented above in Paragraph 2.3 (£5.010 million Rent Allowances, £2.025 million Housing Subsidy Loss).

- **Financing Costs (£13.177 million)** – an increase of £2.948 million in Financing costs since the Indicative October 2023 MTFF was produced, primarily relates to a £2.694 million increase in Interest Payable relating to new HRA borrowing (presented above in Paragraph 2.3). It should be re-emphasised that the cost is fully met by the HRA, rather than the General Fund.

INCOME

2.5 The **Income** highlights included in the table above are as follows:

- **Government Grants (£36.454 million)** – the majority of Government Contributions relate to Housing Benefit Subsidy payments. These have increased by £2.839 million since the Indicative October 2023 MTFF was produced due to the increasing cost of Homelessness (presented above in Paragraph 2.3). The Flexible Homelessness Prevention Grant, which local authorities have been receiving for a number of years now towards the increased cost of Temporary Accommodation has also been built into the base budget for 2024/25; this includes the 2024/25 allocation already announced by DLUHC, plus provision for a further award based on intelligence received from Ministerial Briefings (total impact £1.286 million as presented above in Paragraph 2.3)
- **Customer & Client Receipts (£35.932 million)** – an assumed average increase of 6.7% (September 2023 CPI) was assumed in Fees and Charges for 2024/25 (adopted by Cabinet in December 2023), which was largely achieved. The large increase since the Indicative October 2023 MTFF was produced is mainly due to the combined impact of total adjustments of £5.087 million in respect of Homelessness costs (presented above and Paragraph 2.3), additional income in respect of the “Turnstone” lease of £1.320 million (also covered above in Paragraph 2.3). Additional (gross) income of £1.246 million is also anticipated from the new Garden Waste scheme (presented below in Paragraph 2.12); and
- **Income - Interest (£9.956 million)** – an increase of £3.013 million since the Indicative October 2023 MTFF was prepared primarily reflects an increase in anticipated income of £2.694 million from the HRA (refer to discussion on Financing Costs above).

FUNDING

2.6 The **Funding** highlights included in the table above are as follows:

- **Council Tax (£14.411 million)** – the Indicative MTFF prepared in October 2023 included an overall Council Tax yield (the Colchester City Council share) of £14.597 million, reflecting an assumed Council Tax increase of 3.0%. The *Provisional* Local Government Finance Settlement (announced 18th December 2023) included a 3.0% Referendum Limit (allowing a maximum increase of 2.99% without the need for a Referendum).

A final tax base of 66,132.0 for 2024/25 has now been calculated and the Parish Councils notified accordingly. Although Council Tax collection rates are marginally down at the Quarter 3 stage in 2023/24 compared to the same stage in 2022/23, (consistent with previous years) an eventual collection rate of 99.0% has still been assumed.

These draft budget proposals assume a 2.99% increase which, if accepted, would raise the current Band D charge from £211.59 to £217.92. The additional funding raised from the proposed increase would be £418,616 (compared to a Council Tax freeze). Members of course retain the opportunity to vary this proposal.

It should be noted that the Levelling up and Regeneration Act received royal ascent on 26th October 2023 following significant delays in the progress of the Bill through Parliament. This means that the introduction of (100%) Council Tax premium on Second Homes is no-longer an option for the Council until 2025/26. It had been previously assumed that the Council would benefit from this additional funding source with effect from 2024/25; this is the reason for the small reduction in the assumed Council Tax yield compared to the Indicative MTFF produced in October 2023.

- **Business Rates (£6.975 million)** – the introduction of the Business Rates Retention (BRR) system in April 2013 was designed to incentivise local councils to grow the Business Rates base in their local area through being allowed to retain (subject to a Government levy) a share of the additional income raised above a pre-determined Business Rates Baseline (BRB). Councils were also allowed to reduce the size of the levy payable through forming local Business Rates Pools.

Although the picture has varied nationally, Colchester City Council have benefited significantly from a sustained period of growth in its Business Rates base since BRR was introduced, with the additional funding received further boosted through membership of the Essex Business Rates Pool.

The BRR system is highly complex, and the Council has – for many years – protected itself from volatility in the system through the operation of a Business Rates Reserve, which allows the prudent release of consistent (steadily growing) funding levels from the system to support the annual budget. It is in that context that a technical assessment of the current position and prospects for the Council’s funding from the BRR system has been completed in preparing these draft budget proposals. The outcome of that review concludes that there is an opportunity to release some funding from the Reserve to support the Council’s wider MTFF and Corporate Plan objectives. It is also possible to assume a further £300,000 to support the base budget for 2024/25 (thus increasing the overall BRR yield assumption from £6.675 million included in the Indicative MTFF in October 2023, to £6.975 million).

Members should note that the Government has indicated from the outset of the BRR system that they intend to periodically reset BRBs (which would remove the growth element from overall BRR yield). It is estimated that, ceteris paribus, and in the absence of any form of transitional support, the total BRR yield for Colchester would reduce to circa £5.7 million (i.e., a fall approaching £1.3 million compared to the 2024/25 budget proposals). It is therefore prudent at this stage not to excessively increase the budget assumption for Business Rates to avoid a sharp reduction in future funding. However, there is currently no indication as to the Government's precise intentions regarding any future reset; the earliest that it could happen would be 2025/26 and, even if it happened without any transitional support (the 'worst case scenario'), the Council has sufficient funds within the Business Rates Reserve to ensure a smooth transition to a new (lower) baseline.

- **Collection Fund Adjustments (£0.584 million)** – forecasting the size of Collection Fund adjustments can be a complex exercise. A (relatively cautious) 'neutral' assumption for 2024/25 was therefore made in preparing the Indicative MTF in October 2023. Since then, Finance officers have completed detailed assessments for both the Council Tax and Business Rates elements of the Collection Fund. Both the Council Tax and the Business Rates elements of the Collection Fund are now expected to be in surplus by 31st March 2024, which releases additional funding for distribution from the Collection Fund in 2024/25 of £583,815 in 2024/25 (comprising Council Tax of £14,545 and Business Rates £569,270). Members should note the encouraging news on the Business Rates element of the Collection Fund, which has shown a particularly strong recovery following the pandemic.
- **Council Tax Sharing Agreement (CTSA) (£0.350 million)** – the Council has benefited from the Essex Council Tax Sharing Agreement (CTSA) for several years now. The CTSA scheme incentivises and rewards billing authorities for increasing Council Tax collection rates (from which all major precepting authorities benefit); this takes the form of an adjustment (a reduction) to the precepts paid to the major preceptors (County, Police and Fire) based on collection rate performance, with the proceeds available to support the Colchester budget. The size of the adjustment is calculated in accordance with a 'graduated percentage rate' (higher performance attracts a higher percentage "share back"). In 2023/24, based on forecasts prior to the start of the financial year, Colchester City Council were expected to receive £731,581 from CTSA driven by a 9% share back rate. However, Council Tax collection rates to date are slightly lower in 2023/24 compared to the same stage in 2022/23; the Quarter 3 (31st December 2023) forecast is now predicting that the Council will receive £312,835 driven by a (reduced) share back rate of 6%. On that basis, it is prudent to reduce the funding expectation for 2024/25 to £350,000. If collection rates improve in 2024/25 (as part of an economic recovery possibly), an in-year funding surplus could emerge, and the opportunity could also be taken to raise budget expectations for 2025/26.

- **Revenue Support Grant (RSG) (£0.218 million)** – the *Provisional* Local Government Settlement for 2024/25 (announced 18th December 2023) included an RSG allocation of £217,978 (compared to £204,437). This was very close to an assumed RSG allocation of £211,000 included in the Indicative MTFF produced in October 2023.
- **New Homes Bonus (NHB) (£0.634 million)** – the Council received an NHB allocation of £575,621 in 2023/24. Based on emerging intelligence received in August 2023, an allocation of £600,000 was assumed within the October 2023 Indicative MTFF for 2024/25. The *Provisional* Local Government Settlement for 2024/25 (announced 18th December 2023) included an allocation of £634,031, thus marginally exceeding expectations.
- **Funding Guarantee Allocation (FGA) (£1.940 million)** – the *Provisional* Local Government Settlement for 2024/25 (announced 18th December 2023) included an FGA allocation of £1,940,455, representing an increase of £255,422 compared to the Council’s allocation of £1,685,033 in 2023/24. Despite the increase, this was slightly lower (by £159,545) than the assumption of £2,100,000 included in the Indicative MTFF in October 2023. However, the FGA is in substance the ‘balancing figure’ (in the wider Settlement) so is subject to fluctuation if other elements of the Settlement change. Most notably in this instance, a September 2023 CPI (6.7%) award within the Business Rates Retention (BRR) system, thus offsetting any reduction in FGA.
- **Contribution to/(from) Reserves (£0.153 million)** – a planned net contribution of £153,000 to Reserves also forms part of these General Fund budget proposals as presented in the table below.

Draft Planned Contributions (from)/to General Fund Reserves 2024/25	
Description	Value (£000's)
General Fund Reserve	335
NEPP Reserve	18
Flexible Homelessness Prevention Grant	(200)
Net Contribution to/(from) Reserves	153

EMBEDDED SAVINGS PROPOSALS

2.7 As described in Paragraph 1.9 and presented in the table in Paragraph 2.1 above, as of the end of November 2023, a budget gap of £2.369 million had to be eliminated in order to balance the budget for 2024/25. In completing that task, the final stages of the draft budget development process undertaken by Finance officers identified a wide range of miscellaneous – mainly small – adjustments (both positive and negative), which were supplemented by two major blocks of Savings Proposals; the “Fit for the Future” Programme and additional Staff Savings proposals. The achievement of the full budget gap is summarised in the table below.

Savings/Budget Adjustments (Description)	Impact on 2024/25 Budget
	£000's
Transformation Programme “Fit for the Future”	(1,844)
Staff Savings	(479)
Other Net Expenditure Adjustments	39
Funding Adjustments	(85)
Total	(2,369)

2.8 Other Net Expenditure and Funding Adjustments are described in Paragraphs 2.4 to 2.6 above.

Transformation Savings (“Fit for the Future”) (2024/25 to 2026/27)

2.9 The financial challenge facing local government has grown since the Covid Pandemic, with multiple financial shocks hitting the sector, including a recent steep rise in inflation, and borrowing costs. This has pushed several councils towards the point of issuing “Section 114” notices (an inability to balance the budget). Colchester City Council is not in this position, having prudently managed its finances over many years, but nevertheless, it has still found itself needing to identify substantial savings over the past two years in order to balance the books.

2.10 Annual exercises of identifying additional income, efficiencies and, if all else fails, budget cuts, are unsustainable and lead to reactionary as opposed to strategic decision making. Facing further financial challenges, as laid out in the MTF, the Council is embarking on a strategic programme of review, entitled “Fit for the Future” with the objective of delivering a council with a net operating cost of only three-quarters of what it would have been without this action.

2.11 The aim of this programme is to deliver a leaner, fitter organisation, offering improved services to residents, but which operates sensibly within the projected financial resources available to it, avoiding the need for repeated annual cuts exercises.

2.12 The projected financial benefits from the “Fit for the Future” Programme are included in the draft 2024/25 Budget and MTFP proposals (*in Appendix C*), but a more expansive explanation of the Programme will be presented to Cabinet in March 2024. The overall Programme is expected to deliver total savings of £4.772 million over three years (2024/25 to 2026/27). The 2024/25 elements of the Programme total £1.844 million and are summarised in the table below.

“Fit for the Future” Savings Programme (2024/25)		
Service Area	Description	Budget Impact (2024/25)
		£000’s
Waste Services	Garden Waste Chargeable Service	955
Waste Service	Business Waste Service Expansion	100
Greening & Street Care	Service Options Appraisal	100
Culture & Heritage	Museums Delivery Model Review	120
Culture & Heritage	Hollytree Admission Charging	100
Active & Wellbeing	Gladstone	20
Active & Wellbeing	Digi Ticket	6
Assets	Corporate Landlord Model	300
Corporate	Channel Experience with Contact Centre (Digital Customer)	100
Corporate	Building Control (Shared Services)	43
Total		1,844

Salary Savings (2024/25)

- 2.13 The Council had extended pay negotiations during 2023/24 as the pay offer made by the Council, in accordance with the budgetary provision included in the 2023/24 Budget, was rejected by UNISON. The provision made in the Budget for 2023/24 was consistent with the Government’s projection for falling inflation, but inflation proved stubborn and stayed higher than forecast. Ultimately, agreement was reached at level which mirrored the National Joint Council (NJC) pay offer of a flat £1,925 per employee.
- 2.14 The agreed offer exceeded the provision made for pay in the 2023/24 budget by £600,000 and therefore resulted in an overspend in the current year and represents a continuing financial strain in every subsequent budget year.
- 2.15 Recognising that funding is finite and therefore the cost of the higher settlement must be accommodated within the overall pay envelope contained within the Budget, options have been developed to reduce the overall pay bill of the Council. Ultimately, this means a reduction in the number of posts employed by the Council, with fewer staff being paid more to balance the equation.

- 2.16 The list of savings proposed as part of this Budget package are included in the ***Confidential Appendix D***, recognising the sensitive nature of the proposals and the need to properly consult before the savings are implemented. It should also be noted these will be in addition to salary savings that arise from the Fit for the Future Programme.

SUBJECTIVE ANALYSIS

- 2.17 A summary of the draft General Fund budget analysed by Subjective Heading (and Service Heading) can be found at **Annex 1**.

COST CENTRE SUMMARY

- 2.18 A detailed summary of the draft General Fund budget analysed by Cost Centre can be found at **Annex 2**.

3. Proposed Housing Revenue Account (HRA) Budget 2024/25

3.1 The proposed HRA revenue budget for 2024/25 – including a comparison with the Original Budget for 2023/24 – is summarised in the table below. A balanced budget is proposed after adjustments for Contributions to Capital of £2.459 million.

2024/25 HRA Draft Revenue Budget: subjective analysis			
Description	Final Budget 2023/24	Movement	Draft Budget 2024/25
	£000's	£000's	£000's
<i>INCOME</i>			
Dwelling Rents (Gross)	(30,131)	(2,449)	(32,580)
Non-Dwelling Rents (Gross)	(1,189)	(36)	(1,225)
Charges for Services and Facilities	(3,283)	23	(3,260)
Other Contributions	(65)	(5)	(70)
Total Income	(34,668)	(2,467)	(37,135)
<i>EXPENDITURE</i>			
Repairs and Maintenance	6,521	1,402	7,923
CBH Management Fee	4,872	149	5,021
Supervision and Management	7,691	(104)	7,587
Rents, Rates and Other Charges	190	7	197
Provision for Bad Debts	250	0	250
Interest Payable	6,045	2,288	8,333
Depreciation and Impairments	6,000	0	6,000
Debt Management Costs	58	6	64
Total Expenditure	31,627	3,748	35,375
Net Cost of Service	(3,041)	1,281	(1,760)
HRA Investment Income	(263)	(436)	(699)
Net Operating Income	(3,304)	845	(2,459)
<i>Appropriations:</i>			
Contributions to Capital	3,304	(845)	2,459
Total Appropriations	3,304	(845)	2,459
In Year (Surplus)/Deficit	0	0	0

- 3.2 The HRA budget for 2024/25 has been prepared using – where appropriate – a set of assumptions that are consistent with those applied to the General Fund, including an assumed Pay Award of 3.0%. Bespoke assumptions include an interest rate of 4.6% on new HRA borrowing (reflecting the discounted PWLB rates available to the HRA) and inflationary increases on building costs as stipulated in individual repairs and maintenance contracts.
- 3.3 The overall revenue position shows an anticipated reduction in Net Operating Income from £3.304 million in 2023/24 to £2.459 million in 2024/25 (down £0.845 million). The most notable factors behind the reduction are as follows:
- **Total Income - £37.135 million (up £2.467 million)** – an increased income assumption for 2024/25 is primarily driven by a proposed Rent Increase of 7.7% (September 2023 CPI of 6.7% + 1.0%) in accordance with the extant Legal Rent Standard (April 2020); combined with movements in the Housing Stock, it is anticipated that the Gross Rent yield will rise by £2.449 million to £32.580 million. Members of course have the option of choosing a lower rent increase. Non-Dwelling rents are increased in line with agreed increases in Fees and Charges (with the budget adjusted for voids), whereas Tenant and Leaseholder Service Charges are determined on a full cost recovery basis.
 - **Total Expenditure - £35.375 million (up £3.748 million)** – the anticipated increase in income in 2024/25 is expected to be outweighed by a substantial increase in expenditure. There are two dominant items as follows:
 - **Repairs & Maintenance - £7.923 million (up £1.402 million)** – an increase is expected in Repairs & Maintenance costs (up 21.5%) in 2024/25. Most notably there is an anticipated increase of £0.491 million on Responsive Repairs (driven by inflation, and increased health and safety related requirements such as works to alleviate damp and mould), Decorating £0.385 million, Servicing Contracts (including Gas) £0.245 million, and Fencing £0.171 million; and
 - **Interest Payable - £8.333 million (up £2.288 million)** – a major increase in Interest Payable (up 37.8%) is expected, reflecting the new borrowing required to fund the 2024/25 HRA Capital Programme (including anticipated rolled-forward schemes from 2023/24). Interest rate assumptions are also substantially higher than they were in developing the 2023/24 budget.
 - **HRA Investment Income – £0.699 million (up £0.436 million)** – increased income from Investments (up 165.8%) is also expected, reflecting the additional interest earned on HRA Reserves and Balances due to much higher interest rates.

COLCHESTER BOROUGH HOMES MANAGEMENT FEE

- 3.4 Members attention is drawn to an assumed overall Management Fee payable to Colchester Borough Homes (CBH) of £13.424 million in 2024/25. This includes £10,427,700 payable through the HRA above (£5,406,800 in Repairs and Maintenance, including Management Fees + the general CBH Management Fee of £5,020,900). The table below summarises the overall Management Fee proposed by CBH and is recommended for Cabinet approval.

Colchester Borough Homes (CBH) draft Management Fee 2024/25	
Description	Value
	£'s
<i>Housing Revenue Account (HRA) - Revenue</i>	
CBH Management costs	5,020,900
R&M Management Fee	736,000
R&M Works	4,670,800
Sub-Total	10,427,700
<i>Housing Revenue Account (HRA) – Capital</i>	
Capital Fee	1,990,000
Sub-Total	1,990,000
<i>General Fund</i>	
Professional Support Unit	137,000
Housing Options Team	763,500
Housing Systems Team	106,000
Sub-Total	1,006,500
Total CBH Management Fee 2024/25 (Draft)	13,424,200

HRA COST CENTRE SUMMARY

- 3.5 A detailed summary of the draft HRA budget for 2024/25 – analysed by cost centre – can be found at **Annex 3**.

Draft General Fund Budget 2024/25: Subjective Analysis

Income & Expenditure Analysis 2024-25 (@ January 2024)											
Subjective Description	C&DC	Modern City Services	Corporate Services	Enjoy Colchester	Place & Prosperity	Senior Leadership Board	Transformation & Business Improvement	Housing & Wellbeing	Other	HRA Recharges	General Fund Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Employees	0	10,612	6,481	5,832	3,172	1,918	2,038	1,043	366		31,462
Premises	0	157	1,686	2,437	2,707	0	0	4,458	0		11,445
Transport	0	2,016	23	11	57	4	3	3	0		2,117
Supplies & Services	550	890	3,299	1,562	422	286	1,552	277	628		9,466
Third Party Payments	0	1,211	4,216	112	155	0	127	1,560	0		7,381
Transfer Payments	0	0	37,501	0	0	0	0	2,500	0		40,001
Capital Financing Costs	0	0	111	0	0	0	0	0	13,066		13,177
											0
Total Expenditure	550	14,886	53,317	9,954	6,513	2,208	3,720	9,841	14,060	0	115,049
Government Grant	0	(7)	(35,161)	0	0	0	0	(1,286)	0		(36,454)
Other Grants & Contributions	0	(1,774)	(1,520)	(1,116)	(191)	0	0	(3)	0		(4,604)
Customer & Client Receipts	0	(5,447)	(9,344)	(7,986)	(5,780)	(330)	(670)	(6,375)	0		(35,932)
Income-Interest	0	0	(258)	(15)	0	0	0	0	(9,683)		(9,956)
Inter-Account Transfers	0	0	0	0	0	0	0	0	550		550
HRA/NEPP Recharges										(3,694)	(3,694)
Total Income	0	(7,228)	(46,283)	(9,117)	(5,971)	(330)	(670)	(7,664)	(9,133)	(3,694)	(90,090)
Net Cost Of Services	550	7,658	7,034	837	542	1,878	3,050	2,177	4,927	(3,694)	24,959

Annex 2**Draft General Fund Budget 2024/25: Cost Centre Summary**

<i>Service: Corporate & Democratic Core</i>			
Cost Centre Ref.	Description	Budgeted Net Expenditure	
		2023/24 (Final)	2024/25 (Draft)
		£'s	£'s
3544	C D C-DEMOCRATIC REP & MANGMNT	24,500	28,400
3545	C D C-CORPORATE MANAGEMENT	-57,300	521,400
		-32,800	549,800

<i>Service: Modern City Services</i>			
Cost Centre Ref.	Description	Budgeted Net Expenditure	
		2023/24 (Final)	2024/25 (Draft)
		£'s	£'s
2660	LICENSING	-293,100	-315,000
2671	Waste Collections	3,327,600	4,510,100
2672	Trade Collections	-317,100	-421,300
2677	Void Clearance	-41,500	65,200
2680	BRING - GLASS & CANS	-9,900	-2,200
2694	Garden Waste	0	-1,429,000
2719	North and South Zones	1,211,900	1,217,900
2728	Sweepers	236,300	193,500
2732	Town Centre Zone	724,200	835,900
2740	Neighbourhood Services Mngment	-71,700	-3,800
2747	Business Improvement Team	469,900	504,700
2870	Safety & Protection Mgr (exEH)	13,600	95,200
2871	Environmental Control Team	311,500	321,700
2872	Anti-Social Behaviour Team	7,500	0
2874	PSH Enforcement	308,000	331,100
2876	Food & Safety Team	255,300	260,000
2877	Healthy Homes	68,300	73,200
3503	COMMUNITY SAFETY	66,300	93,000
3504	Community Safety Partnership	3,300	3,300
3510	Safer Streets (ex DARG)	0	-5,000
3535	Safeguarding	30,100	24,600
4650	Animal Control	15,400	22,000
4690	Market & Street Trading	-1,600	500
4820	Building Control	-99,700	-14,700
5565	Bus Interchange Facility	7,500	9,100
5852	FLEET MANAGEMENT	1,024,200	1,098,400
5882	DEPOT	213,900	190,100
		7,460,200	7,658,500

Attachment 1a - Appendix A

<i>Service: Corporate Services</i>			
Cost Centre Ref.	Description	Budgeted Net Expenditure	
		2023/24 (Final)	2024/25 (Draft)
		£'s	£'s
2533	Street Lighting	48,800	40,300
2534	Engineering Services	62,600	115,300
2665	Watercourses / Drainage	3,000	3,000
2799	Travel Plan	-36,800	-37,800
2886	Purchasing & Control	264,200	296,300
2889	HR Service Centre PSU	284,600	331,100
3530	EMERGENCY PLANNING	30,400	39,700
3546	Health and Safety Officer	69,900	73,400
3603	Central Training	6,000	24,900
3606	Strategic People& Perfmnce Mgr	68,400	128,000
3607	UNISON REPRESENTATIVE	11,500	11,800
3609	Human Resources	190,300	204,400
3610	ELECTIONS	330,100	240,000
3611	ELECTORAL REGISTRATION	64,600	55,100
3620	CIVIC FUND	92,900	107,700
3622	Members Allowances	645,500	654,800
3642	Vending	1,300	0
3700	Director of Finance (s151)	0	122,800
3701	Financial Management	942,500	925,900
3714	Group Manager (Bens & Support)	-3,200	0
3716	Contact & Support	1,030,700	1,040,800
3719	Group Manager Accounts & Debt	19,000	49,900
3758	Technical Services	256,300	283,400
3769	ECC Compliance Contribution	-78,200	-78,200
3770	Council Tax inc LCTS	25,800	-23,800
3771	N N D R	-82,600	-61,200
3775	Income & Corporate Debt	221,900	252,200
3778	Benefits Processing	170,600	238,800
3790	Benefits - Administration	-581,000	-421,300
3791	Benefits - Private Sector	-273,100	-481,000
3793	Benefits - Non HRA Rebate	85,600	45,100
3794	Benefits - Rent Rebates	-111,500	137,200
3800	Members & Staff Car Parks	7,100	26,600
3805	Other Civic Offices	-36,200	13,900
3809	Town Hall	329,800	301,600
3811	Rowan House	306,700	254,500
3814	Corp. Repairs & Maintenance	751,400	834,500
3820	Cleaning Contract	0	210,000
3830	Estates Management Holding a/c	0	419,900
3840	COMML LETTS AGRIC ESTATES	-16,100	-13,900
3841	COMML LETTS IND. ESTATES	-834,400	-851,000
3842	COMML LETTS OTHER PROPERTIES	-1,403,500	-1,147,100
3843	FINANCE LEASE INCOME (COMML)	-258,300	-258,300
3844	Northern G'way Leisure Park	0	-457,100
3851	SERVICE LETTS IND. ESTATES	-3,200	-2,800
3852	SERVICE LETTS OTHER PROPERTIES	-92,200	-249,900
3860	SURPLUS/REDEV. AGRIC. ESTATES	-23,200	-25,900
3862	SURPLUS/REDEV. OTHER PROPERTIES	-360,200	-393,400
3870	Digital Broadband	-100,000	-50,000
3949	Corporate Governance	81,200	82,900
3950	INSURANCE MANAGEMENT	1,052,500	1,348,800
3951	DEBT MANAGEMENT	10,500	11,300
3954	Internal Audit	98,700	102,500
5820	Cleaning	318,500	0
6612	Central Stationery	3,000	3,000
6620	MESSENGER & POST ROOM	34,800	43,200
6622	Hallkeepers	87,900	170,800
6640	ELECTORAL SERVICES	164,100	179,600
6700	COMMITTEE SERVICES	261,700	277,700
6705	Strategic Governance Manager	64,200	80,900
6706	Procurement	124,000	143,600
6720	LEGAL SERVICES	198,200	228,400
6790	RIF Revenue	0	1,200
7071	Corporate Facilities	119,800	126,500
7421	Commercial Client	1,447,100	1,303,000
		6,094,000	7,033,600

Attachment 1a - Appendix A

<i>Service: Enjoy Colchester</i>			
Cost Centre Ref.	Description	Budgeted Net Expenditure	
		2023/24 (Final)	2024/25 (Draft)
		£'s	£'s
1561	HERITAGE & CONSERVATION	58,200	57,600
1566	Firstsite (ex CADVAT)	112,000	112,000
1568	MERCURY THEATRE	170,900	170,900
1571	COLCHESTER ARTS CENTRE	48,200	48,200
1573	VISITOR INFORMATION CENTRE	177,500	192,800
2821	Tour of Britain/Tour Series	27,000	27,000
4710	Administration (Ex Holding)	-934,500	-1,017,100
4712	Colchester Museums Income	-560,500	-803,600
4724	Heckworth Close (Storage)	86,800	99,100
4728	MARKETING	65,100	65,100
4729	Museum Activities - Colchester	-25,500	-24,500
4732	CASTLE MUSEUM	130,500	156,000
4733	HOLLYTREES MUSEUM	35,000	24,100
4734	NATURAL HISTORY MUSEUM	8,900	5,300
4737	Colchester Front of House	463,300	502,800
4739	Museum Activites - Ipswich	-1,900	-400
4742	BM Portable Antiquities	15,700	20,000
4765	Exhibitions (ex-Display)	97,700	142,000
4774	Ipswich Front of House	498,300	562,100
4787	Ipswich Collections Storage	10,000	10,000
4900	CIMS Manager	90,700	103,100
4901	Colchester Museums Mangt	60,300	62,400
4902	Ipswich Museums Mangt	55,300	59,300
4908	COL Collect & Lrning Curation	187,100	205,200
4909	IP Collect & Learning Curation	250,700	251,500
4910	Commercial & Business Manager	31,500	33,100
4911	Retail	-23,400	-22,100
4959	Fundraising	0	6,500
5712	Tiptree Sports Centre	55,700	-9,200
5713	Highwoods Sports Centre	34,300	3,400
5725	CLEANING	265,700	291,800
5726	FITNESS CENTRE	18,300	0
5727	WET SIDE COURSES	-390,100	-452,600
5729	BUILDING & PLANT MAINTENANCE	1,914,900	1,438,400
5730	CATERING	-18,200	0
5731	DRY SIDE ACTIVITIES	-176,800	-179,500
5732	AQUA SPRINGS	-359,600	-389,800
5733	Pools	-747,800	-915,900
5739	Welcome Zone (ex Admin)	288,800	291,800
5740	CLW Management	560,700	560,100
5742	Lifestyles	-1,655,200	-1,290,500
5743	LEAP	24,100	33,200
5745	AEROBICS	97,500	97,200
5747	BEAUTY THERAPY	-70,600	-31,300
5750	West End Tennis Centre	-69,500	-21,600
5752	Leisure World Car Park	-115,800	-125,900
5753	CLW Business Development	24,200	29,700
5760	LWN - Operations	640,800	510,200
5761	LWN - Indoor Sports	22,600	31,000
5762	LWN - Outdoor Sports	-121,700	-116,100
5763	LWN - Coffee Shop	52,800	34,700
		1,410,000	837,500

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Service: Place & Prosperity			
Cost Centre Ref.	Description	Budgeted Net Expenditure	
		2023/24 (Final)	2024/25 (Draft)
		£'s	£'s
1511	Greening Management	359,700	410,900
1515	ALLOTMENTS	-14,200	-13,100
1521	COUNTRYSIDE MANAGEMENT	215,200	244,100
1522	High Woods Country Park	17,800	1,300
1525	CLOSED CHURCHYARDS	11,700	11,500
1530	CASTLE PARK	468,000	460,800
1531	COMMUNITY LANDSCAPES	522,400	443,400
1534	Tree Maintenance	150,600	160,300
1535	PLAYGROUNDS	137,800	141,000
1540	SPORTS & PLAYING FIELDS	357,600	434,600
1545	MERSEA ISLAND	-131,700	-134,700
1546	RIVER COLNE	132,700	167,600
2521	Energy Manager	54,100	56,200
2525	Head of Sustainability	0	68,100
2541	Transportation Policy	194,800	99,200
2553	Sustainability&Climate Change	0	124,900
2807	Planning,Housing&EcoGrowth Mgr	-7,100	59,500
2810	Planning Policy (was Spatial)	426,200	445,100
2866	Planning	-117,300	-152,700
3522	Colchester2020 Travel Plan	9,000	11,200
3559	Head of Economic Growth	0	80,600
3560	ECONOMIC DEVELOPMENT	239,100	186,400
5550	CBC Off-Street Car Parks	-2,609,700	-2,764,400
7461	Client and Business Manager	96,700	0
		513,400	541,800

Service: Senior Leadership Board			
Cost Centre Ref.	Description	Budgeted Net Expenditure	
		2023/24 (Final)	2024/25 (Draft)
		£'s	£'s
3507	Communications	-128,000	-88,500
3520	E M T	834,400	0
3548	Communications Team	561,200	588,300
3551	Senior Leadership Board	0	1,290,000
3718	Research and Behaviour Change	104,900	88,300
7410	Assistant Director Customers	169,100	0
7430	Assistant Director Enviroment	167,900	0
7440	Assistant Director Communities	174,400	0
7450	Asst. Director Corp&Improvement	24,500	0
7460	Asst. Director Place&Client	163,300	0
		2,071,700	1,878,100

Attachment 1a - Appendix A

Service: Transformation & Business Improvement			
Cost Centre Ref.	Description	Budgeted Net Expenditure	
		2023/24 (Final)	2024/25 (Draft)
2881	Civica and Northgate support	174,000	158,400
3509	Strategic Change Team	60,800	175,500
3709	Strategic ICT Mgr	36,500	45,300
3711	Corporate I C T	1,330,200	1,487,200
3953	Computer Holding Account	996,800	1,185,300
3960	TELEPHONES HOLDING ACCOUNT	36,600	101,300
6632	Printers and Scanners	16,900	19,800
6710	LAND CHARGES	-151,900	-122,400
		2,499,900	3,050,400

Service: Housing & Wellbeing			
Cost Centre Ref.	Description	Budgeted Net Expenditure	
		2023/24 (Final)	2024/25 (Draft)
		£'s	£'s
1550	Cemetery	-27,300	24,700
1551	Crematorium	-861,600	-681,100
1552	Assisted Funerals	24,000	21,000
1719	Head of Strategic Housing	0	-114,500
1727	Housing Strategy	202,600	215,900
1781	Community Initiatives	214,400	241,200
1783	Community Locality Grants	102,000	102,000
1786	Wellbeing & Prevention Mgr	28,300	78,100
2873	Public Health	600	600
3536	Equality & Diversity	5,600	6,200
3768	The Community Hub	315,800	288,500
4538	G.FUND TEMP ACCOMM PROPERTIES	-86,000	-86,000
4543	Homelessness Initiatives	533,500	1,258,300
4547	Hsg System Business Imprvmts	99,000	106,000
4548	Housing Options PSU (CBH)	133,200	137,000
4549	Housing Options Team (GF)	663,200	578,900
		1,347,300	2,176,800

Service: Other (Technical & Corporate Items)			
Cost Centre Ref.	Description	Budgeted Net Expenditure	
		2023/24 (Final)	2024/25 (Draft)
		£'s	£'s
3570	Non Distributed Costs	1,201,900	365,500
3920	C.L.I.A.	1,126,300	497,300
3921	M.R.P.	2,753,100	2,885,100
3923	Corporate Items	1,419,200	628,200
3923	Contribution to Building Mtce Plan	300,000	300,000
3930	Contribution to RIF Reserve	250,000	250,000
		7,050,500	4,926,100

Annex 3**Draft Housing Revenue Account (HRA) Budget 2024/25: Cost Centre Summary**

<i>Housing Revenue Account</i>			
Cost Centre Ref.	Description	Budgeted Net Expenditure	
		2023/24 (Final)	2024/25 (Draft)
		£'s	£'s
1904	H.R.A. (DELEG) PLAN/CYC MAINT.	298,600	403,800
1905	H.R.A PLANNED REPAIRS	118,400	134,900
1906	H.R.A. PLANNED/CYCLICAL MAINT.	1,359,400	1,899,300
1915	Housing Options Team (HRA)	25,400	29,900
1920	H.R.A GENERAL MANAGEMENT	8,246,900	8,457,500
1922	H.R.A GREENSTEAD CENTRE	27,500	27,200
1929	H.R.A I C T	632,700	813,200
1930	H.R.A SPECIAL MANGEMENT	397,900	437,300
1942	Contracts & Standards	287,400	293,500
1950	H.R.A-Income	-33,819,800	-36,279,900
1960	H.R.A-CAPITAL FINANCING	15,144,000	16,157,300
1980	H.R.A Leasehold Charges	-428,800	-428,800
4552	H.R.A HOMELESS PERSONS UNITS	42,100	55,400
5609	Community Initiatives	46,100	46,200
5610	H.R.A Delgt- Special Managt	322,800	323,400
5611	H.R.A Delgt - General Managt	69,500	81,800
5616	H.R.A PUMPING STATIONS	138,900	149,000
5617	H.R.A Delgt- Grounds Mtce	780,500	679,600
5641	H.R.A RESPONSE REPAIRS	4,645,100	5,417,500
5940	H.R.A SHELTERED GENERAL	1,541,400	1,125,600
5960	H.R.A SHELTERED - GROUNDS MTCE	124,000	176,300
		-	-