



Report to Policy Committee

Author/Lead Officer of Report: Philip Gregory,
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Report of: *Philip Gregory*
Report to: *Strategy & Resources*
Date of Decision: *21st December 2023*
Subject: *2023/24 Budget Progress and Budget Proposals*

Has an Equality Impact Assessment (EIA) been undertaken?	Yes		No	X	
Has appropriate consultation taken place?	Yes		No	X	
Has a Climate Impact Assessment (CIA) been undertaken?	Yes		No	X	
Does the report contain confidential or exempt information? If YES, give details as to whether the exemption applies to the full report / part of the report and/or appendices and complete below: - Part B is not for publication because it contains exempt information under Paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended)	Yes	X	No		

Purpose of Report:

This report outlines the progress to date from each Policy Committee in delivering a balanced budget for 2024/25 and to note the budget proposals for the Strategy & Resources Committee

Recommendations:

The Committee is recommended to:

1. Note the budget proposals presented to the Policy Committees
2. Identify action required by those Committees not presenting a balance position.
3. Note this Committees initial response for budget proposals set out in this report, including Part B

Background Papers:
Policy Committee Budget Reports:

[MTFA & Committee Budget Savings Targets](#)

Lead Officer to complete: -		
1	I have consulted the relevant departments in respect of any relevant implications indicated on the Statutory and Council Policy Checklist, and comments have been incorporated / additional forms completed / EIA completed, where required.	Finance: Philip Gregory, Director of Finance and Commercial Service
		Legal: Nadine Wynter, Service Manager, Legal Services
		Equalities & Consultation: Ed Sexton, Senior Equalities and Engagement Officer.
		Climate: n/a
<i>Legal, financial/commercial and equalities implications must be included within the report and the name of the officer consulted must be included above.</i>		
2	SLB member who approved submission:	<i>Philip Gregory</i>
3	Committee Chair consulted:	<i>Cllr Tom Hunt</i>
4	I confirm that all necessary approval has been obtained in respect of the implications indicated on the Statutory and Council Policy Checklist and that the report has been approved for submission to the Committee by the SLB member indicated at 2. In addition, any additional forms have been completed and signed off as required at 1.	
	Lead Officer Name: <i>Philip Gregory</i>	Job Title: <i>Director of Finance and Commercial Services</i>
	Date: 12 December 2023	

1. Proposal

This report outlines the progress made to date by the Policy Committees in delivering a balanced 2024/25 budget and to set out the budget pressures and mitigation plans for the Strategy & Resources Committee

2. Background

The Council is facing a challenging financial position. The Strategy and Resources Committee on 5th September received the Council's Medium-Term Financial analysis, highlighted the financial pressures facing the Council over the coming 4 years and the potential gap of £61.2m in resources.

Each Committee was set a target to ensure a balanced budget for 2024/25, which requires them to find mitigations for any Service pressures over above the additional resources allocated to them. The purpose of this is to allow the Council to achieve a balanced position for 2024/25 by the time the Strategy and Resources meets on 24th January 2024.

3. 2023/24 Budget Position September 2023 – General Fund

Current Position

At this stage of the year, there has been some really good progress by Policy Committees in finding mitigating savings, but there is still a gap of 2.7m.

Pre Autumn-Statement

	Pressures £000	Savings £000	Grant / Fee Income £000	Corporate Funding £000	Gap £000
Adult Health and Social Care	32,349	-3,818	-20,281	-8,250	0
Communities, Parks and Leisure	2,691	-316	-444	-1,400	531
Economic Development & Skills	754	-554	0	-200	0
Education, Children & Families	11,985	-1,415	-7,156	-3,414	0
Housing	1,247	-285	-306	-400	256
Strategy and Resources	19,225	-478	-95	-18,400	252
Transport, Regen & Climate	850	0	-300	-550	0
Waste and Street Scene	7,714	-300	0	-7,414	0
	76,815	-7,166	-28,582	-40,028	1,040

Following Policy Committee meetings in November and prior to the Autumn statement on 22nd December, the budget gap stood at just over £1m.

However, the National Living Wage (NLW) was increased at the Autumn Statement to a rate higher than anticipated, resulting in additional financial pressure for Adult Social Care for 2024/25 of £5m. Work has begun to mitigate the impact of the increase to the NLW resulting in a budget gap of £2.7m overall.

	Pressures	Savings	Grant / Fee Income	Corporate Funding	Gap
	£000	£000	£000	£000	£000
Adult Health and Social Care	37,175	-3,818	-22,871	-8,250	2,236
Communities, Parks and Leisure	2,691	-785	-444	-1,462	0
Economic Development & Skills	754	-554	0	-200	0
Education, Children & Families	12,025	-1,455	-7,156	-3,414	0
Housing	1,247	-285	-306	-400	256
Strategy and Resources	19,225	-478	-95	-18,400	252
Transport, Regen & Climate	850	0	-300	-550	0
Waste and Street Scene	7,714	-300	-117	-7,297	-0
	81,681	-7,675	-31,289	-39,973	2,745

Details of this change and further potential funding risks were set out in the publication of the Government's written Policy Statement on 12th December. This was published in advance of the Local Government Settlement (LGFS) which is expected to be published by 19th December. The potential impact of Government policy is set out in the following sections.

The confidential appendix of this report sets out the budget implementation proposals considered by each Committee in more detail.

There have been a number of assumption changes since the original MTFA

Adult Health & Social Care: The cost pressure increased by £5m due to the increase in National Living Wage, this has been partly offset by increases in benefits and contributions to care. There is still a balance to find, the Local Government settlement will give more clarity on specific grants for social care.

Education, Children and Families – Following a review of pressures the target to be found by the Committee reduced. The increased costs in SEND transport are under review with external support and will be funded as an invest to save option in 2024/25.

Housing - The significant issue of housing benefits not covering the full cost of temporary accommodation and supported living is well documented this year and the pressure is split across Housing and Strategy & Resources Policy Committee. During 2024/25 it is proposed to lobby Govt/ DWP to recognise the issue and work with the Council to resolve, along with an internal review of the service. To this end we plan to set aside the pressure of £7.9m into the budget risk reserve.

Waste & Streetscene: we removed £3m of additional budget for the food waste proposal and have slipped this into 2025/26 pending further review of the scheme and the impact of future Government policy.

Corporate Position: - When reviewing the available resources in the MTFA we had assumed CPI would be 5.4% at September 2023. The CPI rate was actually 6.7%. This should deliver an estimated additional £2.4m in increased RSG and

Business Rate support, subject to confirmation with the LGFS. This has enabled the increase in the budget risk reserve as mentioned above.

We have also included a budget of £50k in the 2024/25 budget for the Race Equality Commission legacy work.

4. Assumptions and Risks

The MTFA main assumptions still appear valid, even in the current financial climate.	The MTFA report to S&R Committee on the 5 th of September set out a number of assumptions about the likelihood of funding increase via Council Tax, Business Rates, Govt Grants etc and these still hold good in the current climate and are consistent with other core cities. The main assumptions were:
We have assumed this generates an additional £46m of income from taxation and grants.	<ul style="list-style-type: none">• Core Council Tax increases of 2.99% for 2024/25 and 2% there after each year• Adult Social Care Precept increases of 2% for 2024/25 and 1% thereafter each year.
However, there are still some risks in the final Local Government settlement.	<ul style="list-style-type: none">• Business rates and Revenue support grant allocation will raise in line with September 2023 CPI.• the Council's current level of reserves provides a limited amount of time for action to be taken strategically in response to the financial position.• Policy Committees deliver balanced budget proposals.• The Social Care grant increases by £6m in 2024/25 from the delayed social care reforms. This added to the £9.9m in 2023/24 provides £15.9m support for Social Care activity (adults & children's).

The increase in funding has been allocated across Policy Committees in arriving at the individual targets.

5. Reserves Position

The Council has limited reserves to mitigate the gap in current proposals	There are limited reserves available to support the remaining 2024/25 budget gap. During the 2022/23 to 2025/26 MTF process, £70m of Reserves were identified to support budget pressures. However, if current in-year forecast overspends are not mitigated only £13m will remain as per the table below.
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Reserves Usage	£m
2021/22 Overspend	20
2022/23 Budget Balancing	14
2022/23 Overspend	5
2023/24 Current Overspend	18
Unallocated	13
Total	70

Based on current analysis this will be sufficient to enable a balanced budget to be set for 2024/25 but will leave the Council in a vulnerable position to mitigate any potential 2024/25 in-year overspends.

6. 2024/25 Budget Position September 2023 – Housing Revenue Account

The Housing Revenue Account (HRA) also has significant financial pressures, and the Housing Committee has considered mitigation proposals. These pressures will impact on the ability of the HRA Business Plan to remain affordable over the course of the 30 year business plan.

There is a HRA budgetary pressure of £14.3m

Early projections indicate that significant savings of around £14.3m are required in 2024/25. The level of these savings may be partly mitigated by any rent increase that the Council decide to make for 2024/25.

The final level of savings required with depend on the Govt rent setting policy.

Rent Standard the current assumption is a CPI+1% limit on annual rent increases.

Registered Providers would be permitted to increase rents CPI+1%,

7. Next Steps

We may need to take a cross-Council approach to complete the process of balancing the Budget.

Even if we implement all the proposals in this report, we are still £2.7m below the required target to set a balanced budget for 2024/25 subject to any funding changes in the LGFS.

It is likely that cross Council proposals that go beyond individual Policy Committees will be required to complete the budget process.

Members and Officers will need to work together over the next few weeks to develop additional proposals to bridge the remaining gap.

8. Risks

There is still risk in this budget which will need to be managed and reviewed on a regular basis.

There are a number of risks still associated with this budget, this include but not limited to:

- The Local Government Finance Settlement (LGFS) which will give the detail and the terms and conditions of any grants and confirm or not our planning assumptions. The Policy Statement did indicate reductions to the Services Grant as well as a potential reduction in New Homes Bonus funding potentially offset by increased grants for social care.
- Inflation and cost of living. Inflation has been at a higher level than anticipated over the last 2 years, although it is now showing signs of albeit slower than forecast to return to the Bank of England target of 2%.
- In 2023/24 the Council is forecasting a £17.6m overspend currently. Some of this is addressed in the 2024/25 Business Planning but the social care sector is very volatile, especially in Children's and there are some 2023/24 Budget implementation Plans that still need to be delivered. There are recovery plans in place to deliver these but failure to do so will impact on the assumptions made in 2024/25 for this area.

9. Early Implementation

There is an opportunity to implement some budget items early

There is an opportunity for Policy Committees to approve the implementation of agreed budget options at their January/ February meetings.

Early implementation decisions will have the effect of allowing Members and Officers to focus on the budget options that require more work and will also increase the chances of full year delivery of any proposal for 2024/25.

The following framework will need to apply to early implementation

The following will need to be true for early implementation to be approved in at January/ February Committee meetings.

1. Does not require investment above existing budgets.
2. Does not cut across other Committee responsibilities.
3. Has clear political support.
4. Is approved subject to any consultation / impact analyses being successfully and positively completed.

10. Timetable from here to Strategy and Resources and recommendations to Full Council

Full Council need to approve both the HRA budget (including rent setting) and the General Fund Budget and Capital Programme

The timeline for approving the 2024/25 HRA and General Fund budget is tight, and the following steps need to happen.

- Consultation on budget proposals.
 - Further budget balancing options will need to be developed.
 - Policy Committees to consider approval of some options for immediate implementation.
 - Strategy & Resources 24th January meeting recommended the 2024/25 HRA budget and rent setting to Full Council, 7th February 2024
 - Strategy & Resources 21st February meeting recommended the 2024/25 General Fund and Capital Programme to Full Council, 6th March 2024
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11. HOW DOES THIS DECISION CONTRIBUTE?

The recommendations in this report sets out the next steps to deliver a balanced budget for 2024/25 and the HRA housing rents.

12. HAS THERE BEEN ANY CONSULTATION?

There has been no consultation on this report,

13. RISK ANALYSIS AND IMPLICATIONS OF THE DECISION

Equality Implications

There are no direct equality implications arising from this report. It is expected that individual Committees will use equality impact analyses as a basis for the development of their budget proposals in due course.

Financial and Commercial Implications

There are no direct financial implications from this report.

Legal Implications

By the law, the Council must set and deliver a balanced budget, which is a financial plan based on sound assumptions which shows how income will equal spend over the short- and medium-term. This can take into account deliverable cost savings and/or local income growth strategies as well as useable reserves. However, a budget will not be balanced where it reduces reserves to unacceptably low levels and regard must be had to any report of the Chief Finance Officer on the required level of reserves under section 25 of the Local Government Act 2003, which sets obligations of adequacy on controlled reserves.

Climate Implications

There are no direct equality implications arising from this report. It is expected that individual Committees will consider climate implications as they develop their budget proposals in due course.

Other Implications

No direct implication

14. ALTERNATIVE OPTIONS CONSIDERED

The Council is required by law to deliver a balance budget and therefore each Committee needs to delivery savings to achieve this. No alternatives have been considered at this stage.

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