

# BUDGET SCRUTINY – 2024/25

14<sup>th</sup> February 2024

# BUDGET PROPOSALS OVERVIEW

- Revenue Budget Savings 2024/25 report
- Revenue Budget 2024/25 report
- Medium Term Financial Strategy
- Capital Programme
- HRA Business Plan

# BUDGET SCRUTINY

Members are asked to:

- act as a critical friend in objectively assessing the strengths and weaknesses of the proposals;
- ask Members or Directors for any explanation or information needed to better understand the proposals;
- consider the Community and Equality Impact Assessments;
- consider the summaries of the public engagement comments;
- make recommendations to Officers to improve proposals;
- provide commentary and recommendations (including any alternative options) to Cabinet to consider when making decisions.

Cabinet will receive a report on the 21st February 2024 to consider taking forward those not approved in January 2024.

# 2024/25 Savings Proposals - Movement

There have been several changes to the business cases since November 2023 the mitigation proposed are detailed below:

<b>2024/25 SAVINGS</b>	<b>£000's</b>
Business Cases shared with Overview and Scrutiny Committee 28th November 2023 and Cabinet on 10th January 2024	11,281
Business Cases that were being consulted on or at OBC stage	6,923
	<b>18,204</b>
<b>Business Case changes -</b>	
CTS0201- Contact Management*	(457)
CTS0203- Corporate Services*	89
CTS0202- Workforce Planning and Agency Spend *	(471)
CTS0077- Rent Reviews	(468)
	<b>(1,307)</b>
	<b>16,897</b>
<b>Proposed mitigation -</b>	
CTS0027 - Review of Childrens CHC cases to secure appropriate Health Contribution	150
CTS0217- Home to School Transport - Review policy and routes to secure improved value for money	250
Council Tax – Premium (Regeneration and Levelling Up 2023)	100
Treasury Lending Fee - reduction in requirement	300
Business Rates pooling	503
	<b>1,303</b>
<b>REVISED 2024/25 SAVINGS TARGET</b>	<b>18,200</b>

# Scrutiny - £18.2m saving changes

- Contact Management – originally £977k in year 1, £457k deferred to Year 2. There is still significant work being conducted to fully assess the implementation plan. The revised savings are anticipated to be £520k, with transformation costs of c£1.53m.
- Workforce Planning and Agency Spend – originally £2,530k, this was reduced by £471k after further work was conducted, the saving revised to £2,059k
- Rent Reviews – originally £650k, this saving was reduced by £468k after additional due diligence was conducted for the 2023/24 income and the anticipated property asset disposals impact remodelled.
- The proposed mitigation for these reductions are:
  - Increase the Review of Childrens CHC cases to secure appropriate Health to £250k, from £100k
  - Increase the Home to School transport saving to £395k, from £145k
  - Benefit of the revised Council Tax Premium (Regeneration and Levelling Up Regulations 2023), £100k proposed
  - Reduction in the treasury lending fee budget following the divestment of investments, £300k
  - Increase the benefit from the new Business Rates Pooling arrangement, £503k

# 2024/25 Savings Proposals - Investment

The revenue proposals do require a level of capital and revenue transformation costs. These are **provisionally** detailed below for the £6.9m business cases:

<b>Saving Budget Business Cases</b>	<b>Anticipated Transformation cost £000's</b>
<b>Transformation</b>	
CTS0201 – Contact Management	1,530
CTS0226 – Home to School Transport	20
<b>Grand Total</b>	<b>1,550</b>

# 2024/25 Savings Proposals - Summary

2024/25 Target	£18.2m
Approved to date	£11.3m
Proposed	£ 6.9m

Portfolio and Holder	Saving Proposals 2024/25 £000's
Children Services & Housing - Cllr Barry Johnson	383
Education - Cllr Adam Carter	432
Environment, Economic Development and Directional Leadership - Cllr Andrew Jefferies	273
Finance, HR and Payroll - Central Financing - Cllr Graham Snell	503
Finance, HR and Payroll - Cllr Graham Snell	240
Health, Adult Health, Community and Public Protection - Cllr George Coxshall	50
Regeneration and Highways - Cllr Ben Maney	182
Cross-cutting - Cllr D Arnold and Cllr G Snell	4,456
New Proposals (Council Tax Premium and Treasury Fees) – Cllr G Snell	400
<b>Grand Total</b>	<b>6,919</b>

# 2024/25 Savings Proposals Children Services & Housing

Savings Proposal	£000's
<b>Children Services &amp; Housing - Cllr Barry Johnson</b>	
CTS0027 - Review of Childrens CHC cases to secure appropriate Health Contribution	150
CTS0029 - Review of Social Care	233
<b>Grand Total</b>	<b>383</b>



# 2024/25 Savings Proposals

## Education

Savings Proposal	£000's
<b>Education - Cllr Adam Carter</b>	
CTS0217- Home to School Transport - Review policy and routes to secure improved value for money	395
CTS0226- Home to School Transport - Policy update and post 16 charging policy	37
<b>Grand Total</b>	<b>432</b>

# 2024/25 Proposals

## Environment, Economic Development and Directional Leadership

Savings Proposal	£000's
<b>Environment, Economic Development and Directional Leadership – Cllr Andrew Jefferies</b>	
CTS0209- Parks and Open Spaces*	273
<b>Grand Total</b>	<b>273</b>

# 2024/25 Proposals

## Finance, HR and Payroll

Savings Proposal	£000's
<b>Finance, HR and Payroll - Central Financing - Cllr Graham Snell</b>	
CTS0312- Business Rates Retention Pooling 2024/25	503
Additional mitigation – Council Tax – Premium	100
Additional mitigation - Treasury fees	300
<b>Grand Total</b>	<b>903</b>

Savings Proposal	£000's
<b>Finance, HR and Payroll - Cllr Graham Snell</b>	
CTS0214- People and OD Team	240
<b>Grand Total</b>	<b>240</b>

# 2024/25 Proposals

## Health, Adult Health, Community and Public Protection

Savings Proposal	£000's
<b>Health, Adult Health, Community and Public Protection – Cllr George Coxshall</b>	
CTS0004- Review Charging Policy for Assistive Technology	50
<b>Grand Total</b>	<b>50</b>

# 2024/25 Proposals

## Regeneration and Highways

<b>Savings Proposal</b>	<b>£000's</b>
<b>Regeneration and Highways - Cllr Ben Maney</b>	
CTS0077- Rent Reviews	182
<b>Grand Total</b>	<b>182</b>

# 2024/25 Proposals

## Transformational Change, Communications and Governance

Most of the cross-cutting savings have now been allocated across directorates and are included in the 2024/25 Revenue Budget data, the exemption is Contact Management which is being refined.

Savings Proposal	£000's
<b>Cross-cutting</b>	
CTS0201- Contact Management*	520
CTS0202- Workforce Planning and Agency Spend *	2,059
CTS0203- Corporate Services*	1,877
<b>Grand Total</b>	<b>4,456</b>

CTS0201 - By automating, digitising, and streamlining processes, the Council can potentially realise significant savings and accelerate its journey to being 'digital by default' and offering resident-centred services.

CTS0202 - Reduce overall establishment expenditure through a reduction in agency costs and to explore wider opportunities for reductions in overall establishment costs

CTS0203 - Enhance and strengthen the corporate core: Adjust the current systems landscape, contact channels, organisational design, and ways of working to deliver services more efficiently

# Scrutiny - additional saving proposals

- The Council has the special authority from DLUCH to raise council tax by up to 9.99% ( 3% non-referendum increase, 1.99% Adult Social Care and 4.99% special provision)
- The council tax increase from 9.99% to 7.99% equates to a lower council tax income of £1.7m in 2024/25 and thereafter
- The proposed savings to avoid a higher Capitalisation Direction are:
  - Removal of the Hardship Fund budget of £616k
  - Reducing the intervention resource and capacity plan budget by £200k
  - Bringing forward the Parks and Open Spaces saving of £53k from 2025/26
- There is a gap of £831k to be identified and approved by the Commissioners, CEO, s151 and the Lead Member for Finance, before the 22<sup>nd</sup> March 2024. This will then go onto Scrutiny and Cabinet in the new year

# 2024/25 Proposed Further Savings

A range of proposals are proposed to bridge the £1.7m revenue gap as a result of lowering the council tax to 7.99%.

Proposed mitigations identified to date are, these will be finalised by the 22 March 2024 and approved by the Commissioner, Chief Executive Officer, the Chief Finance Officer /s151 and the lead member for Finance.

<b>Proposed additional savings</b>	<b>£000's</b>	
Council Tax saving required	1,700	
	<b>1,700</b>	
<b>Proposed mitigation -</b>		
Central Finance	Hardship Fund reduction	616
Intervention Reduction	Resource and Capacity Plan	200
Environment	Parks and Open spaces	53
<b>Total proposed savings due to council tax lower % identified to date</b>	<b>869</b>	



# REVENUE BUDGET 2024/25

# 2024/25 Revenue Budget

- The budget assumptions include:
  - Council Tax increases of 7.99%
  - Necessary contingencies to allow the Council to address historic systemic weaknesses in its corporate functions and provide appropriate provision to mitigate against the Council not achieving the necessary changes
  - An increase in costs, pre savings, of £24.4m:

2023/24 Ongoing Pressures £'000	Pay Inflation & other inflationary increases £'000	Adult Social Care £'000	Homelessness Demand £'000	Children's Services £'000	Financial Services, Contingencies & Intervention £'000	Total £'000
5.0m	8.7m	2.0m	0.4m	1.8m	6.5m	24.4m

- Reserves are still low for the council's size and although there is a forecast treasury contribution, this is a one-off and cannot be relied on for future years.
- The submission of a Business Plan prior to the spending of any growth, additional grant or non-pay inflation allocations, to be approved by the CEO, CFO in conjunction with the Lead Member for Finance.

# 2024/25 Revenue Budget

- Funding has increased by £7.4m,
  - Council Tax - £6m, Business Rates £2m and Grants reduction of £0.6m
- Operational costs have increased by £24.4m
- With one off investment of £9.5m (transformation budget), to deliver annual savings of £18.2m (£14.9m operation costs, £3.3m CT / NNDR funding)
- A total of £1.7m to be identified by 22<sup>nd</sup> March 2024
- Reduction in budgeted treasury and MRP costs of £103m compared to 2023/24.
- Reduction in the Capitalisation Direction to £69m from £157m original forecast.

# MTFS 2024/25

# Medium Term Financial Strategy (MTFS)

- There are a number of assumptions when considering the MTFS forecast position:
  - Council Tax increases continue at 4.99% (including 3% pre-referendum limit and 1.99% Adult Social Care Precept) after 2024/25
  - There are minimal changes in government funding or any expectational funding is offset by equal spending growth
  - Inflation pressure remains under 5% for pay in the next 2 years and 4% thereafter
  - Other inflation drops to 2% after 2024/25
- The Cost of Debt to Revenue ratio remains high and is forecast to be 138.54% in 2023/24. As the investments / assets are divested, it is forecast to reduce to 33.74% by the end of 2024/25 and 24.8% by 2028/29. The ratio should be below 10% and reserves need to be increased to mitigate future operational challenges.
- Growth funding is subject to Business Case's being approved by the CEO and CFO/s151 and the Lead Member for Finance

# Debt Financial Overview

Financial Indicators / Movement	General Fund Debt @3.5%	Cost of Debt - MRP and Interest	Cost of Debt as % of Revenue Budget	Capitalisation Direction
	£m	£m	%	£m
2023/24 Opening Budget	1,292.50	155.84	105.9%	180.2
2023/24 Estimated Movement	-858.50	48.05	32.6%	54.4
2023/24 Closing Forecast	434.00	203.89	138.5%	234.6
2028/29 Forecast	314.26	44.50	24.8%	24.1
<b>Improvement 2023/24 Opening Budget to 2028/29</b>	<b>-978.24</b>	<b>-111.34</b>	<b>-81.1%</b>	<b>-156.0</b>
Improvement required to reach Ultimate Target		26.60	14.85%	24.1
Ultimate Target for Council		17.90	9.99%	0.0

- Principal sources of **estimated** funding come from investments in :
  - Toucan, CCLA, Asset sales, Others

# Capitalisation Direction Financial Overview

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Original budget	452	180	157	69	66	62	56	<b>1,042</b>
Revised	40	235	69	59	51	43	24	<b>520</b>
<b>Change</b>	<b>(412)</b>	<b>55</b>	<b>(88)</b>	<b>(10)</b>	<b>(15)</b>	<b>(19)</b>	<b>(32)</b>	<b>(522)</b>

- Asset impairments impacting MRP are reflected in 2023/24 in accordance with the latest guidance, increasing the in-year CD requirement
- Investment funds are anticipated in 2023/24 to be £652m and property funds £47m
- These funds have been used to reduce the Capitalisation Direction and Debt balances

# Capital Programme and HRA



# Capital Programme

The capital programme has been reviewed, projects have been stopped and borrowing reduced to the effect of:

- reduce capital expenditure to focus on existing contractual commitments, fulfilling statutory services and public safety requirement in line with the s.114 Notice
- reduce reliance on borrowing over the next 5 years, from £40.1m to £4.9m for the General Fund and from £115m to £96.2m for the HRA;
- formally remove the capital projects on hold of £119m with the associated borrowing of £62.9m
- formally remove the capital projects not yet started and deemed to be not required of £3.3m wholly funded from borrowing
- the identification of areas for improvement in the management of the programme

# HRA – Business Plan

- The HRA capital programme over the next five years period - £175.1m
- A total revenue surplus of £9.85m is projected for the HRA - next five years
- The HRA business plan demonstrates that the HRA remains sustainable and viable over the 30-year period subject to the assumptions
- Inflationary and borrowing costs £3.4m
- Reserves increase £1.5m
- Planned capital spend existing stock £29.1m
- Total Gross Revenue Budget £59.9m