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| 28th February 2024 | ITEM: 21 |
| Council | |
| Revenue Budget 2024/25 | |
| Wards and communities affected: All | Key Decision: Key |
| Report of: Cllr G Snell - Finance, Human Resources and Payroll | |
| Accountable Director: Steven Mair, Interim Chief Finance Officer/s151 | |
| Accountable Assistant Director: Jo Freeman, Interim Assistant Director Financial Management & Procurement | |
| This report is public | |
| Version: Council | |

Executive Summary

This report sets out the proposed Revenue Budget for 2024/25 and is required to allow the Council to set a legally balanced budget for 2024/25.

The proposed 2024/25 budget has been set in the context of the virtually unprecedented ongoing financial challenges the Council faces over the medium-term. There is a continued need for exceptional financial support from government. The actions the Council is currently taking to mitigate the scale of financial challenges are the start of a long process to seek to secure the financial sustainability of the Council. At this stage it is not possible to confirm the Council's long term financial position, further changes will be needed in the medium term and the outcome of ongoing work will need to be finalised. More information is provided in the MTFS elsewhere on this agenda.

The budget assumptions include:

- Council Tax increases of 3%,
- Adult Social Care Precept of 1.99%,
- Council Tax (special resolution) of 2.99%,
- delivery of £18.2m of savings,
- pay award assumptions of 4%, and backdated impact of 2023/24 pay-policy changes,
- creation of budgets and contingencies of £8.10m, necessary 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.

The changes set out in this report:

- Reduce the 2023/24 revised Net Cost of Services by £103.58m, from £326.36m to £222.78m in 2024/25.
- Funding is proposed to increase by £8.01m from £146.20m in 2023/24 to £154.21m in 2024/25.

The balanced budget for 2024/25 is reliant on a DLUHC capitalisation direction of £68.57m in 2024/25, a reduction of £111.59m compared to 2023/24. This reflects all known changes to the treasury management function, asset sales, divestments and associated impact on MRP, revenue and capital programme changes.

Summary Table - Movement in gross expenditure, net cost of services & funding levels

| 2023/24 Revised Budget £'000 | Budget Breakdown | 2024/25 Proposed Budget £'000 | Movement £'000 |
|------------------------------|--|-------------------------------|------------------|
| 516,189 | Gross Expenditure * | 410,150 | (106,039) |
| | Deduct: | 0 | 0 |
| (54,570) | Income | (45,411) | 9,159 |
| (19,047) | Specific Grants - Better Care Fund | (19,047) | 0 |
| (51,754) | Specific Government Grants - Dedicated Schools Grant | (53,274) | (1,519) |
| (64,457) | Specific Government Grants (excluding DSG) | (69,640) | (5,183) |
| 326,361 | Subtotal: Net cost of Services | 222,779 | (103,583) |
| (1,401) | General Government Grants | (230) | 1,171 |
| (7,967) | Revenue Support Grant | (8,494) | (527) |
| (47,270) | Non-Domestic Rates | (50,999) | (3,729) |
| (5,216) | Non-Domestic Rates Collection Fund | (3,564) | 1,652 |
| (82,354) | Council Tax requirement | (91,266) | (8,912) |
| 616 | 2023/24 Council Tax Hardship Fund | 616 | 0 |
| (2,611) | Council Tax Collection Fund Surplus | (273) | 2,338 |
| (146,203) | Subtotal: Total funding | (154,210) | (8,007) |
| (180,159) | Exceptional Government Support Requirement | (68,570) | 111,590 |
| 0 | Balanced budget | 0 | |

***Gross Expenditure (2024/25) includes the proposed £1.7m saving reduction associated with recommendation 1.5 below. This includes the £616k Hardship Fund detailed above.**

Commissioner Comment:

The revenue budget is predicated on delivery of significant savings in excess of 10% of the General Fund. The savings as outlined represent a critical component of Thurrock's response to the directions and pathway to sustainability. There needs to be continued focus at the Finance Recovery Board, through Cabinet and Scrutiny on the delivery assurance on these savings and a focus on building savings for the medium term. Any attrition in benefits needs to be offset through alternate savings choices.

The revenue report recommends establishment of reserves and moderate levels of contingency from 2024/25. These can only be used for the purposes outlined and any release of contingency or reserve, regardless of value, will be done in consultation and agreement with the s151 and Finance Commissioner. Contingencies or reserves should not be used to substitute non delivery of savings.

It is proposed that from 2024/25 there is clear and transparent reporting of performance on collection in the quarterly Cabinet report to ascertain if the changes regarding the Hardship Fund & Council Tax premiums have any impact on performance on collection.

The current reserves strategy is to increase reserves by any one off savings. In 2023/24 it is anticipated this will increase reserves from £20m to £39m in relation to treasury and transformation. This strategy will be reviewed and formalised in 2024/25.

1. Recommendation(s)

- 1.1. **Council is asked to note the statutory Section 25 report of the S151 Officer (shown earlier on this agenda) when considering this report and in determining:**
- a) **the proposed budget for 2024/25**
 - b) **the level of Reserves as set out in section 13**

Council is asked to approve:

- 1.2. **the 2024/25 Budget to enable the Council Tax requirement for 2024/25 to be set at £91.266m (as per section 5), a 7.99% increase on 2023/24.**
- 1.3. **the Council Tax Resolution 2024/25 as set out in Appendix 2 which shows that the Police, Fire & Crime Commissioner has increased Council Tax for Band D property to:**
- **£246.42 per annum (a 6% increase on 2023/24) for the Essex Police precept,**
 - **£82.62 per annum (a 3% increase on 2023/24) for the Essex County Fire precept.**
- 1.4. **that Members work with officers to identify the full £1.7m in additional savings by 22nd March 2024, potential actions are presented in Table 18.**
- 1.5. **the 2024/25 Budget based on the estimated financial deficit to be funded by a capitalisation direction of £68.6m.**
- 1.6. **the submission of business cases by services to secure approval to utilise budgets earmarked for contract inflation, use of contingencies and budgets earmarked for pressures (Section 10, Table 21) for approval by the Chief Finance Officer and the Finance Commissioner in conjunction with the Portfolio Holder for Finance, Human Resources and Payroll to allow in-year budget adjustments.**
- 1.7. **the submission of a spending plan by services before the newly announced additional grant funding for Social Care can be utilised (£1.4m). This will require approval by the Chief Finance Officer and the Finance Commissioner in conjunction with the Portfolio Holder for Children & Housing to allow in-year budget adjustments.**

Council is also asked to note:

- 1.8. **the savings of £18.2m as identified in the budget, were approved at Cabinet on 10th January 2024 and 21st February 2024.**
- 1.9. **the Dedicated Schools Grant (DSG) settlement for 2024/25 and the Thurrock allocation of £61.6m as set out in Section 11.**
- 1.10. **the continued use of measures to control expenditure as set out in section 14.**

2. Introduction and Background

2.1. Government Intervention following the Section 114

2.1.1. On 16 March 2023 the Secretary of State confirmed the expanded recommendations and the appointment of Managing Director Commissioner replacing the original directions from 2 September 2022.

2.1.2. The updated directions set out the actions to be taken by the Council. The actions relating to the Improvement and Recovery Plan are:

- an action plan to achieve financial sustainability and to close any short and long-term budget gaps identified by the Authority across the period of its Medium-Term Financial Strategy (MTFS), including a robust multi-year savings plan,
- an action plan to ensure the Authority's capital, investment and treasury management strategies are sustainable and affordable,
- a strict debt reduction plan, and an updated Minimum Revenue Provision (MRP) policy in line with all relevant rules and guidelines,
- an action plan to ensure the Authority is complying with all relevant rules and guidelines relating to the financial management of the Authority,
- a suitable scheme of delegations for financial decision-making,
- an action plan to reconfigure the Authority's services commensurate with the Authority's available financial resources,
- a plan to ensure that the Authority has personnel with sufficient skills, capabilities, and capacity to deliver the Improvement and Recovery Plan, within a robust officer structure,
- an action plan to strengthen the Authority's governance function, to secure improvements in transparency and formal decision making. This should include measures to improve the Authority's scrutiny function, including the taking and recording of formal decisions,
- arrangements to secure the proper resourcing and functioning of the system of internal controls, including risk management and internal audit.

2.1.3. The 2024/25 budget has been set in the context of the above directions with the key priorities and objectives shown below:

Table 1 - Council priorities

| Priorities | Workstreams | Objectives |
|---|--|---|
| Improving Leadership to Accelerate Change | Leading with purpose and direction | A long-term purpose and direction for the Council |
| | | Develop a medium-term Corporate Plan that continues the change and improvement programme of the Council. |
| | | Strategy-led business planning |
| | Building our corporate capability | Develop, consult and approve a new operating model for the Council |
| | | Redesign and restructure the Council |
| | | Stand-up a Programme and Project Management Office |
| Improving Governance and Controls | Establishing the foundations for governance excellence | Review and refresh all of our governing policies |
| | | Build a capable and effective scrutiny function |
| | | Undertake a governance review for all external companies or partnership bodies that the Council has an interest in |
| | Creating an exemplary control environment | Create a Council-wide strong risk managed operating environment |
| | | The Council's assurance and audit functions are re-set |
| | | Proportionate processes that maximise transparency and accountability are developed |
| Improving Financial Sustainability | Divestment of the Council's investments | Dispose of investments |
| | Improving our stability through budgetary savings and maximisation of income | Through implementing a savings programme, alongside a programme to maximise income over each of the next five years and beyond, the Council's budget moves towards achieving a balanced position. |
| | | Detailed plan to generate capital receipts |
| | | Develop a Capital Programme which leads to General Fund borrowing which is significantly smaller and aligned to the Corporate Plan. |
| | Improving our financial management capability and practice | We will demonstrate exemplary corporate financial leadership |
| | | We will redesign and restructure the Council's financial service |
| | | Corporate Financial Capability |

2.1.4. The setting and delivery of the Council's budget is essential to ensuring the Council meets its strategic aims above.

2.1.5. The Council's financial strategy and progress on addressing the above issues is shown in the MTFs report, earlier on this agenda.

3. National and Local Context

3.1. Nationally, like many other Local Authorities, Thurrock Council continues to operate within a volatile financial climate. Inflationary increases peaked at 11.1%, a 40 year high, in October 2022 and whilst CPI has subsequently fallen, the impact is still having a dramatic effect on the costs of goods and services throughout the supply chain. The CPI rate of 6.7% (as of September 2023) has been used within this report to match the Local Government Finance Settlement %, this is still well above the Government target of 2% a year. In its November 2023 forecast, the Office for Budget Responsibility (OBR) has stated it expects inflation to remain above the 2% target until at least the second half of 2025 and increased inflation levels are expected to continue into the forthcoming financial year.

3.2. The inflation rate continues to put additional pressure on the cost of services, which has been factored into the proposed budget. To try to manage the high inflation rate, the Bank of England has raised interest rates considerably from 0.1% in December 2021 to 5.25% by August 2023. The revenue impact on borrowing due to this rate has been assessed as part of the Treasury Management Strategy and review of the Capital Programme.

3.3. 2023-24 Forecast Outturn position

3.3.1. Before considering 2024/24 budget allocation it is important to understand the current in-year position.

3.3.2. The Quarter 3 forecast outturn position for 2023/24, is set out in the following table:

Table 2 2023/24 Quarter 3 General Fund Forecast Outturn

| Interim Directorate Structure | Current Budget £'000 | Quarter 3 Forecast £'000 | Quarter 3 Forecast Variance £'000 |
|---|---------------------------------|-------------------------------------|--|
| Adults, Housing and Health | 54,771 | 53,629 | (1,142) |
| Children's Services | 45,166 | 45,557 | 391 |
| Finance | 6,319 | 6,200 | (119) |
| Housing General Fund | 2,448 | 2,874 | 425 |
| HR, OD and Transformation | 8,960 | 9,858 | 898 |
| Legal & Governance | 3,906 | 4,149 | 243 |
| Place | 13,439 | 15,255 | 1,816 |
| Public Realm | 31,635 | 30,664 | (971) |
| Strategy, Engagement & Growth | 2,776 | 2,363 | (412) |
| Corporate Costs | 1,459 | 1,843 | 385 |
| Additional impact of backdated pay award | 0 | 500 | 500 |
| Use of Earmarked Reserves | (2,975) | (2,975) | 0 |
| Directorate position | 167,904 | 169,917 | 2,014 |
| Additional Resource & Capacity | 5,889 | 5,878 | (11) |
| Commissioner Support | 317 | 179 | (138) |
| Intervention and Commissioners Process | 6,206 | 6,056 | (150) |
| Transformation Implementation (One-off) | 12,515 | 12,515 | 0 |
| Central Financing | (158,320) | (158,320) | 0 |
| Position before Treasury impact | 28,305 | 30,169 | 1,864 |
| Treasury | 151,854 | 204,383 | 52,529 |
| Capitalisation Direction | (180,159) | (234,552) | (54,393) |

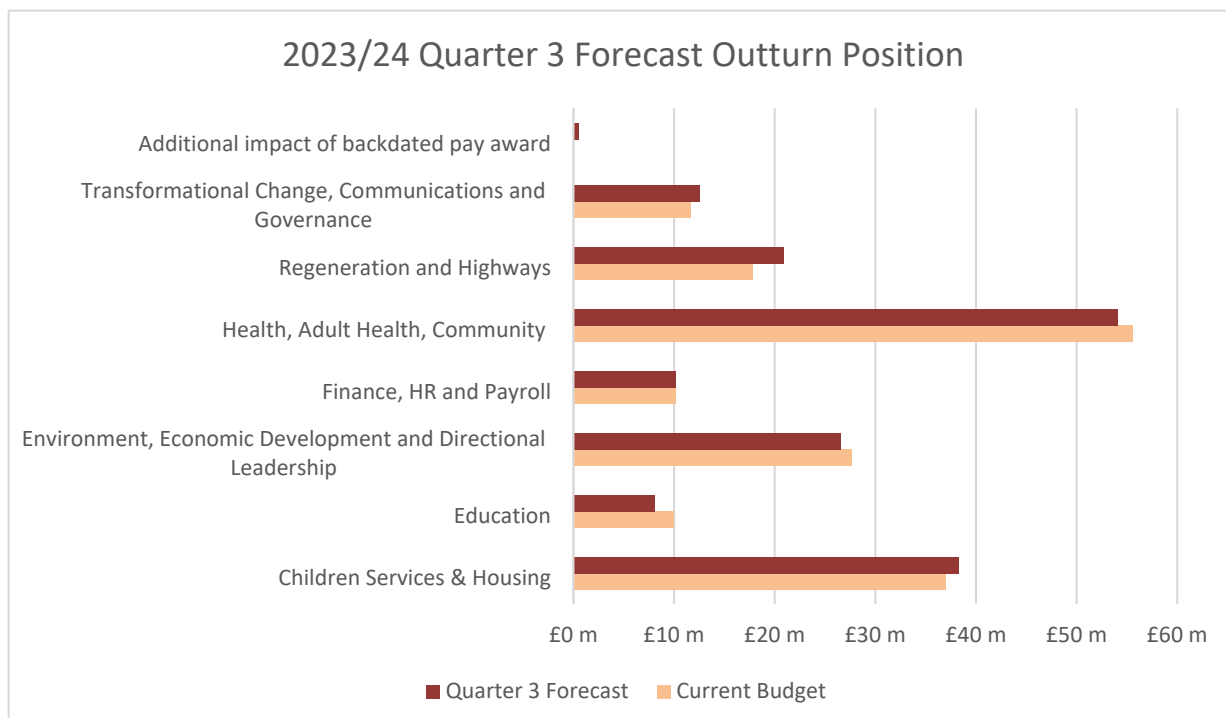
3.3.3. There is a pressure within the directorate position of £2.014m, against a revised budget of £167.904m (this includes the assumed use of earmarked reserves to the value of £2.975m), this is equivalent to a 1.2% overspend. There is a projected underspend against the costs associated with the intervention and commissioner process of £0.150m.

3.3.4. The directorate pressures that have been identified are largely consistent with those identified within the quarter 2 revenue outturn report, presented to Members on 13th December 2023.

3.3.5. There is an estimated overspend within the Treasury management function of £52.529m, which after adjusting for the service positions increases the 2023/24 Capitalisation Direction requirement to £234.552m.

3.4. 2023/24 Portfolio Position

3.4.1. The Quarter 3 directorate position forecast outturn position (shown in Table 2) can be restated to reflect the portfolio allocation (as opposed to Directorate) as set out overleaf:



3.4.2. The key pressures identified through the in-year budget monitoring process, which will potentially be ongoing into the new financial year, are included in the MTFS and are summarised below:

Table 3 Summary of ongoing 2023/24 pressures

| Prior year pressures | 2024/25 Budget Adjustment £'000 |
|--------------------------------------|---------------------------------|
| Children placement and short breaks | 2,150 |
| IT Software licences & support costs | 1,258 |
| Thameside complex | 442 |
| Capital programme recharges | 927 |
| HRA recharges | 257 |
| Total adjustment | 5,034 |

3.5. These pressures are partly mitigated in 2023/24 by efficiencies and underspends elsewhere within the service areas. As we move into 2024/25 it is not possible to contain these base budget pressures without additional funding.

The key issues are:

3.6. Childrens Placements and short breaks £2.150m

3.6.1. The quarter 3 projected outturn position is an overspend of £2.434m. The increase reflects the position identified in the LGA Autumn statement submission:

- lack of supply of certain placement types for children in care,
- continuous growth in the number of children in care,
- increased complexity of cases and growing competition for a limited supply of placements means the cost of supporting children continues to increase.

The £2.150m budget adjustment for 2024/25 excludes one-off costs that have been incurred in 2023/24.

3.7. IT Software Licences £1.258m

3.7.1. ICT software licence and support costs are not capital expenditure and thus need to be funded from revenue. These were previously treated as capital expenditure and funded from capital, charged over the life of the assets. The additional impact is projected to be £1.258m and it is necessary to address this in the 2024/25 budget.

3.8. Thameside Complex £0.442m

3.8.1. The 2023/24 budget was set on an assumption that the Thameside building would become non-operational during the financial year. The future of the building now requires further assessment, the budget has been reset to reflect this.

3.9. Capital Programme recharges £0.927m

3.9.1. The Council has historically recharged elements of staffing costs to specific capital projects (ICT related and health & safety compliance) it is not appropriate for this to continue. In addition, there were further staff charges for legal and compliance works which are also not appropriate to capitalise and therefore the recharges need to be treated as direct revenue expenditure.

3.10. HRA Recharges £0.257m

3.10.1. Following the CIPFA review of HRA Recharges, it was identified that there is an adjustment required in relation to the element charged for general fund housing services and pension deficit contributions. These have been rebased using 2024/25 assumptions and have resulted in a reduction to the HRA recharge of £0.257m. The contra to this is an equivalent increase in resources in the HRA.

3.10.2. These pressures for 2024/25 are addressed in Section 8 as additional budget allocations.

4. Local Government Finance Settlement & MTFS Impact

4.1. The 2024/25 Local Government Finance settlement was announced by the Chancellor on 16th December 2023. The budget proposals and MTFS have been adjusted to take this into account.

4.2. The updated summary movement in the MTFS position for 2024/25 is set out below and forms the basis for changes to the 2023/24 revenue budget allocation.

Table 4 Summary 2024/25 MTFS adjustments

| MTFS Category | 2024/25 |
|--|------------------|
| | £'000 |
| Funding through grants and taxation | (7,441) |
| Inflation and other increases | 8,737 |
| Additional Demand & Pressures | 7,591 |
| Use of Non-recurrent funding | (9,514) |
| Provisions and Contingencies | 8,100 |
| Revenue Budget Savings * | (14,917) |
| Additional Savings to be identified** | (1,699) |
| Total Treasury Adjustments | (22,416) |
| Total Capitalisation Direction adjustments | (17,050) |
| MRP - Investment Assets | (62,981) |
| Total Adjustments | (111,590) |

* Savings proposals related to Business Rates pooling (£1.8m + £0.5m) and changes to the council tax base (£1m) have been reflected in the "Funding through grants and taxation" section of the MTFS, total revenue savings identified for 2024/25 is £18.2m

**Additional shortfall of £1.7m to support a 7.99% council tax rise

4.3. The following sections provide further detail on each of the MTFS categories listed above.

5. Funding

5.1. This section deals with the adjustments made to the levels of Council Tax, National Non-domestic rates (NNDR) and general government grants as summarised in the below table and further analysed:

Table 5 Summary of Adjustments to council tax, NNDR & government grants

| Net Resources | 2024/25 £'000 |
|---|----------------|
| Council Tax LA Element 3% | (2,532) |
| Adult Social Care Precept 1.99% | (1,679) |
| Council Tax (special resolution) increase 2.99% | (2,531) |
| Increase in the Council Tax Base | (2,170) |
| Council Tax base adjustment 2023/24 | 566 |
| Council Tax Collection Fund Surplus adjustment | 2,338 |
| Total Adjustments to Council Tax levels | (6,008) |
| NNDR net increase | (2,077) |
| Government Grants net reduction | 644 |
| Net Additional resources | (7,441) |

5.2. Council Tax £6.008m increase in resources

5.2.1. Under the draft referendum principles published by the Department for Levelling Up, Housing and Communities, a referendum cap is in place for the core Council Tax element at 3%. This equates to £2.527m additional income for Thurrock. Local authorities with social care responsibilities can increase council tax by a further 1.99% through the 'Adult Social Care precept', with the funding ring-fenced for expenditure on adult social care. This

equates to £1.679m for Thurrock. This therefore allows the Authority to raise up to 4.99% in additional funding without requiring a local referendum.

5.2.2. The proposal to increase council tax by only 2.99% above the expected referendum limit equates to £2.536m in 2024/25, this is £1.7m less than raising the charge up to the limit agreed by Central Government. Mitigation action against this shortfall needs to be identified and is set out in section 10.

5.2.3. The tax base for 2024/25 is 53,322 Band D equivalent properties, this is an increase of 2.6% in terms of the number of Band D equivalent dwellings in 2023/24. The council tax base increase is £2.17m, of this £1.03m has been allocated as part of the £18.2m saving (savings proposal CTS0318). The base change reflects the changes to the number of chargeable base properties in 2023/24 and has arisen as a result of changes to the discounts and exceptions in the Councils discretionary policy.

5.2.4. During 2023/24 it was anticipated that the council tax base would increase relating to the changes to house occupancy discounts, an adjustment of £0.566m was included and is now reversed to avoid duplication with the wider council tax base calculations.

5.2.5. The estimated Council Tax collection fund surplus at the end of the year for 2023/24 is £0.273m, a reduction of £2.338m.

5.2.6. The total budgeted income through council tax for 2024/25 is £91.3m

Table 6 Budget impact of Council Tax adjustments £6.008m increased revenue

| Council Tax | Revised Budget £'000 | Funding adjustments £'000 | 2024/25 Budget £'000 |
|---|---------------------------------|--------------------------------------|---------------------------------|
| Council Tax Hardship Fund * | 616 | 0 | 616 |
| Council Tax Collection Fund - Billing Authority | (82,354) | (8,912) | (91,266) |
| Collection Fund Surplus | (2,611) | 2,338 | (273) |
| Council Tax base adjustment | (936) | 566 | (370) |
| Total | (85,285) | (6,008) | (91,293) |

*The Hardship Fund budget is still shown above, pending approval of the currently unallocated £1.7m savings. The saving credit is already within the overall budget pending allocation. There is no change required to the Capitalisation Direction figure.

5.2.7. The impact of a 7.99% council tax increase on the individual property bandings, as a result of the elements listed below, is set out in Table 8:

- Council Tax LA element 3%
- Social Care precept 1.99%
- Special resolution increase 2.99%

Table 8 Impact of 7.99% LA increase on property bandings

| Band | Council Tax Levels 2023/24 | Council Tax Levels 2024 /25 |
|------|-------------------------------|--------------------------------|
| A | £1,056.78 | £1,141.08 |
| B | £1,232.91 | £1,331.26 |
| C | £1,409.04 | £1,521.44 |
| D | £1,585.17 | £1,711.62 |
| E | £1,937.43 | £2,091.98 |
| F | £2,289.69 | £2,472.34 |
| G | £2,641.96 | £2,852.70 |
| H | £3,170.35 | £3,423.23 |

5.2.8. The council tax statutory resolution calculation is set out in Appendix 2.

5.3. Non-Domestic Rates £2.077m increased revenue

5.3.1. The retained Business Rates consist of the precept element for the Local Authority in addition to Section 31 grants (which funds the Council for a reduction in income arising from additional reliefs granted by Central Government).

5.3.2. The Council has been approved by Central Government to create a new Business Rate Pool in 2024/25. This effectively partners the Council with Barking & Dagenham and Havering Councils. The proposed pool enables the Council to reduce the projected levy on growth and share this benefit with pooling partners. The pool has been approved by Central Government as part of the Local Government Financial Settlement for 2024/25

5.3.3. The Council's share of this was initially estimated to be £1.750m, which is included as part of the £18.2m savings target (CTS0312 – Business Rates Retention Pooling) but is reflected in the net resources section of the MTFs for accounting purposes through the Collection Fund. There is potential to increase this by a further £0.503m, the impact of joining the pool is expected to be a benefit of £2.25m in 2024/25.

5.3.4. The NNDR Collection Fund Surplus for 2024/25 is projected to be £3.564m based on the expected outturn position for 2023/24.

Table 9 Budget impact of NNDR adjustments £2.077m

| | 2023/24 Budget £'000 | Funding Adjustments £'000 | 2024/25 Budget £'000 |
|---|-------------------------|---------------------------------|----------------------------|
| NNDR | | | |
| Section 31 Grants | (12,585) | (1,060) | (13,645) |
| Cost of Collection grant | (236) | 0 | (236) |
| NNDR precept | (66,061) | (820) | (66,882) |
| NNDR Tariff | 26,569 | 404 | 26,973 |
| Precept & S31 Projected net increase | (52,313) | (1,476) | (53,789) |
| NNDR Levy 2023/24 | 5,043 | (5,043) | 0 |
| 2024/25 Pooling expenses | 0 | 2,790 | 2,790 |
| Business Rates Pool impact | 5,043 | (2,253) | 2,790 |
| Total NNDR | (47,270) | (3,729) | (50,999) |
| 2023/24 Collection Fund surplus | (5,216) | 1,652 | (3,564) |

| | | | |
|--------------------------|-----------------|----------------|-----------------|
| Total Adjustments | (52,486) | (2,077) | (54,563) |
|--------------------------|-----------------|----------------|-----------------|

5.4. Government Grants £0.644m reduction in resources

5.4.1. The detailed Local Government Finance Settlement was released toward the end of December 2023 in which changes to the levels of general government grants were set out.

5.4.2. Overall, there is an increase in the Revenue Support Grant of £0.527m as a result of the inflationary increase of 6.7% (September CPI).

5.4.3. New Homes Bonus has reduced by £0.039m. National Core spending power includes a provisional amount of £291.4 million for the New Homes Bonus (NHB) in 2024/25 for which Thurrock's share is estimated to be £0.019m.

5.4.4. Services Grant has reduced by £1.132m. The national allocation of the Services Grant decreased from its 2023/24 level of £483.3 million to £76.9 million for 2024/25, this is distributed through the Settlement Funding Assessment, in the same way as in 2023/24.

Table 10 Budget impact of Government grants adjustments £0.644m reduction

| Government Grants | 2023/24 Budget £'000 | Funding Adjustments £'000 | 2024/25 Budget £'000 |
|--------------------------|-------------------------------------|--|-------------------------------------|
| Revenue Support Grant | (7,967) | (527) | (8,494) |
| New Homes Bonus | (58) | 39 | (19) |
| Services Grant | (1,343) | 1,132 | (211) |
| | (9,368) | 644 | (8,724) |

The newly announced additional grant funding for Social Care(£1.3m), not included above, will require an approved business plan prior to utilisation. This will require approval by the Chief Finance Officer and the Finance Commissioner in conjunction with the Portfolio Holder for Children & Housing to allow in-year budget adjustments

6. General Fund Operational Budget

6.1. Inflation & other Increases £8.737m

6.1.1. The 2024/25 budget has been adjusted to reflect estimated cost increases in goods and services and pay-related changes.

Table 11 Inflation & Other increases

| Inflation and other increases | 2024/25 £000's |
|--------------------------------------|---------------------------|
| Pay and Legislative changes | 7,213 |
| Contract Inflation | 939 |
| Inflation – NNDR Charges | 225 |
| Fuel inflation | 48 |
| Waste Inflation | 311 |
| Total | 8,737 |

6.2. Pay and Legislative changes £7.213m

- 6.2.1. General Services Committee (GSC) have recommended that the Council should apply annual cost of living pay increases agreed by the National Joint Council (NJC) for Local Government Services. The pay award will continue to apply from 1 April each year. Implementing this recommendation will require consultation to amend the existing Collective Agreement with the Trade Unions recognised by the Council (GMB, Unison and Unite). An updated pay policy will be submitted to Full Council on 20th March 2024.
- 6.2.2. The pay awards that National Employers intend to offer for 2024/25 will not be known until early 2024. Due to protracted negotiations with Trade Unions, recent pay awards have not been confirmed until the end of the calendar year, with back pay given to 1 April. The Chartered Institute of Personnel and Development (CIPD) quarterly Labour Market Outlook report for Autumn 2023 indicates that the median pay award expected in the public sector is currently 5%.
- 6.2.3. The 2024/25 pay inflation has been budgeted at 4% with the estimated impact of this being £3.9m. It is felt prudent to make separate provision under the Contingencies section to reflect potential further increases in the pay award level.
- 6.2.4. Alongside this is the impact of incremental pay progression through the pay scales, this is assumed for each eligible employee although this is subject to end-of-year performance and development review, this equates to an estimated additional growth allocation of £1.8m.
- 6.2.5. In addition to the above, the national negotiations for Local Government pay for 2023/24 have now concluded with an agreed increase per pay point of £1,925 or 3.88% if higher. This represents a higher increase than applied by the Council on pay points up to the top of grade F. The estimated impact of this change is £1.5m which has been factored into the 2024/25 base budget (and funded through the Treasury surplus in 2023/24).

6.3. Contract Inflation £0.939m

- 6.3.1. This funding relates to contracts which are not funded through other sources, and therefore must be financed through core funding.
- 6.3.2. The provision made to allow for an element of contract inflation on the 2024/25 budget is £0.939m. There is the assumption that all contracts due for renewal will continue to have oversight by the Strategic Approval Panel (supported by Procurement Panel) where due consideration will be given to quality and value for money. Further focus needs to be given to exploring options to consolidate contracts and to ensure contracts align to the new operating model.
- 6.3.3. The submission of business cases by services will be required to secure approval to utilise budgets earmarked for contract inflation. These will require approval from the CFO and Finance Commissioner before in-year budget adjustments can be made.
- 6.3.4. It should be noted that this growth allocation excludes Social Care placements (these growth requirements are dealt under Additional Demand & Pressures).

6.4. NNDR revaluations £0.225m

- 6.4.1. The budget for business rates taxes on Council own properties needs to be adjusted to reflect updated property revaluations and resulting increases in the rates payable.

Revaluation usually happens every 5 years so the rateable value for properties is unlikely to change again during the period of the current MTFS. Properties owned by the Council are governed by the same legislation as those not owned by the Council.

6.5. Energy & Fuel £0.048m

6.5.1. No further increases in energy inflation have been made in the budget for 2024/25 as sufficient growth was allocated in 2023/24. The current in-year energy budget for all Thurrock owned buildings is £3m. The council procures its electricity and gas through the Crown Commercial Services contract. Electricity and gas prices are fixed for 12 months at a time and fixed 6 months before the start date of each billing year. Electricity costs match the financial year April to March. Gas costs change each October and then run until the following September at the agreed rates. The budgets will be re-based at a service level to ensure the allocation is in-line with where the spend is being realised.

6.5.2. Fuel cost increases have been allowed for at a cost of £0.048m and are predominately vehicle related within front line Public Realm services.

6.6. Waste Inflation £0.311m

6.6.1. Increases in waste demographics and collection costs have been modelled for the 2024/25 draft budget. The total projected impact of increased waste costs (including collection and inflation) in 2024/25 has been estimated at £0.311m (based on the current operating model alongside housing growth linked to the indicative pipeline of properties expected through work on the Local Plan).

6.6.2. Energy from Waste is the largest of the council's waste disposal contracts and currently being re-procured. Additional cost resulting from this procurement exercise is intended to be met from the existing base budget for waste disposal and the 24/25 overall growth element. The impact of any proposed savings will also need to be considered regarding estimated disposal rates across the different workstreams.

7. Additional Demand and Pressures £7.591m

7.1. The 2024/25 budget has been increased to reflect the anticipated increase in demand for social care services, pressures identified as part of the 2023/24 budget monitoring process and reductions to the level of resources required to support the ongoing government intervention activity.

Table 12 Demand and Pressures

| Demand & Pressures | 2024/25 |
|---|--------------|
| | £000's |
| Service Demand | 5,660 |
| Ongoing 2023/24 budget Monitoring Pressures | 5,034 |
| Intervention Costs | (3,103) |
| Total | 7,591 |

7.2. Service Demand £5.66m increase

7.2.1. Following an analysis of costs, and incorporating additional specific grant funding and new burdens, £5.66m of growth has been applied to the following service areas:

7.3. Service Demand - Adult Social Care £1.960m net increase

Table 13 Service growth to Adult Services

| Growth Requirements in Adult Social Care | £'000 |
|---|----------------|
| National Living Wage | 3,612 |
| Inflation | 1,059 |
| Childrens Transition in Adulthood | 250 |
| Hospital Discharge & Market sustainability projects | 728 |
| Gross pressures | 5,649 |
| Social Care Grant | (1,838) |
| Market Sustainability Grant | (1,330) |
| Hospital Discharge Grant | (521) |
| Total grants | (3,689) |
| Funding required outside of grants | 1,960 |

7.3.1. The National Living wage for 2024/25 was announced in the Autumn Statement. This has increased from £10.42 to £11.44 per hour. The CPI rate as of September 2023 has been used to estimate general inflation. Increases in rates paid to Adult Social Care placements providers is part of a separate consultation exercise and will be based on value for money and partnership working with suppliers for the benefit of ASC clients. The estimated impact of this is £3.612m in 2024/25.

7.3.2. Additional resources are anticipated for adult social care providers, which will be assessed based on affordability and value for money; this is as a result of general inflation and estimated to cost £1.059m.

7.3.3. Additional demand for services is anticipated for young adults transitioning from Childrens services requiring ongoing support packages into adulthood costing £0.250m.

7.3.4. Specific ring-fenced grants, with spending conditions attached, have been used to support the increased cost of packages and to allow for specific projects to be implemented to further meet the costs of Market Substantiality and to manage Hospital Discharges. Provision for these projects has been set at £0.728m.

7.3.5. The £1.960m growth requirements identified (outside of specific grant funding) for Adult Social Care is partly met by the £1.679m generated from the Adult Social Care Council Tax precept (as per section 5) which is ring-fenced for social care activities.

7.4. Service Demand - Homelessness £0.350m increase

7.4.1. An additional £0.350m is required to address the projected increase in demand in 2024/25. Demand for homelessness services has increased significantly post-Covid and has increased further in response to changes in the economic climate. There is no evidence at present that demonstrates that demand is likely to decline in the foreseeable future.

7.4.2. The most significant risk is centred around the demand for temporary accommodation placements. This includes finding accommodation solutions for vulnerable people and is a demand-lead service. Currently there are, on average, 354 placements per month. The average cost of a nightly let is £8,528 compared to furnished lettings at £3,210.

7.4.3. Significant investment has been made into the service to find alternative accommodation solutions to bed and breakfast by offering furnished lettings within the Council

owned stock as an alternative to privately owned nightly lets. The ongoing utilisation of the council existing stock is one of the few ways in which the department can manage costs in the face of rising demand. It also offers a better solution to people that need temporary accommodation.

7.5. Service Demand - Childrens Services £1.850m increase

Table 14 Service growth to Children’s Services

| Childrens Services Growth | 2024/25 £'000 |
|---|--------------------------|
| Childrens Social Care Placements Price Inflation | 946 |
| Education Home to School Transport Inflation | 799 |
| Education DSG - CSSB Grant Adjustment | 105 |
| Additional Social Care Grant (spending plan required) | 1,363 |
| Additional Social Care Grant funding | (1,363) |
| Total | 1,850 |

- 7.5.1. Childrens Social Care Price inflation - Significant inflationary increases in children’s placements is a national issue, reflecting shortage in supply, increased complexity of need and pay and inflationary rates, this is estimated at £0.946m for 2024/25. The overall placement support budget is currently £13.5m and within this there are currently 10 high-cost placements with a total forecast of £5.108m, one placement of such complexity can significantly impact the financial position due to the level of support required to maintain the placement.
- 7.5.2. Education Home to School Transport - The issues mentioned in the preceding paragraph are consistent in Home to School Transport service with additional fuel cost increases also being reflected in increased cost of routes being procured. The estimated impact is £0.799m in 2024/25. The 2023/24 gross budget allocation is currently £5.8m and this service is currently supporting more than 1,000 young people across more than 180 routes. Contracts are due to be reprocured during 2024/25 and may be subject to inflationary increases.
- 7.5.3. Increase in demand is due to inward migration which requires an increase in school places. Expansion can only be made where capacity is available. A change in legislation in 2023 means that when a child is placed in a school that may not be closest to home, no longer can a child be forced to change schools. Therefore, transport must be provided in line with legislation. In addition, an increase in Education Health Care Plans (EHCP) is also causing pressures on requirement to provide transport:
- 7.5.4. Adjustment to the Central Block of DSG funding – Expenditure of £0.105m previously funded by DSG grant is no longer eligible and has created a pressure for which growth has been added in 2024/25.
- 7.5.5. Government announced additional funding for local authorities with social care responsibilities on 24 January 2024. This funding is to allow authorities to continue to provide crucial social care services for their local communities, particularly for children. Thurrock’s share of the £500m national allocation is £1.36m. A spending plan will be required from the service area, in consultation with portfolio holder and sign off from the CFO and commissioners before spending commitments are made.

7.6. Service Demand - Corporate Finance £1.5m increase

7.6.1. Growth funding of £1.5m has been added into the corporate finance team to enable the restructure to be implemented, this was presented to General Services Committee in August 2023. The financial outcome of the restructure is further addressed as part of the 2024/25 savings.

7.7. Ongoing 2023/24 budget Monitoring Pressures £5.034m increase

7.7.1. Through the Councils budget monitoring process, set out in Section 4, £5.034m is currently assessed as required to meet the following ongoing budget pressures. These will be subject to review of the final outturn position and may require reallocation across service areas in Quarter 1 of 2024/25.

7.7.2. The pressures will be subject to Business Case approval and review of the final 2023/24 outturn position.

Table 15 Ongoing 2023/24 budget pressures

| With reference to Section 4 | £'000 |
|--|--------------|
| Demand for Childrens Placements and short breaks | 2,150 |
| IT Software Licences (accounting treatment) | 1,258 |
| Thameside Complex running costs | 442 |
| Reversal of Capital Programme recharges | 927 |
| Reversal of HRA Recharges | 257 |
| Ongoing 2023/24 pressures | 5,034 |

7.8. Intervention Costs £3.1m reduction

7.8.1. On 2 September 2022, the then Secretary of State for Levelling-up, Housing and Communities made directions under section 15(5) and (6) of the Local Government Act 1999 to implement an intervention package for Thurrock Council. As part of the 2023/24 budget, £6.2m was allocated to support the additional resources required to implement recovery measures.

7.8.2. The budget funded the Commissioner time, Best Value Inspection, specialist legal advice and support as well as additional resource and capacity within operational service areas (specifically within change management and asset disposal teams).

7.8.3. As the council begins to stabilise, this allocation can be reduced in 2024/25 by £3.1m as adequate growth and contingencies have been reflected elsewhere within the budget, the plan is to remove this allocation completely in 2025/26.

8. Use of Non-Recurrent Funding

8.1. A provision of £12.5m was set aside as part of the 2023/24 budget setting to support the transformation of the Council and implement savings and service delivery for current and future years. This was a non-recurrent provision, meaning that it was a one-off contribution in 2023/24 which created the fund. Funding remaining at the end of 2023/24 will be earmarked into a corporate reserve to allow the initiatives to continue.

8.2. The 2024/25 budget also removes the £3m flexible use of capital receipts allowance for transformation revenue expenditure as Page 21

detailed above. The Council will apply usable capital receipts in the most effective way to improve the financial sustainability of the Council going forwards.

8.3. Contingencies £8.1m increase

- 8.3.1. These funds provide the Council with a level of contingency to support the further transformation of the corporate centre including corporate governance & democratic services, project management, change management and core services. This is necessary to allow the Council to address historic systemic weaknesses in its corporate functions.
- 8.3.2. The contingency budget is vital to protect the council against unforeseen instances in respect of savings not being able to be fully achieved or delayed and in delivering the required Council transformation. It is not recommended to be used to offset additional saving targets outside of the £18.2m proposed savings.

Table 16 Contingencies

| Contingencies | 2024/25 |
|---|--------------|
| | £000's |
| Corporate Growth for governance restructures | 3,500 |
| Contingency against pressures in savings delivery | 4,600 |
| Total | 8,100 |

- 8.3.3. It also allows for a further adjustment to be made in respect of the impact of nationally agreed pay awards which the Council may be required to meet.
- 8.3.4. The budget will also provide further financial resilience to the Council as it moves to the new operating model and is necessary to provide appropriate provision to mitigate against the Council not achieving the necessary changes.
- 8.3.5. The submission of business cases by services will be required to secure approval to utilise budgets earmarked under contingencies and provisions and will require CFO and Finance Commissioner approval in consultation with the Portfolio Holder for Finance, Human Resources and Payroll.

9. Savings and New Income £18.2m

- 9.1. Savings and additional income have been considered in detail in a separate report to Corporate Overview and Scrutiny Committee on the 28 November 2023 and by Cabinet at the meeting held on 10 January 2024 and will, in some cases, be further considered at Overview and Scrutiny Committee on the 14 February 2024 and elsewhere on this Cabinet agenda.
- 9.2. Proposed savings are summarised below and the £18.2m detailed service savings are the subject of other reports to members:

Table 17 2024/25 savings summary

| Portfolio | Service Savings £'000 | Cross-cutting £'000 | Total £'000 |
|--|------------------------------|----------------------------|--------------------|
| Children Services & Housing | (647) | (560) | (1,207) |
| Education | (1,055) | (93) | (1,148) |
| Environment, Economic Development and Directional Leadership | (3,844) | (221) | (4,065) |
| Finance, HR and Payroll | (714) | (1,007) | (1,721) |
| Health, Adult Health & Community | (2,132) | (346) | (2,478) |
| Regeneration and Highways | (1,228) | (303) | (1,531) |
| Transformational Change, Communications and Governance | (232) | (1,276) | (1,508) |
| Intervention and Commissioners Process | | (130) | (130) |
| Cross-cutting saving CTS0201- Contact Management | | (520) | (520) |
| Treasury & Central Financing | (609) | | (609) |
| MTFS savings | (10,461) | (4,456) | (14,917) |
| Business Rates Retention Pooling 2024/25 | (2,253) | | (2,253) |
| Council Tax Base Increase | (1,030) | | (1,030) |
| £18.2m savings identified | (13,744) | (4,456) | (18,200) |
| Additional saving due to council tax shortfall** | (1,699) | | (1,699) |
| Total savings requirement | (15,443) | (4,456) | (19,899) |

- 9.3. Savings have been allocated to the relevant portfolios in line with the business cases submitted by the individual service areas, see report included elsewhere on this agenda. Further cross-cutting savings have then also been applied to reflect additional efficiencies and changes to the operating model. There remains further savings to mitigate the council tax rise not being applied to the full limit.
- 9.4. **The £18.2m savings target was predicated on the assumption that council tax would be increased up to the agreed limit set by Central Government (9.99%). The subsequent proposal to reduce this to 7.99% has required further mitigation to be identified to the value of £1.699m.
- 9.5. Areas identified as potential mitigation are listed below, Members are asked to identify the full list of mitigating action by 22nd March 2024:

Table 18 Potential mitigation against savings shortfall

| Mitigation identified | £'000 |
|-----------------------------------|--------------|
| Remove Hardship Fund reduction | (616) |
| Reduce Resource and Capacity Plan | (200) |
| Parks & Open Spaces | (53) |
| Total | (869) |

The additional savings to be identified and approved by Members, as a result of the council tax shortfall of £1.699m, are included as a savings credit yet to be allocated to the budget area. At the 22nd March, when the additional savings are identified and approved, the appropriate budgets will be reduced. There is no change required to the Capitalisation Direction figure.

9.6. If all growth and savings are applied as set out in preceding sections of the report, the impact on the portfolio allocation is set out in the below table:

Table 19 Overall movement between 2023/24 and 2024/25 Budget allocation

| Service | 2023/24 Revised Budget £'000 | Funding adjustments £'000 | Additional Demand £'000 | Agreed Savings £'000 | Further Savings £'000 | Treasury, MRP & CD adjustments £'000 | 2024/25 Budget £'000 |
|--|------------------------------|---------------------------|-------------------------|----------------------|-----------------------|--------------------------------------|----------------------|
| Children Services & Housing | 36,656 | 0 | 4,994 | (1,207) | | 0 | 40,443 |
| Education | 9,513 | 0 | 1,258 | (1,148) | | 0 | 9,623 |
| Environment, Economic Development and Directional Leadership | 27,169 | 0 | 1,553 | (4,065) | | 0 | 24,657 |
| Finance, HR and Payroll | 10,959 | 0 | 2,544 | (1,721) | | 0 | 11,782 |
| Health, Adult Health & Community | 55,596 | 0 | 3,886 | (2,478) | | 0 | 57,004 |
| Regeneration and Highways | 16,336 | 0 | 1,878 | (1,531) | | 0 | 16,683 |
| Transformational Change, Communications and Governance | 11,675 | 0 | 2,379 | (1,508) | | 0 | 12,546 |
| Portfolio position | 167,904 | 0 | 18,491 | (13,657) | 0 | 0 | 172,738 |
| Saving CTS0201 Contact Management | 0 | 0 | 0 | (520) | | 0 | (520) |
| Saving due to council tax shortfall | 0 | 0 | 0 | | (1,699) | 0 | (1,699) |
| Unallocated savings | 0 | 0 | 0 | (520) | (1,699) | 0 | (2,219) |
| Intervention and Commissioners Process | 6,206 | 0 | (3,103) | (130) | | 0 | 2,973 |
| Provisions & Contingencies | 0 | 0 | 9,039 | 0 | | 0 | 9,039 |
| Transformation Implementation Provision | 12,515 | (12,515) | 0 | 0 | | 0 | 0 |
| Post s114 measures | 18,721 | (12,515) | 5,936 | (130) | 0 | 0 | 12,012 |
| Central Financing | (158,320) | (7,441) | 0 | (206) | 0 | | (165,967) |
| Use of General Reserves | (3,001) | 3,001 | 0 | 0 | 0 | | (0) |
| Treasury | 154,855 | 0 | 0 | (403) | | (102,447) | 52,005 |
| Total Budget Requirement | 180,159 | (16,955) | 24,427 | (14,916) | (1,699) | (102,447) | 68,570 |
| Capitalisation Direction | (180,159) | 0 | 0 | 0 | | 111,590 | (68,570) |
| Balanced position | 0 | (16,955) | 24,427 | (14,916) | (1,699) | 9,143 | 0 |

The below table further demonstrates the allocation of £24.4m additional demand and cost requirements in 2024/25:

Table 20 Additional demand & cost allocation

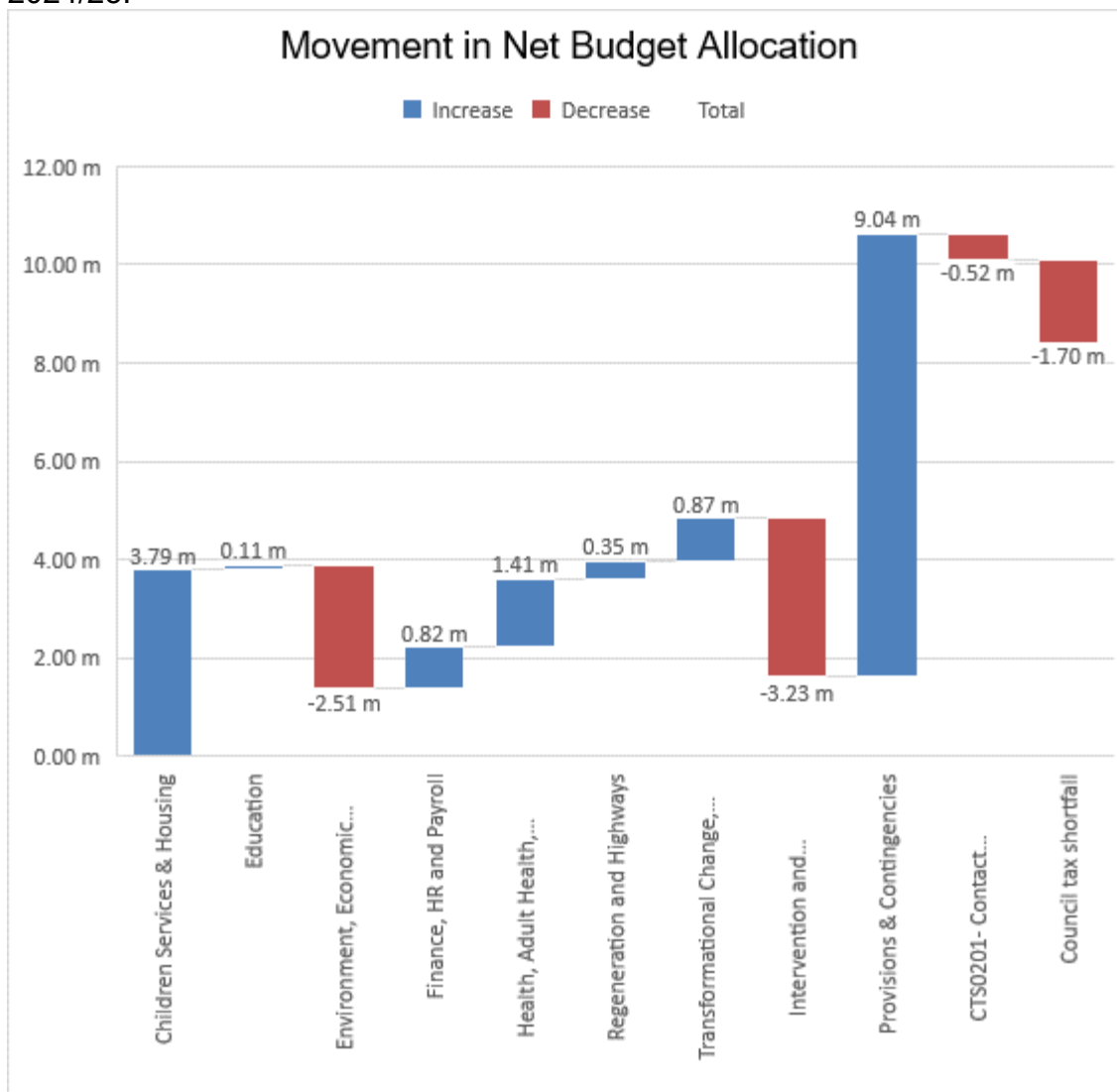
| Portfolio/Area | 2023/24 Ongoing Pressures £'000 | Pay Inflation & other inflationary increases £'000 | Adult Social Care £'000 | Homelessness Demand £'000 | Children's Services £'000 | Financial Services, Contingencies & Intervention £'000 | Total £'000 |
|---|------------------------------------|---|----------------------------|------------------------------|------------------------------|---|---------------|
| Children & Housing | 2,328 | 1,370 | 0 | 350 | 946 | 0 | 4,994 |
| Education | 0 | 355 | 0 | 0 | 903 | 0 | 1,258 |
| Environment, Economic Development | 0 | 1,553 | 0 | 0 | 0 | 0 | 1,553 |
| Finance, HR and Payroll | 204 | 840 | 0 | 0 | 0 | 1,500 | 2,544 |
| Health, Adult Health, Community | 0 | 1,925 | 1,960 | 0 | 0 | 0 | 3,886 |
| Regeneration & Highways | 942 | 936 | 0 | 0 | 0 | 0 | 1,878 |
| Transformational Change, Communications and Gov | 1,560 | 818 | 0 | 0 | 0 | 0 | 2,379 |
| Intervention and Commissioners Process | 0 | 0 | 0 | 0 | 0 | (3,103) | (3,103) |
| Provisions & Contingencies | 0 | 939 | 0 | 0 | 0 | 8,100 | 9,039 |
| Total | 5,034 | 8,737 | 1,960 | 350 | 1,849 | 6,497 | 24,427 |

9.7. Business Cases will be required for the below items to support the allocation to individual services:

Table 21 Business case requirements

| Portfolio | Contract Inflation £'000 | Adult Social Care £'000 | Homelessness Demand £'000 | Children's Services £'000 | Contingencies £'000 | Total £'000 |
|---------------------------------|-----------------------------|----------------------------|------------------------------|------------------------------|------------------------|---------------|
| Children & Housing | | | 350 | 946 | | 1,296 |
| Education | | | | 903 | | 903 |
| Health, Adult Health, Community | | 1,960 | | | | 1,960 |
| Provisions & Contingencies | 939 | | | | 8,100 | 9,039 |
| Total | 939 | 1,960 | 350 | 1,849 | 8,100 | 13,199 |

9.8. The below chart shows the net budget movement for each portfolio between 2023/24 and 2024/25:



Note. The above chart excludes the reversal of the one-off £12m transformation funding. Savings still to be allocated to the value of £2.505m (shown in yellow in the above chart) once allocated, may further reduce portfolio operational budget allocations.

9.9. Further detailed breakdown and analysis of the 2024/25 budget is included in Appendix 1.

10. Capital Programme and Treasury Management Strategy

10.1. The revenue impact of the reduced capital programme and changes to the treasury management strategy (reports elsewhere on the agenda) have been reflected in the 2024/25 budget and consider:

- The overall objective to reduce debt and therefore the ongoing costs associated with it.
- The Council seeks to disinvest from its commercial investments and use sums received to reduce borrowing.
- The Council will undertake asset sales and use sums received to reduce borrowing further.
- The remaining debt will be restructured over time to be more manageable and to provide more certainty to the cost.

- The Council will fully comply with all statutory and non-statutory requirements covering the areas included in this strategy.

11. Dedicated Schools Grant

- 11.1. The Dedicated Schools Grant is a ringfenced grant. The majority of the DSG is used to fund individual school budgets in schools and academies via the schools block. It also funds, through the early years block, nursery free entitlement places for the expanded early years offer that will include Under 2's, disadvantaged 2-year-olds, working parent 2-year-olds and the 3-and-4-year-olds. Provision for pupils with high needs, including those with special educational needs and disabilities (SEND), education health and care plans (EHCP) in special schools and specialist provision in and out of area is funded through the High Needs Block. Finally, there is the central school services block which supports the local authority role in education.
- 11.2. On 19 December 2023, DFE announced the schools funding settlement for 2024/25, reflecting the outcome of the October 2023 school census.
- 11.3. The Local Authority approves the schools funding formula to be applied to all schools and academies in Thurrock. The ESFA fund academies direct and reduce the DSG to be received, shown as Academy Recoupment. The Dedicated Schools Grant to be received by Thurrock Council in 2024/25 is shown in the table below:

Table 23 Dedicated Schools Grant 2024/25 – to be received by Thurrock

| Service | Funding Settlement £'000 | Academy Recoupment £'000 | Final 2024/25 DSG £'000 |
|------------------------|-------------------------------------|-------------------------------------|------------------------------------|
| | £'000 | £'000 | £'000 |
| Schools Block | 167,156 | (161,079) | 6,077 |
| Central Services Block | 1,610 | | 1,610 |
| High Needs Block | 39,083 | (7,256) | 31,827 |
| Early Years Block | 22,127 | | 22,127 |
| Total | 229,977 | (168,335) | 61,641 |

- 11.4. Appendix 3 provides further context regarding the Dedicated Schools Budget for 2024/25.

12. Housing Revenue Account

- 12.1. The setting of the Housing Revenue Account budget for 2024/25 is subject to a stand-alone report (Housing Revenue Account – Rent Setting and Budgets 2024/25, presented to Housing Overview & Scrutiny on 9th Jan and Cabinet on 7th Feb 2024). Key changes are summarised in the table below:

Table 24 HRA budget adjustments

| Service | 2023/24 Budget | Rent and Service Charges | Inflation | Borrowing and Capital Financing | Energy and Fuel | 2024/25 Budget |
|-------------------------|----------------|--------------------------|--------------|---------------------------------|-----------------|----------------|
| | £000's | £000's | £000's | £000's | £000's | £000's |
| Rent and Income | (54,955) | (4,915) | | | | (59,870) |
| Financing and Recharges | 26,469 | | | 1,535 | | 28,004 |
| Operational Services | 14,991 | | 742 | | 147 | 15,880 |
| Repairs and Maintenance | 13,207 | | 885 | | | 14,092 |
| Development | 288 | | 28 | | | 316 |
| Total | 0 | (4,915) | 1,655 | 1,535 | 147 | (1,578) |

- 12.2. The recommended rent and service charge increase of 7.7% has been carefully considered in the compilation of the proposed budget. It is imperative that this is supported to ensure that the HRA can mitigate some of the inflationary cost pressures which are projected in the forthcoming financial year. An allowance has been made on the 2023/24 budgets to allow for projection inflation in the forthcoming financial year. The September CPI rate of has been used as the basis for contract inflation. Pay inflation may be subject to further changes until the Council formally agrees it.
- 12.3. The additional resource is required to finance increased costs in the existing level of services, and also to provide further mitigation against bad debts and tenants rent arrears. This will also allow the HRA to maintain its investment commitment to the Capital Programme and ensure the Council complies with all of its statutory duties.
- 12.4. The HRA is required to make a revenue contribution to the capital budget each year. The amount has been increased by £0.137m for 2024/25, giving a total contribution of £11.307m. In addition to the Revenue Contribution, the Capital programme requires £15.818m of prudential borrowing to fund the works which are required for existing units.
- 12.5. It is essential for the financial viability of the HRA that investment is made into the development and regeneration of stock. There are a number of development opportunities which are being explored, and these will deliver both a financial benefit, as well as improving the stock conditions for tenants.
- 12.6. After the application of the rent recommended rent increase, and inflationary cost pressures, there is a resulting budget surplus £1.578m for the HRA in 2024/25.
- 12.7. The in-year surplus will be budgeted as a contribution to reserves in 2024/25. This will be used to fund one-off cost pressure which are forecast to arise during the year. Beyond 2024/25, this funding will form part of the long-term financial planning and replace the funding from in the reserves which will be expended on the Blackshots and Teviot Avenue schemes. This will also be used to support the investment required into regeneration and development projects.
- 12.8. The HRA budget is further set out in the below table:

Table 25 2024/25 HRA budget allocation

| Service/Area | 2024/25 Budget |
|---------------------------------------|-----------------|
| | £'000 |
| Rent and Income | (59,864) |
| Financing and Recharges: | |
| Financing | 22,348 |
| Overheads | 5,656 |
| | 28,004 |
| Operational Service Delivery: | |
| Anti-Social Behaviour | 531 |
| Business Improvement | 702 |
| CCTV and Concierge | 1,148 |
| Estate Action Teams | 2,749 |
| Grounds Maintenance | 1,211 |
| Housing Operations | 1,770 |
| Lettings and Allocations | 689 |
| Management and Strategy | 4,512 |
| Neighbourhood Action Plan | 112 |
| Rent Collection | 761 |
| Sheltered Housing | 1,687 |
| | 15,879 |
| Repairs and Maintenance: | |
| Planned Programme Work | 4,806 |
| Responsive Repairs | 7,390 |
| Void Repairs | 1,896 |
| | 14,092 |
| Development & Regeneration | 316 |
| Contribution to Funds | 1,578 |

13. Reserves and Balances

- 13.1. Reserves are defined in Sections 31A, 32, 42A and 43 of the Local Government Finance Act 1992. This requires local authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating their budget requirement.
- 13.2. Reserves are an essential part of the financial strategy and provide a contingency against the significant risks the Council faces. They can also provide a source of funding to develop business cases to change the way it provides services and achieves future savings.
- 13.3. Local Authorities hold two categories of reserves, unrestricted and earmarked:
- **Unrestricted reserves** – reserves earmarked to support the medium to longer term plans of the Council (e.g. those earmarked to enable it to transform and invest to save) ; and contingent reserves (amounts that are available to the Council to meet contingent expenditure). The opening balance for 2023/24 for this category of reserves totals £20.3m
 - **Earmarked reserves** – reserves where the authority to commit the funds rests elsewhere (e.g., amounts held on behalf of schools and partnerships) and those held for managing cyclical spending or long-term commitments (for example delivery of the

Local Plan). The opening balance for 2023/24 for this category of reserves totals £29.8m.

- 13.4. The Council's accounts for previous financial years are still being audited which may mean there could be some movement in the assumed baseline level of reserves.
- 13.5. As part of the in-year budget monitoring it has been noted that the positive movement within the treasury position allows and increase to the treasury equalisation reserve of £9.6m and there is the assumption that the £12m one-off revenue transformation budget will not be spent in full, and the balance will be moved to the Transformation reserve (this is estimated to be 9m at time of writing).
- 13.6. The use of earmarked reserves will be matched to eligible expenditure and accounted for as part of the year-end closure of accounts process, estimates have been included below.
- 13.7. The estimated opening balances for 2024/25 are therefore estimated to be £38.9m for unrestricted and £19.9m for earmarked:

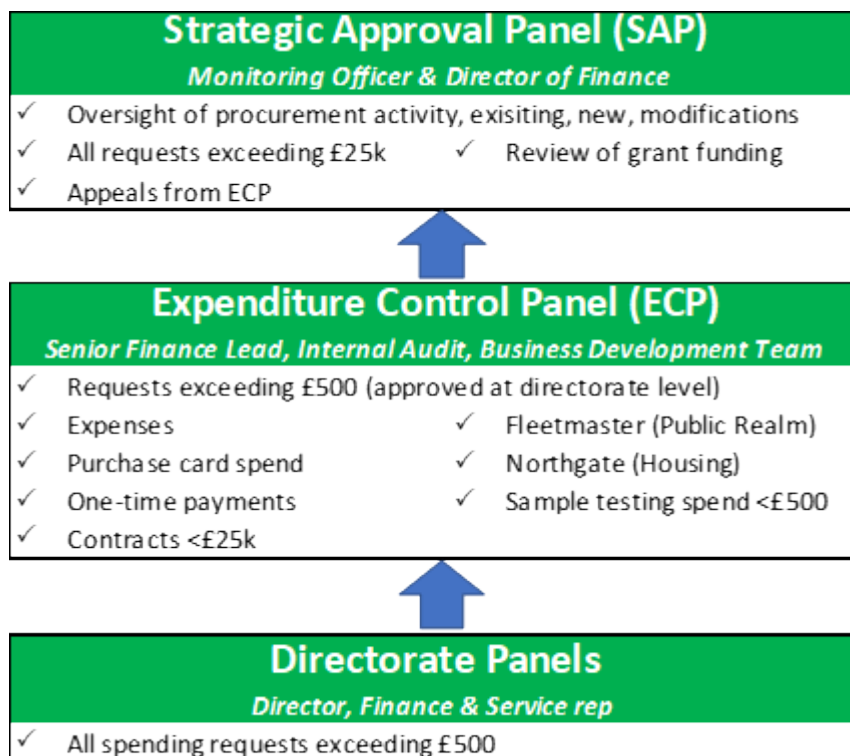
Table 27 Estimated 2024/25 reserves balances

| Type of Reserve | Opening Balance 2023/24 | Used to Fund Specific Expenditure | Contribution from Outturn | Opening 2024/25 Balance |
|--|-------------------------|-----------------------------------|---------------------------|-------------------------|
| | £000's | £000's | £000's | £000's |
| General Fund Balance | (11,000) | | | (11,000) |
| Transformation Reserve | (190) | | (9,000) | (9,190) |
| Treasury Equalisation and Divestment Reserve | (9,129) | | (9,601) | (18,730) |
| Total Unrestricted Reserves | (20,319) | 0 | (18,601) | (38,920) |
| Ring-Fenced Grant Total | (13,550) | 6,687 | (299) | (7,162) |
| Service Specific Reserves Total | (1,569) | 1,008 | 0 | (560) |
| Specific Purpose | (6,552) | 2,098 | 0 | (4,454) |
| Third Party Funding Total | (8,120) | 434 | 0 | (7,686) |
| Total Earmarked Reserves | (29,791) | 10,227 | (299) | (19,863) |
| Total Reserves | (50,109) | 10,227 | (18,900) | (58,782) |

- 13.8. The General Fund Balance, of £11m is available to support operational service pressures arising unexpectedly but cannot mitigate the wider financial issues faced by the authority. The adequacy of the reserves held are addressed as part of the S151 Officer's Section 25 statement on the robustness of the budget (separate item on the agenda).
- 13.9. The current reserves strategy is to increase reserves by any one-off savings and this strategy will be reviewed and formalised in 2024/25.

14. Control Environment

14.1. In December 2022 the Authority introduced the Expenditure Control Process as a response to the S114. The process remains in place and continues to challenge, and limit spend. Any spend exceeding £500 must be reviewed on a case-by-case basis by a formal spending review panel as shown below:



14.2. Spend requests are considered against the following essential spend criteria:

- existing staff payroll and pension costs (approval required through Resourcing Panel led by HROD)
- goods and services which have already been received,
- to support the provision of statutory services at a minimum possible level,
- urgent action required to safeguard vulnerable people,
- existing legal agreements and contracts,
- ring-fenced grant funded activity,
- action required to achieve value for money or mitigate additional in-year costs.

14.3. Alongside this, Resourcing Panel continues to operate, the purpose of this panel is:

- to scrutinise and review all people-related requests including but not limited to requests to recruit to vacant and new posts, new agency orders, agency placement extension requests, off-contract spend and extensions to fixed term contracts,
- to provide check and challenge to the business cases provided and ensure services have explored alternative options prior to recruitment,
- to look to ensure no non-essential spend on people related activities is incurred whilst balancing the needs to ensure we deliver services to our residents and contractual obligations,

- to review and scrutinise all other staff payments including acting ups, market supplements, voluntary redundancy requests, ensuring oversight at expenditure control panel where applicable.

- 14.4. Regular & timely budget monitoring to Senior Management and Members will take place throughout the financial year and report on the delivery of this budget. This will take place through the established pattern of monthly reporting to departmental management meetings, quarterly reporting to the appropriate scrutiny committees and on to cabinet.
- 14.5. Appropriate financial support and training will continue to be offered to budget holders and the Beyond Forecasting Tool will further support the need to accurately present the financial position throughout the year.
- 14.6. There are further processes being put in place for the monitoring of savings targets and their progress at a detailed level. Monitoring of savings across the authority is required to ensure any potential slippage or risk of non-delivery of savings are identified early and remedial action can be taken.

15. Reasons for Recommendation

- 15.1. The council has a statutory duty to set a balanced budget.

16. Consultation (including Overview and Scrutiny, if applicable)

- 16.1. Directors and commissioners have been involved in the preparation of the budget proposals.
- 16.2. Public engagement and consultation has taken place through 'Have My Say', running from 29th November 2023 until Jan 2024. Residents were able to view the FAQ's and ask additional questions for the non-consultation budget proposals. There are two formal consultations relating to Home to School Travel and Charging for Assistive Technology Monitoring Services.
- 16.3. Overview & Scrutiny committees have been engaged with individual elements of the proposals.

17. Impact on corporate policies, priorities, performance and community impact

- 17.1. The delivery of the Revenue Budget will underpin all of the work of the Council and its policies, priorities and performance

18. Implications

18.1. Financial

Implications verified by: **Jo Freeman**
Interim Assistant Director for Financial Management and Procurement

The financial implications are set out in the report and the attached appendices.

18.2. Legal

Implications verified by: **Jayne Middleton-Albooye**
Interim Head of Legal Services

The setting of the budget is a function reserved to Full Council. The Council is required to set its budget before 11 March each year Local Government Finance Act (LGFA) 1992, section 30 (6), in advance of the start of the new financial year on 1 April.

The Council is required to set a balanced budget for each financial year, following a specific process. They must calculate “the expenditure which the authority estimates it will incur in the year in performing its functions”; LGFA 1992 section 32 (2) (a) and then they must subtract “the sums which it estimates will be payable for the year into its general fund”, s32 (3), not including business rates, revenue support grant or other grant funding. This calculation leads to a local authority’s ‘budget requirement’ for the financial year in question.

The local authority must then subtract the amount that they expect to receive in Government grants and business rates. The amount remaining is the total amount that they must raise in council tax.

These provisions have the effect of obliging a local authority to set a balanced budget, by providing that its forecast expenditure must align with its forecast income. ‘Income’ may include transfers from the authority’s reserves, but this must be specified in the calculations.

Section 25(1)(a) and (b) of the Local Government Act 2003 requires its Chief Finance Officer (Section 151 Officer) to report amongst other things, on the robustness of the estimates made for the purpose of calculating Council Tax, and on the adequacy of reserves. This should be taking into account when approving the budget.

Local authorities are required to undergo an annual external audit. The authority’s auditor must provide an opinion on a local authority’s accounts, and also a conclusion on value for money.

Local authorities must also maintain a system of internal audit, as required by the Accounts and Audit Regulations 2015 (SI 2015/234). These “require that elected members maintain a sound system of internal control including arrangements for the management of risk, an effective internal audit, and that local authorities prepare annual accounts”.

The recommendations set out in the report reflect the updated directions the Council is subject to.

The Council is also subject to the Best Value duty under the Local Government Act 1999 to secure continuous improvement in an efficient, economic and effective way.

18.3. Diversity and Equality

Implications verified by: **Rebecca Lee**
Community Development and Equalities Manager

Community and Equality Impact Assessments (CEIA) have been prepared for specific savings proposals that have been developed to address council's savings requirements.

The cumulative impact from savings proposals will be closely monitored and reported to Members.

18.4. Risks

Financial risks are addressed within this report.

18.5. Other Implications (where significant) – i.e. Staff, Health Inequalities, Sustainability, Crime and Disorder, or Impact on Looked After Children

None

19. Background Papers used in preparing the report (including their location on the Council's website or identification whether any are exempt or protected by copyright):

- Housing Rent Setting Report, January 2024
- Capital Programme Report, February 2024
- 2024/25 Revenue Budget Savings Proposals, January 2024
- Revenue Budget Savings 2024-25, February 2024
- Other Financial Reports already presented

20. Appendices to the report

20.1. The report is supported by the below appendices which provide a comprehensive summary of the Council's financial position:

| | |
|------------|----------------------------------|
| Appendix 1 | Revenue Budget breakdown |
| Appendix 2 | Council Tax Statutory Resolution |
| Appendix 3 | Dedicated Schools Budget |
| Appendix 4 | Hardship Fund CEIA |

Report Author:

Steven Mair
Interim Chief Financial Officer/S151
Finance