

BUDGET SCRUTINY – 2024/25

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14th February 2024

Agenda Item 4

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:

2024/25 SAVINGS	£000's
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
	18,204
Business Case changes -	
CTS0201- Contact Management*	(457)
CTS0203- Corporate Services*	89
CTS0202- Workforce Planning and Agency Spend *	(471)
CTS0077- Rent Reviews	(468)
	(1,307)
	16,897
Proposed mitigation -	
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
	1,303
REVISED 2024/25 SAVINGS TARGET	18,200

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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.
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- 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:

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

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
Grand Total	6,919

2024/25 Savings Proposals

Children Services & Housing

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

2024/25 Savings Proposals

Education

Savings Proposal	£000's
Education - Cllr Adam Carter	
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
Grand Total	432

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2024/25 Proposals

Environment, Economic Development and Directional Leadership

	Savings Proposal	£000's
Page 5	Environment, Economic Development and Directional Leadership – Cllr Andrew Jefferies	
	CTS0209- Parks and Open Spaces*	273
	Grand Total	273

2024/25 Proposals

Finance, HR and Payroll

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

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

2024/25 Proposals

Health, Adult Health, Community and Public Protection

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

2024/25 Proposals

Regeneration and Highways

	Savings Proposal	£000's
Page 13	Regeneration and Highways - Cllr Ben Maney	
	CTS0077- Rent Reviews	182
	Grand Total	182

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.

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

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 22nd 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.

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

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:

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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)

Page 19 A total of £1.7m to be identified by 22nd 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

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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
Improvement 2023/24 Opening Budget to 2028/29	-978.24	-111.34	-81.1%	-156.0
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	1,042
Revised	40	235	69	59	51	43	24	520
Change	(412)	55	(88)	(10)	(15)	(19)	(32)	(522)

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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

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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