

REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE (SPECIAL)	AGENDA ITEM: 6
DATE OF MEETING:	11 JANUARY 2024	CATEGORY: RECOMMENDED
REPORT FROM:	STRATEGIC DIRECTOR (CORPORATE RESOURCES)	OPEN
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SUBJECT:	SERVICE BASED BUDGETS 2024-25	
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

1.0 Recommendations

- 1.1 That the proposed revenue budget for this Committee's services for 2024/25 as detailed in **Appendix 1** is considered and recommended for Council approval.
- 1.2 That the proposed fees and charges as detailed in **Appendix 2** for 2024/25 are considered and recommended to for Council approval.
- 1.3 That the proposed Capital budget for this Committee's services for 2024/25 as detailed in **Appendix 3** is considered and recommended for Council approval.

2.0 Purpose of the Report

- 2.1 As part of the annual financial planning cycle, the report details the Committee's proposed base budget for 2024/25. This includes service delivery proposals, cost pressure and savings of the Committee's main spending areas.
- 2.2 It is proposed that the estimated income and expenditure is included in the consolidated budget of the Council for 2024/25 within the Council's overall medium-term financial position. This will be considered by the Finance and Management Committee on 15th February 2024.
- 2.3 The report also sets out proposals for the level of fees and charges under the responsibility of this Committee for 2024/25.
- 2.4 The details contained within this report are subject to public consultation with the Council's relevant Committees, ratepayers and the public, as part of the Council's own budget process and statutory and wider consultation.

3.0 Introduction

3.1 At the inception of the budget setting process, the following three key principles were agreed with Members and set out to Heads of Service to guide the preparation of budget proposals contained within this report:

- **Budgets should support Service Plan and the Council Plan** –That the budget aligns with Service Plans and the Council Plan to ensure that appropriate funding is in place. The intention is to reduce the need for further reports to Committee for additional funding requests throughout the forthcoming year, unless there are specific requests from Members, or other requirements around procurement or approval considerations.
- **Revenue investment should be based on demonstratable need or be self-funding** - That any cost-pressures (such as inflation pressures on supplies, services, and contracts), additional staff or reductions in income due to lower demand or reduced fees, should, insofar as is possible, be “self-funding”. Services were asked to try as far as is reasonably practical to off-set increases in financial resources by making savings in other areas or alternatively, additional revenue investments should be fully demonstrated. Overall, the budget process sought for proposals that demonstrated an evidence-based business case which set out the service need, how additional revenue funding will seek to meet that need, and where possible, reduce ongoing expenditure or increase income in other areas.
- **Capital growth will be considered based on need and innovation meaning it is essential for the maintenance of service delivery or will improve service delivery by way of revenue improvement** –That when we are investing to create or enhance an asset, it is because it will improve the Council’s financial position through reducing spend or generating income, or because we must to maintain services.

3.2 As part of the Council’s commitment to continuous improvement and good financial governance, the process for budget setting undertaken this year has been adapted. These changes were set out in the “Budget Setting Approach 2024/25” report delivered to the Council’s policy Committees and Overview and Scrutiny at their meetings in September and October 2023.

3.3 In line with the principles set out at 3.1, the Council’s Heads of Service and their service managers have been heavily involved in developing proposals for their service area. Proposals relating to the Finance and Management services, such as Central Support Services, Democratic and Elections, Property and Estates Management. All proposals have undergone assessment and refinement by the Council’s Leadership Team, who have challenged, scrutinised and refined proposals in light of the principles and the overall financial position of the Council.

3.4 The revenue budget approach has been ‘incremental’ meaning that the focus is on budget changes compared to the current year (2023/24) position. As such, revenue proposals are categorised to easily explain the changes and also where proposals can be rejected. The categories as set out in the report for the General Fund and Housing

Revenue Account (HRA) are below and Appendices 2 and 4 set out the individual changes.

- **Savings** – savings identified through either a reduction in budgeted expenditure or income that is additional to that budgeted in the current year because of increase in charges and/or a forecast increase in demand.
- **Cost Pressures** – where additional budget provision is required to cover unavoidable cost increases. One-off items will be funded through earmarked reserves (see 3.5 below).
- **Service Developments** – proposals to enhance service provision and which require a decision around investment. One-off items will be funded through earmarked reserves (see 3.5 below).

3.5 Where increases in spending, either as a cost pressure or a service development are one-off, they will be funded by earmarked reserves. This is following the Section 151 Officer's phase 1 review. This repurposing of earmarked reserves represents an effective way of managing one-off expenditure, given its very nature, and in the context of the Council wishing to close its budget gap and it having a high level of reserves and earmarked reserves that have been identified as no longer required for the original purpose for which they were set aside.

3.6 The proposed level of fees and charges are presented in **Appendix 1** along with the rationale for the proposed variation on the 2023/24 level.

3.7 Proposals for capital investment are set out in the report on **Appendix 3** along with the existing capital programme commitments.

Budget Development Timetable

3.8 As detailed below this Committee will review standalone proposal decisions, where proposals are of material nature policy decisions are required. This report is tabled alongside any stand-alone reports. This is specifically the case where there are proposals to add posts to the establishment, and where this is the case, **Appendix 1** makes this clear.

Table 1 – Committee Timetable

	Consideration of the draft 2024/25 budget	Consideration of stand-alone policy decisions
Finance and Management Committee	11 January 2024	15 February 2024

3.9 The final budget will be presented to the Finance and Management Committee in February 2024 who will recommend it to Council for final approval in the same month.

Consultation

- 3.10 In line with the Council's statutory requirement to consult with ratepayers, it is proposed that relevant stakeholders in the business community are written to and views on the budget proposals are sought.
- 3.11 Between (circa) the early-December 2023 and mid-February 2024 wider public consultation will take place via the Council's website and at Area Forums.
- 3.12 Feedback received will be collated and reported as part of the final budget report in February 2024.

4.0 Detail

- 4.1 The draft net revenue expenditure position for the 2024/25 year is anticipated to be £670k as reported in the draft consolidated budget at Finance & Management Committee on 23rd November. This is made up of net revenue expenditure (spend) of £18.3m and funding of £17.64m.
- 4.2 The Finance and Management Committee will consider the detail of the overall financial position on 15th February 2024, including proposals from this Committee.
- 4.3 Since the Council budgets on an incremental basis, the individual changes compared to the 2023/24 position are set out in Appendix 1 is as follows:
- Service developments – proposed to increase spend by £775,818. Appendix 1.
 - Cost pressures – increasing spend by £659,779. Appendix 1.
 - Savings (inc. Recharges) - £2,325,581. Appendix 1.

Service Developments – Appendix 1

- 4.4 Across the range of proposals service developments have been developed by service areas for review and whilst being tabled as required for the effective delivery of services, they are additional to what the Council currently provide and could be classified as voluntary additional expenditure.
- 4.5 As detailed above at paragraph 3.5, one-off items will be funded through earmarked reserves.
- 4.6 All service developments are detailed in Appendix 1. The most significant are:
- Management Restructure £350,000 – to cover the anticipated costs in a forthcoming management structure review, to be brought forward by the Chief Executive
 - Microsoft Team Telephony £50,000 - to cover the cost of replacing the existing telephone infrastructure system with telephony module within Microsoft Teams.
 - Insurance Revaluation of Councils Assets £35,000 - to cover the costs of the Valuation Office to undertake a revaluation of the Council's property assets including the Housing stock for building insurance purposes.

Cost Pressures – Appendix 1

- 4.7 Across the range of proposals cost pressures generally relate to areas where additional budgetary provision is required to continue critical services. There are no proposals that represent developments of service areas or that could be classified as voluntary additional expenditure, except for spend already incurred in relation to non-statutory services.
- 4.8 All cost pressures are detailed in Appendix 1.
- 4.9 Staffing costs represent a significant amount of expenditure on the General Fund, with broadly three quarters of all spending related to staffing. The table below sets out the budgetary pressures in relation to staffing.
- 4.10 Members should note that the assumed pay award for 2024/25 is included in the cost pressures detailed in the report. The assumptions include the agreed 2023/24 pay award and an indicative pay award of 4% for 2024/25, based on Officer for Budget Responsibility (OBR) April 2023 forecast for CPI at April 2024 of 1.5% and a further allowance for risk purposes mitigation purposes. A further OBR forecast will be received for inflation in November 2023 alongside the Autumn Statement and the provision for the 2024/25 pay award will be reviewed as part of the final budget.
- 4.11 The additional salary for Service Development Proposals is the total from all the submitted bids requesting additional staffing resources. These have been included but are subject to separate reporting requirements.

Table 2 – Staffing cost pressure and service developments

Area	Amount	Detail
Pay Award 2024/25	£245,203	Assumed Pay Award @ 4%, inclusive of salary rises of £201,254 (Included in costs pressures)
Service Development Proposals relating to staff	£324,623	There are a number of additional posts requested to be added to the establishment. These are listed in Appendices 2a and are subject to committee review and consideration.
Members Pay Award 2024/25	£27,355	Assumed Pay Award @4% based on Office for Budget Responsibility (OBR)

4.12 The most remaining other significant areas of cost pressure are:

- Audit £85,336 – Like all Councils who commission procurement services via the Public Sector Audit Appointments process, the Council faces a significant increase in the cost of audit in 2024/25 and beyond.
- Inflationary £82,997 – This covers inflationary increases the Council is exposed to through its day-to-day spend with suppliers.
- Utilities £39,865 – Although the Council's prices are largely fixed for utilities for the majority of the 2024 year, the current spend is above the budgeted level

and this needs correcting in the budget in order to avoid unexpected overspends.

Savings and Income – Appendix 1

4.13 Total savings related to this committee is £2,325,581. Savings are a result of increased income in some areas and a reduction in costs compared to last year's budget the some of the larger saving are detailed below:

- Removal of Capital Contributions £733,530 – alternative funding methods will be utilised to fund the Council's capital programme rather than General Fund contributions.
- Investment income £414,020 – representing an increase in the forecast interest earned on balances held, based on interest rate predictions from the Council's treasury advisors.
- Removal of Contingent Sums £370,041 – these are now included in the base budget.
- Removal of Provisions £157,500 – these are now included in the base budget.
- Conducting Elections £115,447 – This saving is because the Council is not running a District election next year.
- Reduction to MRP £27,262 – this represents the reduction to the Councils CFR. Any new capital expenditure in 24/25 will not be repayable until 25/26.

5.0 Fees and Charges

5.1 The Council charges for a number of its services that are provided to the public. All fees and charges are reviewed on an annual basis as part of the budget process. Charges set by the Council are increased in line with inflation or other factors taken in to consideration, in line with the Corporate Charging Policy:

- Statutory obligations
- Policies objectives of the Council;
- Local market research and competition (where relevant);
- The impact of price changes on activity level of demand;
- Changes in taxation;
- Budget position and any associated gap;
- The cost of providing the service.

5.2 Included at **Appendix 2** is the proposed charge position, together with of explanation of changes to individual charges.

6.0 Capital Programmes

6.1 The proposed draft Capital Programme for 2024/25 – 2028/29 is set out in **Appendix 3**.

Finance and Management Capital Schemes

6.2 Proposals funded through 'unsupported borrowing' on the General Fund impact the 'Minimum Revenue Provision' (MRP) estimate for future years, which effectively is a

method of calculating the estimated repayment of that internal borrowing. MRP is funded through revenue, and so an increase in capital expenditure plans funded through unsupported borrowing, increases expenditure on the General Fund in respect of MRP.

- 6.3 The total General Fund programme for 2024/25 is £7,532,201, consisting of currently budgeted and new schemes, projects relating specifically to this Committee is £535,000.
- 6.4 There are no new proposals for capital schemes the capital programme items were approved as part of previous the year's budget process and will be spent on General Fund Properties and ICT replacement equipment.

7.0 Corporate Implications

Employment Implications

- 7.1 There are no direct employment implications arising from this report. However, a number of the indicative proposals will likely have employment implications through the creation of new posts to be added to the council's staffing establishment. These requests will be considered by this committee on 15th February 2024 and associated employment implications clearly set out.

Legal Implications

- 7.2 There are no direct legal implications arising from this report. The draft budget has been developed on a series of requirements of the Council in line with legal and regulatory requirements around service provision. Should indicative proposals have specific legal implications, these will be clearly set out in the forthcoming reports to this committee on 15th February 2024.

Corporate Plan Implications

- 7.3 This draft budget has been prepared to support the delivery of the Council's new Council Plan.

Risk Impact

- 7.4 This budget has been prepared to support the effective management of service risk. A full risk register will be presented as part of the Council Plan for 2024/25.

8.0 Community Impact

Consultation

- 8.1 As detailed in the report, relevant stakeholders in the business community have been written to and views on the budget proposals are sought, in line with the council's statutory duty to consult ratepayers.
- 8.2 In addition, between (circa) the early-December 2023 and mid-February 2024 wider public consultation will take place via the Council's website and at Area Forums.

8.3 All consultation feedback received will be collated and reported as part of the final budget report in February 2024.

Equality and Diversity Impact

8.4 A full Equalities Impact Assessment (EIA) will be undertaken on the budget and presented to Finance and Management Committee and Full Council as part of the final budget approval process.

Social Value Impact

8.5 Where relevant, the social value impact of proposals will be set out in any forthcoming papers to relevant committees in January/February 2024.

Environmental Sustainability

8.6 Where relevant, the environmental impact of proposals will be set out in any forthcoming papers to relevant committees in January/February 2024.

9.0 Background Papers

9.1 Consolidated Draft Budget Report 2024/25 and Medium-term Financial Plan to 2028/29.

9.2 Report to Finance and Management Committee, 5 October 2023, "Budget Setting Approach 2024/25".