

Report Title:	2024/25 Draft Budget
Contains Confidential or Exempt Information	No - Part I
Cabinet Member:	Councillor Lynne Jones, Deputy Leader and Cabinet Member for Finance
Meeting and Date:	Cabinet – 13 December 2023
Responsible Officer(s):	Elizabeth Griffiths, Executive Director of Resources and S151 Officer
Wards affected:	All

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## **REPORT SUMMARY**

This report sets out the council's proposed draft revenue and capital budgets for 2024/25 and the Medium-Term Financial Plan (MTFP) through to 2028/29.

In September, the council signalled that it was at risk of being financially unsustainable. This was driven both by a number of historic decisions and current wider financial pressures. Previous financial decisions have resulted in low levels of Council Tax funding relative to other councils; low levels of reserves (£10.2m) relative to its budget and, compared to other unitary councils; high levels of debt as a proportion of its net expenditure. The whole of the UK economy has felt the impact of high inflation over the last 18 months and the effect of this on contract costs, coupled with an unanticipated increased demand has contributed to a significant and unexpected forecast overspend for 2023/24 of £7m and a projected budget gap for 2024/25 of £6m.

The council's lack of funding, low levels of reserves and high exposure to interest rate fluctuations through its debt funding mean that it lacks financial resilience. The levels of forecast overspend and projected budget gap when added together exceeded the amount of reserves held by the council and this shortfall, if not addressed, would mean the council would be forced to declare itself unable to meet its liabilities and file a statutory Section 114 notice.

Like many councils across the country, RBWM has been hit by significantly higher than expected inflation which has driven up the cost of contracts. At the same time, interest rates have risen steeply which has increased the cost of servicing our debt. Added to this is an increase in the demand for services, particularly adult social care and children's care - where a relatively small rise in the number of clients or just one or two high-cost placements can add hundreds of thousands of pounds to council expenditure.

Where RBWM differs from other councils - and suffers an additional constraint - is that it has a historically low level of Council Tax income due to years of cuts and freezes from 2010 – 2017 (the council is not aware of any other local authority which cut Council Tax by 6 years in a row). This has resulted in a much lower level of funding than comparable councils and this limits its ability to benefit from subsequent increases as these are a percentage of a much lower base and therefore much less of an increase in actual pounds and pence. It also means that while local services operate well on the whole, they have historically been run with a very lean level of resource, making it even harder to find savings and reduce costs.

The council took swift and decisive action in response to the emerging over spend and budget gap by instituting a spending control panel which challenges all avoidable spend over £500 and is working with each directorate to refine robust and deliverable plans to increase income, reduce costs and deliver transformation to close the gap. These plans were discussed and then rigorously challenged in a series of meetings involving Finance, Executive Directors, the Chief Executive and Cabinet members.

The more complex budget savings proposals will be delivered through detailed project plans, created by responsible senior officers and managed as an organisation wide transformation programme, giving the best possible chance of achieving the stated objectives and benefits.

As laid out in this report and its appendices, tough decisions have been made – and will need to continue to be made - in order to present a draft budget for 2024/25 which balances overall. The final local government funding settlement is not expected until just before Christmas and the expectation is that more work will be required in order to ensure the final budget is robust and to generate the additional revenue needed to reduce the current levels of debt which threaten the council's financial sustainability in the medium-term.

Where possible, mitigations, such as increases in fees and charges, are proposed to be implemented ahead of the next financial year in order to reduce the current year overspend and the corresponding damage to already very low level of reserves.

Despite the financial challenges, the council is spending over £100m next year on delivering services to the borough and remains ambitious for its communities. Significant additional investment is being made in our care of the most vulnerable residents.

The proposals in this paper will be consulted on in the period between this Cabinet and the February 2023 budget meetings of Cabinet and Full Council. They will also be reviewed by the Corporate Overview and Scrutiny Panel in December with the other Scrutiny Panels having the opportunity to feed their comments in for consideration.

The results of these consultations will be reported to Cabinet in February alongside analysis from engagement with other appropriate stakeholders including residents, businesses, and partner organisations.

The significant progress that has been achieved in a very short space of time and the tangible improvement in financial situation shows that RBWM has not only the opportunity to succeed and become financially viable, but the right leadership, officers and team to drive and deliver that outcome. Every service in the council has had involvement in creating this draft budget and it is only through the willing collaboration and support of the wider organisation that the current year overspend is being managed and the long-term financial projections outlined in this report will be delivered.

## 1. DETAILS OF RECOMMENDATIONS

**RECOMMENDATION:** That Cabinet reviews the council’s approach to balancing the budget and:

- i) notes the draft revenue budget for 2024/25 included in this report, which shows a preliminary balanced position.
- ii) notes the proposed capital budget for 2024/25 and revised Medium Term Financial Plan to 2028/29 set out respectively in Appendices A and B.
- iii) considers the proposed budget pressures and savings / transformation / income proposals set out in Appendices C and D;
- iv) notes the Equality Impacts Assessments shared at Appendix E; and
- v) agrees to commence public consultation on the draft 2024-25 budget, including proposals to increase Council Tax by the maximum allowed by Government. The consultation is expected to run from 14<sup>th</sup> December 2023 to 22<sup>nd</sup> January 2024.

## 2. REASON(S) FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED

### Options

**Table 1: Options arising from this report**

<b>Option</b>	<b>Comments</b>
Cabinet is requested to agree to share the draft 2024-25 budget for public consultation, prior to final budget setting during February 2023. The council is legally required to set a balanced budget each year and consult on a number of elements including proposed increases to Council Tax.	<b>This is the recommended option</b>

- 2.1 The Local Government Act 2000 states that it is the responsibility of the full council, on the recommendation of the executive, to approve the budget and related council tax demand. Failure to set a legal budget is likely to lead to intervention from the Secretary of State under section 15 of the Local Government Act 1999.
- 2.2 Notwithstanding the legislative requirement to set a budget, financial plans are important because they act as a financial expression of the council’s policies and instruct officers on the areas they should attribute spend. The budget is effectively the resources that are required to deliver the council’s stated objectives in its corporate plan (the council’s new corporate plan will be presented to Cabinet in February alongside the final budget following public consultation).

### 3. KEY IMPLICATIONS

- 3.1 The council stated clearly that due to its low level of reserves, current overspend and projected budget gap for 2024/25 it was at significant risk of declaring itself unable to meet its liabilities. While significant work is underway to reduce the in year overspend, a crucial element in avoiding this is to deliver a balanced budget.

**Table 2: Key Implications**

<b>Outcome</b>	<b>Unmet</b>	<b>Met</b>	<b>Exceeded</b>	<b>Significantly Exceeded</b>	<b>Date of delivery</b>
Budget Gap	>£0m	£0m	£1m surplus	>£1m surplus	31 March 2024

### 4. FINANCIAL DETAILS

#### **National context**

- 4.1 For over a decade, local authorities have faced significant spending reductions as part of government efforts to reduce the national budget deficit. It has been a turbulent and challenging period, with the economic shocks and societal changes brought about by the pandemic, followed closely by economic turbulence, including the energy and cost of living crisis. The recent Autumn Statement made it clear that the outlook for public spending over the medium term is very challenging across the public sector with £19bn of further cuts expected after 2025.
- 4.2 Caps on the percentage increase permitted on Council Tax limits local authorities' ability to raise additional revenue to cover rising costs. Demand and costs have increased, particularly in children's services and adult social care, as well as housing and homeless services. Changes to asylum policy are putting additional pressure on local authorities in terms of housing and support for individuals who have received refugee status and are leaving Home Office accommodation at short notice.
- 4.3 High and unpredictable rates of inflation, coupled with sharp increases in interest rates over the past two years, have increased costs across the board. This has affected all areas of council spend, as well as the cost of living for residents and business operating costs.
- 4.4 More and more councils are publicly stating that they are at risk of having to issue a statutory section 114 notice in the near to medium-term, with the number of councils actually issuing the notices having risen to 7 since 2018.
- 4.5 RBWM cannot rely on support from outside, and must continue to find ways to balance its budget, in the context of this challenging financial climate.

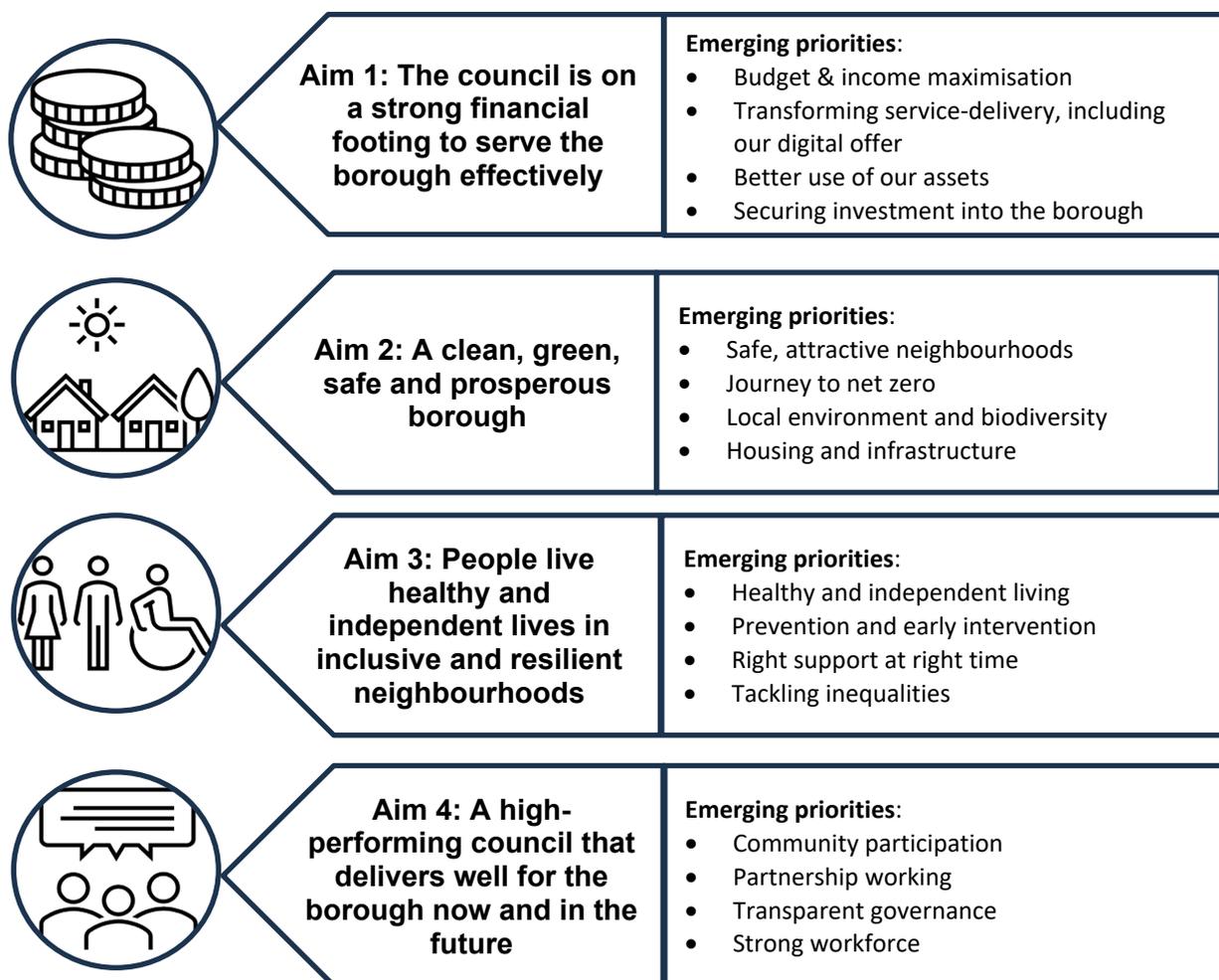
#### **Corporate Priorities**

- 4.6 The council is currently developing a new Corporate Plan to set out a new set of priorities, following the change in administration and the need for a much stronger focus on addressing the serious financial challenges faced by the

council. The Corporate Plan makes it clear that setting the council on to a strong financial footing to serve the borough effectively, must be the primary focus. The current financial position constrains the organisation’s ability to pursue wider priorities until progress has been made.

4.7 Despite the financial constraints, the council remain ambitious for the borough. An overview of the Corporate Plan can be seen below, and shares the council’s proposed strategic priorities. These reflect the priorities set out by the new administration, and have been informed by engagement with key stakeholder groups including young people, older people, people with disabilities and the voluntary and community sector. Further engagement with Members, parishes, staff and partners, will take place as the detail of the plan is developed.

4.8 The development of the new Corporate Plan and budget-setting processes are being taken forward in parallel, to ensure that the 2024/25 budget and refreshed Corporate Plan are fully aligned, and together form the framework for planning and decision-making going forward. The Corporate Plan will be shared with Cabinet in February for agreement, alongside the final budget and MTFP.



**Figure 1: Corporate Plan Overview**

## The council's approach and Medium Term Financial Strategy

4.9 The council's approach to balancing the budget and achieving financial stability, focuses on the six themes summarised below.

- **Service transformation:** Change the way in which we deliver priority services, including improving the council's digital offer.
- **Prevention and demand reduction:** Provide the right support to residents at the right time, with a focus on prevention and early intervention, enabling independent living before more costly service intervention is needed.
- **Contract management:** Manage contracts effectively and explore alternative ways to deliver to improve value for money.
- **Income maximisation:** Maximise the income received by the council, through commercialisation, grants, fees and charges, and managing debt effectively.
- **Asset management:** Make better use of council buildings and other assets to generate income and streamline our capital programme to reduce borrowing and make better use of CIL and S106 funding.
- **Economic growth:** Secure investment and growth in the borough to support the local economy economy and improve the borough's infrastructure and public spaces.

## 5. DRAFT REVENUE BUDGET 2024-25

5.1 In the current financial year 2023/24, the council is forecasting a £7m overspend which is mainly driven by increased and unbudgeted costs of delivering adult social care, children's and housing services reflecting increased levels of need amongst the borough's most vulnerable residents for the council's statutory services.

5.2 In the same way as it affected borough residents, higher than expected inflationary increases have driven up the costs of goods, services and existing contracts. These increases are permanent and so are now part of the current cost base. In trying to balance next year's budget, there was no option to reverse them or choose not to incur them so other cost reductions and income increases had to be found to offset this additional expenditure.

5.3 For 2024/25, the draft budget shows an increase in funding of £7.9m (from £109m to £117m). There has however been a significant increase in the cost of delivering services with inflation driven increases (£6.4m), interest and MRP (£2.9m) and growth (£9.6m) totalling £19m. This £11m shortfall has been met by service efficiencies and transformation of £7.5m, increased income of £3.5m and a reduction in our contingency budget of £0.5m.

5.4 The proposed draft revenue budget and funding is set out in the table below. An accessible version of the table is included at the end of the report. Each small excerpt by directorate is a subsection of the same table.

BUDGET BY SERVICE	Base budget	Pay inflation	Contract inflation	Income increases	Efficiencies	Growth	Changes to grants and non-service budgets	2024/25
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>CHIEF EXECUTIVE DEPARTMENT</b>	<b>1,012</b>	<b>28</b>	<b>3</b>	<b>0</b>	<b>(103)</b>	<b>0</b>	<b>0</b>	<b>941</b>
<b>ADULT SOCIAL CARE AND HEALTH</b>								
Dir of Adults Social Care & Health	174	5	0	0	0	195	0	374
Adult Social Care	53,081	13	3,075	(25)	(1,690)	4,851	(407)	58,898
Adult Social Care income	(14,287)	0	0	(853)	0	140	0	(15,000)
Communities, transform & prtncs	170	4	1	(1)	0	0	0	175
Public Health	5,317	0	0	0	0	0	68	5,385
Public Health Grant	(5,317)	0	0	0	0	0	(68)	(5,385)
<b>Total Adults Social Care &amp; Health</b>	<b>39,137</b>	<b>23</b>	<b>3,076</b>	<b>(879)</b>	<b>(1,690)</b>	<b>5,186</b>	<b>(407)</b>	<b>44,447</b>
<b>CHILDREN'S SERVICES</b>								
Children's Social Care	28,093	0	1,493	0	(2,758)	2,628	0	29,455
Dedicated Schools Grant Exp	78,556	0	0	0	0	0	0	78,556
Dedicated Schools Grant	(78,556)	0	0	0	0	0	0	(78,556)
<b>Total Children's Services</b>	<b>28,093</b>	<b>0</b>	<b>1,493</b>	<b>0</b>	<b>(2,758)</b>	<b>2,628</b>	<b>0</b>	<b>29,455</b>
<b>PLACE</b>								
Director of Place	20	0	0	0	0	0	0	21
Housing	2,019	89	95	(5)	(94)	400	(14)	2,490
Infra, Sustainability & Transport	5,128	49	73	(25)	(628)	0	0	4,597
Neighbourhood Services	6,665	75	724	(1,980)	(464)	912	0	5,931
Planning	1,330	94	10	(138)	(737)	130	0	689
Property services	(3,346)	11	24	(8)	(270)	165	0	(3,423)
<b>Total Place</b>	<b>11,816</b>	<b>318</b>	<b>925</b>	<b>(2,155)</b>	<b>(2,193)</b>	<b>1,607</b>	<b>(14)</b>	<b>10,304</b>
<b>RESOURCES</b>								
Director Resources	156	5	0	0	0	0	0	160
Finance	2,109	94	19	(14)	(115)	89	0	2,181
HR, Corporate Projects & ICT	3,182	101	47	(9)	(210)	102	0	3,214
Revs, Bens, Library & Res Services	4,239	143	62	(29)	(175)	0	0	4,239
Housing Benefit	(377)	0	0	(42)	0	0	0	(419)
Law and Governance	3,183	82	36	(30)	(215)	39	0	3,095
<b>Total Resources</b>	<b>12,490</b>	<b>424</b>	<b>164</b>	<b>(124)</b>	<b>(716)</b>	<b>230</b>	<b>0</b>	<b>12,470</b>
<b>Total Service Budgets</b>	<b>92,549</b>	<b>794</b>	<b>5,661</b>	<b>(3,158)</b>	<b>(7,460)</b>	<b>9,651</b>	<b>(421)</b>	<b>97,616</b>
<b>CORPORATE AND CONTINGENCY</b>								
Contingency	2,337	0	0	0	0	0	(337)	2,000
Corporate budgets	700	0	0	0	0	0	(175)	525
<b>Total Corporate and Contingency</b>	<b>3,037</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(512)</b>	<b>2,525</b>
<b>OTHER NON-SERVICE BUDGETS</b>								
Interest received	(1,152)	0	0	0	0	0	271	(881)
Interest paid	6,592	0	0	0	0	0	2,392	8,984
Minimum revenue provision	3,139	0	0	0	(25)	0	1,018	4,132
Pension deficit recovery contr'ns	4,400	0	0	0	(69)	0	170	4,501
Environment Agency Levy	168	0	0	0	0	0	0	168
<b>Total Other Non-Service Budgets</b>	<b>13,147</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(94)</b>	<b>0</b>	<b>3,851</b>	<b>16,904</b>
<b>Net budget</b>	<b>108,732</b>	<b>794</b>	<b>5,661</b>	<b>(3,158)</b>	<b>(7,554)</b>	<b>9,651</b>	<b>2,918</b>	<b>117,045</b>
<b>FUNDING</b>								
Business rates	(14,226)	0	0	0	0	0	(869)	(15,095)
Govt grants & other funding	(9,115)	0	0	0	0	0	(1,593)	(10,708)
Surplus / Deficit movements	(165)	0	0	0	0	0	25	(140)
Council tax	(85,622)	0	0	0	(214)	0	(5,265)	(91,102)
<b>Total Funding</b>	<b>(109,128)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(214)</b>	<b>0</b>	<b>(7,702)</b>	<b>(117,045)</b>
<b>Total</b>	<b>(396)</b>	<b>794</b>	<b>5,661</b>	<b>(3,158)</b>	<b>(7,768)</b>	<b>9,651</b>	<b>(4,784)</b>	<b>0</b>

## Summary of 2024-25 Budget Proposals by directorate

### 6. ADULTS, HEALTH AND COMMUNITIES DIRECTORATE

	Base budget	Pay inflation	Contract inflation	Income increases	Efficiencies	Growth	Changes to grants and non-service budgets	2024/25
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>ADULT SOCIAL CARE AND HEALTH</b>								
Dir of Adults Social Care & Health	174	5	0	0	0	195	0	374
Adult Social Care	53,081	13	3,075	(25)	(1,690)	4,851	(407)	58,898
Adult Social Care income	(14,287)	0	0	(853)	0	140	0	(15,000)
Communities, transform & prtncs	170	4	1	(1)	0	0	0	175
Public Health	5,317	0	0	0	0	0	68	5,385
Public Health Grant	(5,317)	0	0	0	0	0	(68)	(5,385)
<b>Total Adults Social Care &amp; Health</b>	<b>39,137</b>	<b>23</b>	<b>3,076</b>	<b>(879)</b>	<b>(1,690)</b>	<b>5,186</b>	<b>(407)</b>	<b>44,447</b>

- 6.1 Our local population is ageing and living longer, but also experiencing ill-health for longer. The cost of providing adult social care has risen for justifiable reasons, such as ensuring that those working in the sector are paid a living wage, but the bulk of the cost is controlled by private providers and with demand outstripping supply, these costs have risen sharply. This increase in costs also means that the number of people who either can't afford to pay for their own care or can no longer afford to pay for their own care is also rising. The council currently funds the care of roughly one in four people in the Borough who need it and there is a legal framework in place which requires local authorities to provide support.
- 6.2 The number of people who would require council support was significantly underestimated in the 2023/24 budget, so the 2024/25 budget proposals more accurately reflect the current demand -an increase of circa 50 additional adults.
- 6.3 While the expenditure for this service forms the bulk of council spending at 46% of the total revenue budget, cost reductions are difficult because individual placements are expensive and long term. It is noted, especially since Covid, the council can see people entering full time care much earlier than previously, meaning that the cost of their care lasts for a much longer period of time. The key measures planned to improve efficiency and deliver savings are as follows:
- Insourcing of statutory services back to the council and practice and efficiency improvements in our commissioned services focused on helping people retain independence for longer.
  - Investigate opportunities to develop council-owned accommodation and facilities, reducing the reliance on high-cost private providers.
  - Increase the proportion of adults with learning disabilities and mental health issues, who are living independently in supported accommodation, or in a 'Shared Lives' home.

- Investment in more efficient data management systems to increase efficiency in service delivery and ensure income collection is timely and robust. An increased focus on aged debt to ensure that unpaid care provided for previous recipients does not impact our ability to care for those currently in need.

## 7. CHILDREN'S SERVICES

	Base budget	Pay inflation	Contract inflation	Income increases	Efficiencies	Growth	Changes to grants and non-service budgets	2024/25
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>CHILDREN'S SERVICES</b>								
Children's Social Care	28,093	0	1,493	0	(2,758)	2,628	0	29,455
Dedicated Schools Grant Exp	78,556	0	0	0	0	0	0	78,556
Dedicated Schools Grant	(78,556)	0	0	0	0	0	0	(78,556)
<b>Total Children's Services</b>	<b>28,093</b>	<b>0</b>	<b>1,493</b>	<b>0</b>	<b>(2,758)</b>	<b>2,628</b>	<b>0</b>	<b>29,455</b>

- 7.1 As a “corporate parent” the council has a responsibility to ensure that children and young people in our care, and our care leavers, have the same opportunities as other children and young people. The provision of safe and appropriate placements (both fostering and residential) and support packages for children in care and care leavers is therefore a major area of spend. Similarly to adults services, virtually all aspects of cost within this area have increased.
- 7.2 Like most councils, RBWM does not have a sufficient number of in-house foster carers and has no internal residential provision, meaning that again, there currently is a higher level of reliance on more costly private sector placements and accommodation where costs are rising. There is also a national shortage of permanent social workers so statutory responsibilities are met by employing more expensive interim or agency staff.
- 7.3 All areas and aspects of this service have been reviewed to find ways to reduce the impact of increased demand on the council’s budget. The key transformative proposals are as follows:
- More investment in early intervention and prevention to reduce the number of children needing high levels of care.
  - Increasing the number of children living in supported family environments instead of expensive private residential placements including the recruitment of more foster care placements,
  - Achieving economies of scale through a cross-Berkshire approach to the commissioning of private residential placements.
  - Review of our commissioning of external legal services to minimise cost while remaining compliant.

- Undertaking a peer review with Hampshire County Council in relation to “Home to School” Transport for opportunities to reduce costs.
- Reviewing recruitment and retention policies to increase the appeal of working for the council and to reduce reliance on expensive agency staff.

## 8. PLACE DIRECTORATE

	Base budget	Pay inflation	Contract inflation	Income increases	Efficiencies	Growth	Changes to grants and non-service budgets	2024/25
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>PLACE</b>								
Director of Place	20	0	0	0	0	0	0	21
Housing	2,019	89	95	(5)	(94)	400	(14)	2,490
Infra, Sustainability & Transport	5,128	49	73	(25)	(628)	0	0	4,597
Neighbourhood Services	6,665	75	724	(1,980)	(464)	912	0	5,931
Planning	1,330	94	10	(138)	(737)	130	0	689
Property services	(3,346)	11	24	(8)	(270)	165	0	(3,423)
<b>Total Place</b>	<b>11,816</b>	<b>318</b>	<b>925</b>	<b>(2,155)</b>	<b>(2,193)</b>	<b>1,607</b>	<b>(14)</b>	<b>10,304</b>

- 8.1 Inflation has increased the costs of not only planned projects but ongoing contract costs and routine service delivery, which has had a particularly high impact on Place services. The expected spend on planned major regeneration and infrastructure schemes across the borough has also risen significantly.
- 8.2 The directorate’s income has fallen, in the main due to changes in behaviour since the Covid pandemic. The fall in income from car parking is particularly notable as more people are working from home and fewer residents are travelling into the borough’s towns by car.
- 8.3 The cost of housing in the borough is also high compared to neighbouring areas and there is a shortage of affordable housing and available temporary accommodation.
- 8.4 With a diverse range of services, both statutory and chargeable, the scope for reducing costs and increasing income in this area is higher but the individual impacts are less, meaning that more interventions are required. Proposals put forward as part of the budget include:
- A renewed approach to contract procurement and quality assurance processes across the council’s biggest contracts in areas such as waste, street care and highways in order to achieve savings and drive up standards.
  - Development of a new model for leisure services across the Royal Borough to maximise revenues to be reinvested in high quality facilities and active environments to support residents’ wellbeing.

- Investment in the development of additional council-owned temporary accommodation, enabling us to meet future needs at lower cost.
- Refocusing the capital programme on projects funded by external grants and infrastructure funding from Community Infrastructure Levy and S106 to maximise the use of external funding for large scale essential maintenance such as tree inspections; ensuring public safety while reducing budget impact.
- The use of technological innovation and efficiency in the delivery of services including outdoor facilities and road repairs.
- Exploring opportunities to create efficiencies and improved service delivery with neighbouring authorities around transport, waste collection and regeneration.
- Securing external funding to deliver energy and decarbonisation projects and reducing utility costs through the centralisation of energy procurement and management.
- Preparation of a new Economic Growth Plan building stronger business partnerships with a focus on the growth industries of culture, film and health and life sciences.
- Exploring and developing new commercial opportunities for revenue from events, advertising and sponsorship.

## 9. RESOURCES DIRECTORATE

	Base budget	Pay inflation	Contract inflation	Income increases	Efficiencies	Growth	Changes to grants and non-service budgets	2024/25
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>RESOURCES</b>								
Director Resources	156	5	0	0	0	0	0	160
Finance	2,109	94	19	(14)	(115)	89	0	2,181
HR, Corporate Projects & ICT	3,182	101	47	(9)	(210)	102	0	3,214
Revs, Bens, Library & Res Services	4,239	143	62	(29)	(175)	0	0	4,239
Housing Benefit	(377)	0	0	(42)	0	0	0	(419)
Law and Governance	3,183	82	36	(30)	(215)	39	0	3,095
<b>Total Resources</b>	<b>12,490</b>	<b>424</b>	<b>164</b>	<b>(124)</b>	<b>(716)</b>	<b>230</b>	<b>0</b>	<b>12,470</b>

9.1 The Resources directorate is a mixture of resident facing and 'back office' services. It has customer facing services such as Libraries, Revenues and Benefits and indeed Customer Services but also internal support functions such as Finance, IT, HR, Legal, Democratic Services and Major Projects. As previously noted, a lack of capacity across the council generally make it difficult to generate savings in areas that mainly consist of staffing costs and these internal functions are crucial to the support and delivery of the transformation projects planned by the other service areas.

9.2 The council will seek to maximise its collection of Council Tax and Business Rates by increasing checks on fraudulent claims and reducing bad debts and

non-payment. Some amendments to the collection of Council Tax are planned but are unlikely to begin until 2025/26 to allow for the appropriate consultations to be carried out.

9.3 The proposals planned by this area are mostly relatively low in value but numerous and the expectation is that the key role of this service will be to support delivery and realisation of the transformation programmes planned across the wider organisation. Some of the more material proposals in this area include:

- Additional investment in procurement and contract management to ensure value for money and better outcomes from contracted services.
- Increased focus on the recruitment and retention of permanent staff to reduce the reliance on expensive agency support
- Reduction in IT software contract costs

## 10. FUNDING INCLUDING COUNCIL TAX

	Base budget	Pay inflation	Contract inflation	Income increases	Efficiencies	Growth	Changes to grants and non-service budgets	2024/25
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>FUNDING</b>								
Business rates	(14,226)	0	0	0	0	0	(869)	(15,095)
Govt grants & other funding	(9,115)	0	0	0	0	0	(1,593)	(10,708)
Surplus / Deficit movements	(165)	0	0	0	0	0	25	(140)
Council tax	(85,622)	0	0	0	(214)	0	(5,265)	(91,102)
<b>Total Funding</b>	<b>(109,128)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(214)</b>	<b>0</b>	<b>(7,702)</b>	<b>(117,045)</b>

10.1 The council is proposing to raise Council Tax this year by 4.99%, which includes 2.99% permitted under the central government cap for 'general' Council Tax and the potential additional increase of 2% which can be used to fund adult social care (yet to be confirmed). Due to a sustained period of cuts and freezes to Council Tax from 2010, the RBWM Council Tax base is low relative to other authorities which means that, even at the maximum increase allowed, in pounds and pence this is still a lower increase than in other areas.

10.2 Analysis was carried out on the taxbase which showed that in previous years, the level of growth expected had been overestimated, resulting in actual billing being less than the forecast figures, and therefore payments, given to the parishes and major preceptors. Reductions to both the growth estimates and the expected collection rate have been made this year to bring them more in line with current actual billing and payment.

10.3 In line with Chapter 2 of the Levelling up and Regeneration Act 2023, which received Royal Assent on 26th October 2023, the Royal Borough intends to amend the Council Tax charged on properties which are either empty, or only occupied periodically, within the borough as follows.

- The time period for levying a 100% Long Term Empty Home Premium will be reduced from the current 2 years to 1 year. This will take effect from the 1st of April 2024 in line with paragraph 79 of Chapter 2 of the Act.
  - For dwellings occupied periodically (i.e. second homes) a new premium will be introduced of 100%. This will take effect from the 1st of April 2025 in line with paragraph 80 of Chapter 2 of the Act.
- 10.4 The retained business rates currently included in the draft budget are an estimate and will be finalised with the submission of the NNDR1 in January.
- 10.5 Expected funding from other government grants in 2024/25 is based on the Pixel projections which are a recognised standard across Local Government as a best estimate in advance of the confirmation of government funding for the sector which is expected just before Christmas.

## **11. CAPITAL PROGRAMME AND BORROWING COSTS**

- 11.1 The council's proposed capital programme - including the expected "slippage" of unspent project costs from the current year to next - is shown in Appendix A
- 11.2 The proposed capital programme for 2024/25 has been reviewed and refined to promote the use of external funding to deliver the required outcomes and reduced overall in recognition that several large scale projects are still in progress from the current year and need to be carried through to completion. This is not seen as a reduction in ambition, but rather a prioritisation to a deliverable set of objectives and outcomes. Any projects not funded by external funding or grants will require borrowing to deliver, and this includes many of the projects currently in progress or, previously agreed but yet to be started.
- 11.3 There are also multiple large scale transformation projects required to deliver the necessary change to reduce the budget. Some of these are already in progress but many others are yet to start, and all will require focus and staff time to ensure successful delivery. Work is underway to identify the resource required to deliver them and to develop project plans to manage them. These will be in place by the time the final budget is taken to Full Council in February and the process and governance structure to manage them has already been developed and agreed.
- 11.4 The council has significant levels of debt which it is currently servicing but not reducing. The Treasury management strategy is under review but fundamentally, debt must be reduced by generating surpluses, generating capital receipts or a combination of both. With debt at its current levels, we are vulnerable to changes in interest rates. The cost of providing MRP on capital (minimum revenue provision) has risen by over a million pounds in this year's budget to £4.1m while our net interest costs, driven by a high proportion of short term borrowing, have risen by £2.6m to £8.1m. These combined at £12.2m amount to more than 10% of our net budget.

## 12. MEDIUM TERM FINANCIAL PLAN TO 2028/29

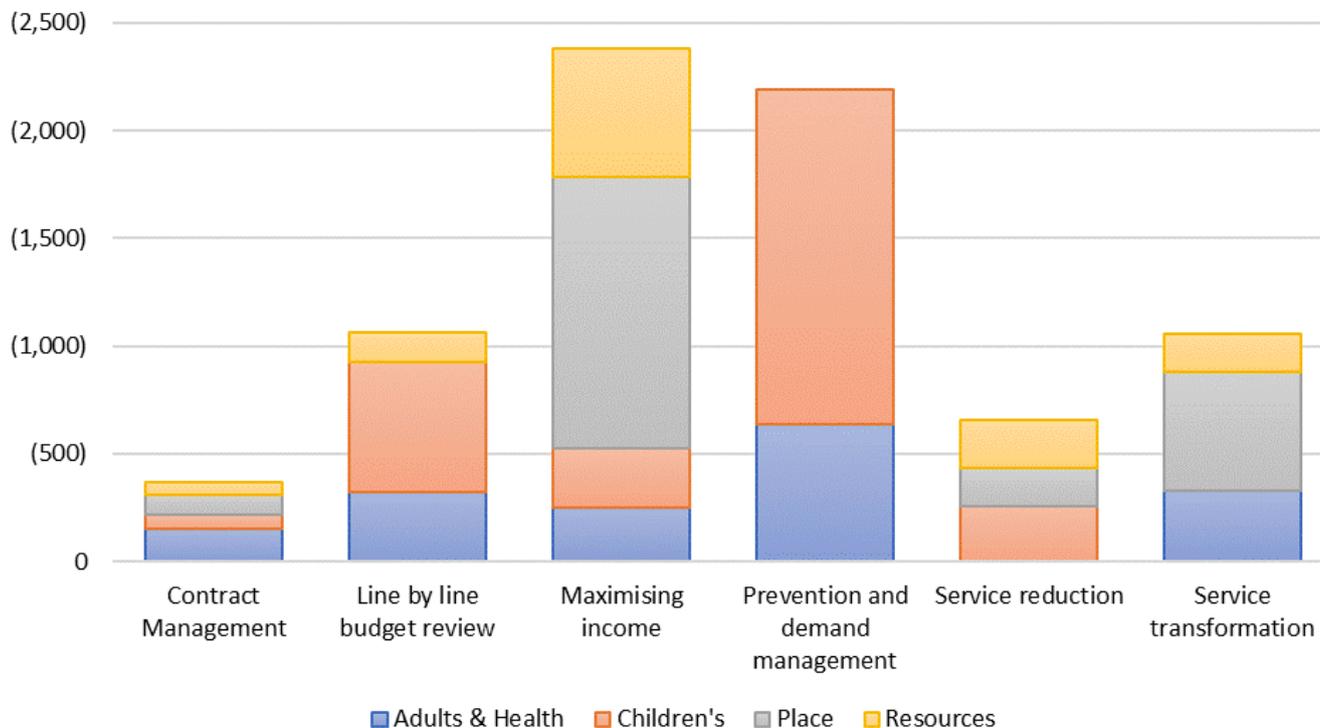
12.1 The council's Medium-Term Financial Plan (MTFP) is included at Appendix B and shows a projected balanced future. This is still under review as there is uncertainty around the changes in funding from the anticipated "Fairer Funding Review". The forecast also includes no growth other than inflation and anticipates a reduction in interest rates. Whilst it is subject to a high degree of uncertainty, it does indicate that if the planned transformation and savings are delivered, the council could be sustainable going forward. To achieve this, the planned transformation programme must be successful and achieve the budgeted outcomes.

## 13. BUDGET PROPOSALS – SERVICE EFFICIENCIES, TRANSFORMATION, INCOME AND GROWTH

13.1 Appendices C and D list the planned change to services to deliver the budgeted outcomes. These are a mixture of growth items, cost reductions, income improvements and larger scale transformation to the way in which services are delivered. The savings proposals have come from the services themselves as a response to the financial challenge that the council is facing.

13.2 The different categories of budget proposals – consistent with the approach set out in paragraph 4.9 - by service area are shown in the graph below.

**2024/25 Efficiency savings by category (£'000)**



13.3 Like most councils, there are a number of savings which are categorised as 'red' meaning that they face risks to delivery, some of which are outside of the council's control. However, these total a relatively low amount and further work

is being taken forward to refine delivery plans for those savings along with the necessary governance and oversight to increase the likelihood of delivery – something that has not been in place in previous years. This increases the confidence they will be achievable, although some degree of risk will continue to remain.

#### **14. PUBLIC CONSULTATION**

- 14.1 Pending agreement by Cabinet, the draft budget will be shared for public consultation on 14<sup>th</sup> December 2023 until 22<sup>nd</sup> January 2024. This will include an online consultation hosted on [ww.rbwmttogether.rbwm.gov.uk](http://ww.rbwmttogether.rbwm.gov.uk), with paper copies available with libraries for anyone who does not have online access. This will be complemented by wider engagement with other interested stakeholders including businesses, equality groups and partner organisations.
- 14.2 The consultation will be publicised through a press release, social media and through targeted emails to a wide range of stakeholders. Feedback from the consultation will inform the February 2023 budget meetings of Cabinet and Full Council. A summary of the consultation feedback will be shared as part of the Budget report.

#### **15. NEXT STEPS**

- 15.1 The proposals contained in this report will be subject to consultation that will inform final decisions at Cabinet and Council in February 2024. The council will consult with residents, businesses, partners, and its own staff.
- 15.2 Equality Impact Assessments have been completed for relevant savings and these will be updated throughout the remaining budget setting process.
- 15.3 This draft budget will be amended once the Local Government Finance Settlement is published.
- 15.4 The Corporate Overview and Scrutiny Panel will review the proposals on 19 December.
- 15.5 Final budget proposals will be considered by Cabinet on 7<sup>th</sup> February 2024, with recommendations to Full Council on 27<sup>th</sup> February 2024.

#### **16. LEGAL IMPLICATIONS**

- 16.1 None at this stage of the budget process.

#### **17. RISK MANAGEMENT**

- 17.1 Failure to identify sufficient savings as part of the budget process would risk the Council being unable to maintain minimum levels of reserves. Failure to deliver the planned savings would have the same effect.

## **18. POTENTIAL IMPACTS**

- 18.1 Equalities. An EQIA will be undertaken on the budget submitted to Council in February 2023. Saving proposals will also have an EQIA undertaken where appropriate. Appendix E includes draft EQIAs. All EQIAs will be revised in the light of any relevant consultation responses.
- 18.2 Climate change/sustainability. The potential impact of budget recommendations will be considered once details of budget submissions are published.
- 18.3 Data Protection/GDPR. Not applicable.

## **19. TIMETABLE FOR IMPLEMENTATION**

- 19.1 Implementation date if not called in: Immediate.

## **20. APPENDICES**

- 20.1 This report is supported by four appendices:
- Appendix A Capital programme
  - Appendix B Medium Term Financial Plan
  - Appendices C & D Growth and Efficiencies
  - Appendix E Equality Impact Assessments

Accessible version of the table showing the proposed draft revenue budget and funding.

BUDGET BY SERVICE	Base budget	Pay inflation	Contract inflation	Income increases	Efficiencies	Growth	Non-serv budgets	2024/25
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>CHIEF EXECUTIVE DEPARTMENT</b>	<b>1,012</b>	28	3	0	(103)	0	0	<b>941</b>
<b>ADULT SOCIAL CARE AND HEALTH</b>								
Dir of Adults Social Care & Health	174	5	0	0	0	195	0	374
Adult Social Care	53,081	13	3,075	(25)	(1,690)	4,851	(407)	58,898
Adult Social Care income	(14,287)	0	0	(853)	0	140	0	(15,000)
Communities, transform & prt'nrs	170	4	1	(1)	0	0	0	175
Public Health	5,317	0	0	0	0	0	68	5,385
Public Health Grant	(5,317)	0	0	0	0	0	(68)	(5,385)
<b>Total Adults Social Care &amp; Health</b>	<b>39,137</b>	<b>23</b>	<b>3,076</b>	<b>(879)</b>	<b>(1,690)</b>	<b>5,186</b>	<b>(407)</b>	<b>44,447</b>
<b>CHILDREN'S SERVICES</b>								
Children's Social Care	28,093	0	1,493	0	(2,758)	2,628	0	29,455
Dedicated Schools Grant Exp	78,556	0	0	0	0	0	0	78,556
Dedicated Schools Grant	(78,556)	0	0	0	0	0	0	(78,556)
<b>Total Children's Services</b>	<b>28,093</b>	<b>0</b>	<b>1,493</b>	<b>0</b>	<b>(2,758)</b>	<b>2,628</b>	<b>0</b>	<b>29,455</b>
<b>PLACE</b>								
Director of Place	20	0	0	0	0	0	0	21
Housing	2,019	89	95	(5)	(94)	400	(14)	2,490
Infra, Sustainability & Transport	5,128	49	73	(25)	(628)	0	0	4,597
Neighbourhood Services	6,665	75	724	(1,980)	(464)	912	0	5,931
Planning	1,330	94	10	(138)	(737)	130	0	689
Property services	(3,346)	11	24	(8)	(270)	165	0	(3,423)
<b>Total Place</b>	<b>11,816</b>	<b>318</b>	<b>925</b>	<b>(2,155)</b>	<b>(2,193)</b>	<b>1,607</b>	<b>(14)</b>	<b>10,304</b>
<b>RESOURCES</b>								
Director Resources	156	5	0	0	0	0	0	160
Finance	2,109	94	19	(14)	(115)	89	0	2,181
HR, Corporate Projects & ICT	3,182	101	47	(9)	(210)	102	0	3,214
Revs, Bens, Library & Res Services	4,239	143	62	(29)	(175)	0	0	4,239
Housing Benefit	(377)	0	0	(42)	0	0	0	(419)
Law and Governance	3,183	82	36	(30)	(215)	39	0	3,095
<b>Total Resources</b>	<b>12,490</b>	<b>424</b>	<b>164</b>	<b>(124)</b>	<b>(716)</b>	<b>230</b>	<b>0</b>	<b>12,470</b>
<b>Total Service Budgets</b>	<b>92,549</b>	<b>794</b>	<b>5,661</b>	<b>(3,158)</b>	<b>(7,460)</b>	<b>9,651</b>	<b>(421)</b>	<b>97,616</b>
<b>CORPORATE AND CONTINGENCY</b>								
Contingency	2,337	0	0	0	0	0	(337)	2,000
Corporate budgets	700	0	0	0	0	0	(175)	525
<b>Total Corporate and Contingency</b>	<b>3,037</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(512)</b>	<b>2,525</b>
<b>OTHER NON-SERVICE BUDGETS</b>								
Interest received	(1,152)	0	0	0	0	0	271	(881)
Interest paid	6,592	0	0	0	0	0	2,392	8,984
Minimum revenue provision	3,139	0	0	0	(25)	0	1,018	4,132
Pension deficit recovery contr'ns	4,400	0	0	0	(69)	0	170	4,501
Environment Agency Levy	168	0	0	0	0	0	0	168
<b>Total Other Non-Service Budgets</b>	<b>13,147</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(94)</b>	<b>0</b>	<b>3,851</b>	<b>16,904</b>
Net budget	108,732	794	5,661	(3,158)	(7,554)	9,651	2,918	117,045
<b>FUNDING</b>								
Business rates	(14,226)	0	0	0	0	0	(869)	(15,095)
Govt grants & other funding	(9,115)	0	0	0	0	0	(1,593)	(10,708)
Surplus / Deficit movements	(165)	0	0	0	0	0	25	(140)
Council tax	(85,622)	0	0	0	(214)	0	(5,265)	(91,102)
<b>Total Funding</b>	<b>(109,128)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(214)</b>	<b>0</b>	<b>(7,702)</b>	<b>(117,045)</b>
<b>Total</b>	<b>(396)</b>	<b>794</b>	<b>5,661</b>	<b>(3,158)</b>	<b>(7,768)</b>	<b>9,651</b>	<b>(4,784)</b>	<b>0</b>

## 21. BACKGROUND DOCUMENTS

21.1 None.

## 22. CONSULTATION

Name of consultee	Post held	Date sent	Date returned
<i>Mandatory: Statutory Officers (or deputies)</i>			
Elizabeth Griffiths	Executive Director of Resources/S151 Officer		
Elaine Browne	Monitoring Officer	30/11/23	05/12/23
<i>Deputies:</i>			
Andrew Vallance	Head of Finance (Deputy S151 Officer)		
Karen Shepherd	Head of Governance (Deputy Monitoring Officer)		
<i>Mandatory: Equalities Officer</i>			
Ellen McManus-Fry	Equalities & Engagement Officer		
<i>Other consultees:</i>			
<i>Directors</i>			
Stephen Evans	Chief Executive	30/11/23	05/12/23
Andrew Durrant	Executive Director of Place	30/11/23	04/12/23
Lin Ferguson	Executive Director of Children's Services	30/11/23	04/12/23
Kevin McDaniel	Executive Director of People Services	30/11/23	04/12/23

Confirmation relevant Cabinet Member(s) consulted	Cabinet Member for Finance	Yes
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## REPORT HISTORY

Decision type:	Urgency item?	To follow item?
For information	No	Not applicable

Report Author: Elizabeth Griffiths, S151 Officer