

Report Title:	2024/25 Budget
Contains Confidential or Exempt Information	No - Part I
Cabinet Member:	Councillor Lynne Jones, Deputy Leader, and Cabinet Member for Finance
Meeting and Date:	Council – 29 February 2024
Responsible Officer(s):	Elizabeth Griffiths, Executive Director of Resources and S151 Officer
Wards affected:	All



## **REPORT SUMMARY**

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

*Setting a balanced budget for the authority has become increasingly challenging. Council Tax forms almost 80% of the council's funding but between 2020/11 and 2016/7 the authority operated a policy of Council Tax cuts and freezes. Since Council Tax rises each year in percentage increases, not absolute monetary values, this means that even although it has increased incrementally since, our lower baseline ensures we can never catch up with our neighbouring councils and the amount we are able to spend delivering services to our residents will always be less than our peers.*

*RBWM's lower Council Tax funding means that it spends £322.47 less on each resident than the average of its neighbours and to increase our spend to match them, we would have to increase our budget by a quarter.*

*This makes it all the more remarkable that we are able to deliver high quality, high performing services, but we are forced to do it with fewer and less well-paid staff than our neighbouring authorities.*

*The 2023/24 budget required £10.5m of savings to balance. Many of those savings have not been achieved and costs in many areas outstripped budget, most notably in our demand led statutory services. This, in spite of active measures to reduce and control expenditure and to increase income where possible, has resulted in a £10m overspend to budget in 2023/24 (to the end of January 24). Even after the use of contingency, earmarked reserves, and all available grant funding, we anticipate that general reserves will be less than £4m by the end of the 2023/24 financial year. This extremely low level of reserves, in conjunction with our restricted funding and the sharply rising cost of servicing a large amount of legacy debt means that our financial resilience is very low indeed.*

*The 2024/25 budget addresses the shortfall in funding for social care, but these increases are funded by a new set of transformation and efficiency targets. The difference this year is that the projects have all been suggested and initiated by the services, will be resourced using additional funding available under the flexible use of capital receipts and managed with appropriate governance through the newly implemented Future Shape RBWM programme.*

*Our medium-term financial strategy projects the authority able to survive financially over the period but not to generate the kind of surpluses that would allow for significant growth or large-scale reduction of debt. Delivering the transformation required at pace not only carries risk but will require the organisation to focus intently on that delivery over the next 12 months and avoid the temptation to divert resources, either monetary or in officer time, into any activities that do not deliver that change. This will require a culture shift from both officers and members.*

*The appendices summarised in this report and appended to it provide detailed information in each of the areas and all form part of our plans in the short to medium term. RBWM has risen*

*to the financial challenge it faces and developing an achievable budget that balances represent a significant milestone. Delivering it will be the biggest challenge yet and will require the support of every officer, every service, and every member.*

*As recommended by Cabinet, Council is asked to consider all the information provided and approve the council's approach to balancing the budget.*

## **1. DETAILS OF RECOMMENDATIONS**

**RECOMMENDATION: That, as recommended by Cabinet, Council approves the council's approach to balancing the budget:**

- i) The net budget for 2024/25 of £118.721m as set out in the main body of this report.**
- ii) Fees and Charges for 2024/25 as set out in Appendix F to this Report, noting that this excludes the pitch fees referenced in paragraph 11.4.**
- iii) That delegated authority is given to the Executive Director of Place, in consultation with the Cabinet member for Communities and Leisure, to approve the final amount to be charged for the Outdoor Facilities section of Fees and Charges, set out in the Appendix F to this report, as referenced in paragraph 11.4.**
- iv) The Flexible Use of Capital Receipts for the purposes outlined in Appendix G of this report.**
- v) The statement of MRP policy contained in Appendix H to this report under the heading Minimum Revenue Provision**
- vi) The Capital Strategy 2024/25 as set out in Appendix H to this report.**
- vii) The consolidated Capital Programme for 2024/25 as set out in Appendix I**
- viii) That delegated authority is given to the Executive Director of Place and the S151 Officer, in consultation with the Cabinet member for Finance to approve the inclusion of the proposed PSDS project, subject to business case.**
- ix) The breakdown of projects with the highway resurfacing programme as detailed in Appendix J to this report.**
- x) The breakdown of projects within the footway maintenance and construction programme as detailed in Appendix J to this report.**
- xi) The Treasury Management Strategy for 2024/25 as set out in Appendix K to this report, including the Treasury Management Policies and Lending Counterparty Criteria**
- xii) The prudential indicators as set out in Appendix K to this report, including the Operational and Authorised limits for external borrowing.**
- xiii) The allocation of the £165.017m Dedicated Schools Grant as set out in Appendix L to this report.**
- xiv) The updated Pay Policy Statement for 2024/25 as set out in Appendix M to this report.**

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

- 2.0 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. All councils are legally required to set and maintain a balanced budget each year and failure to do so is likely to lead to intervention from the Secretary of State under section 15 of the Local Government Act 1999.
- 2.1 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.

## 3. KEY IMPLICATIONS

- 3.1 In September 2023, the council clearly stated 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.

## 4. FINANCIAL DETAILS

- 4.1 Relatively little has changed since the December draft of the budget in terms of the overall numbers and proposals being presented. There are some new savings being presented, some recalculated costs, an updated position from the settlement and a few notable additional proposals to the budget. Overall, thanks primarily to some additional government funding for social care in the recent settlement, we are able to put more into our contingency budget than the December draft allowed for. This is especially welcome because we start the new year with very low levels of general reserves, a high level of demand in our statutory services which will carry over into the new financial year and the correspondingly high level of risk and low financial resilience.

December Cabinet Contingency	(2,000,000 )
Increase in government grants from settlement	(1,564,570 )
Broker fees and bank charges not in the interest figure	325,000
Additional credit control resource across Resources, Adults and Housing	174,830
Additional Finance pressure	104,000
Residents permit no increase on 1st permit	66,400
Counter fraud contract	42,500
Eton Wick library potential reopening	21,000
25% saving in internal audit contract	(82,270 )
Observation wheel	(40,000 )
Additional pension deficit saving - deficit charged to Pension Fund	(43,000 )
Various minor housekeeping adjustments	(8,480 )
Change in interest and MRP costs	(64,000 )
Flexible use of capital receipts - HR, IT & Democratic - costs already in budget	(149,000 )
Savings from use of capital flexibilities	(140,000 )
Flexible use of capital receipts - Mosaic	(241,890 )
Final Contingency Budget	(3,599,480 )

4.2 The changes since the December draft are shown below. The various changes in income and expenditure have increased the amount we are able to allocate to a contingency budget from £2m, as reported in the December draft, to £3.6m as can be seen in our revenue budget (below) and MTFS (medium term financial strategy at **Appendix C**). The movements are shown in the format below for transparency and ease of explanation. All of these changes sit in the appropriate cost centres within the budget but the net effect of them has been to make more funding available to strengthen our contingency budget.

4.3 Key points to note as follows:

- Increased grant funding of £1.56m. This is primarily for social care.
- Broker fees and bank charges, these were omitted from the Dec draft.
- Additional credit control resource – this is a growth item but essential in tackling the aged debt. As part of the transformation programme, we will be improving processes, but additional credit control resource is required operationally to recover the monies.
- Additional resource in the finance team – this is partly overlapping resource because several senior members of the finance team are leaving, and we have engaged interim resource to help us prep for year end and take us through the audit. Recruitment for permanent staff will begin shortly.
- Counter Fraud Contract – entering into this contract has been agreed by ELT and by the Cabinet member for Finance but is subject to an officer decision notice. This additional service will strengthen governance and also generate income by checking that applicants claiming discounted services are entitled to them. No additional income for this has been estimated in the budget but there is very much an expectation that this contract will more than pay for itself as the service provider offers similar support to several other councils who have benefitted financially from engaging them.
- The other notable items in the list are savings generated by the flexible use of capital receipts (discussed in more detail below and in Appendix G). These are existing staff resources which are now planned to be used for the Future Shape RBWM transformation programme. This generates a saving against our revenue budget by charging their time to the transformation costs. These charges will be tracked and are limited. As noted in each discussion of this programme, existing staff resource is limited, and the transformation plans in progress cannot be delivered by internal resource alone. The recharges planned relate to systems upgrades and implementations and are for specialist skill sets internally in finance, IT, and subject matter experts in the service areas to complement the external consultancy and additional project management we plan to recruit to resource the overall programme.

## **5. Draft Revenue Budget 2024-25**

5.1 **The proposed draft revenue budget and funding is set out in the table below.**

5.2 **As recommended by Cabinet, Council is asked to approve the net budget for 2024/25 of £118.721m as set out in the table below.**

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>1,008</b>	<b>28</b>	<b>3</b>	<b>0</b>	<b>(103)</b>	<b>0</b>	<b>0</b>	<b>936</b>
<b>ADULT SOCIAL CARE AND HEALTH</b>								
Dir of Adults Social Care & Health	329	12	0	0	0	195	0	536
Adult Social Care	52,799	13	3,053	(25)	(1,440)	4,884	(395)	58,889
Adult Social Care income	(14,287)	0	0	(853)	(250)	140	0	(15,250)
Communities & partnerships	142	4	1	(1)	0	0	0	147
Public Health	5,317	0	0	0	0	0	83	5,400
Public Health Grant	(5,317)	0	0	0	0	0	(83)	(5,400)
<b>Total Adults and Housing</b>	<b>38,984</b>	<b>29</b>	<b>3,054</b>	<b>(879)</b>	<b>(1,690)</b>	<b>5,219</b>	<b>(395)</b>	<b>44,322</b>
<b>CHILDREN'S SERVICES</b>								
Children's Social Care	28,082	0	1,493	0	(2,858)	2,628	0	29,344
Dedicated Schools Grant Exp	78,556	0	0	0	0	0	7,720	86,276
Dedicated Schools Grant	(78,556)	0	0	0	0	0	(7,720)	(86,276)
<b>Total Children's Services</b>	<b>28,082</b>	<b>0</b>	<b>1,493</b>	<b>0</b>	<b>(2,858)</b>	<b>2,628</b>	<b>0</b>	<b>29,344</b>
<b>PLACE</b>								
Director of Place	397	0	0	0	(100)	0	0	297
Communities	(1,435)	26	9	(10)	(170)	312	0	(1,268)
Housing	1,997	89	95	(5)	(94)	474	(14)	2,542
Infra, Sustainability & Transport	5,164	49	73	(25)	(605)	0	0	4,656
Neighbourhood Services	7,784	49	714	(1,904)	(291)	600	0	6,952
Planning	1,046	94	10	(138)	(703)	130	0	439
Property services	(3,392)	11	24	(8)	(270)	165	0	(3,470)
<b>Total Place</b>	<b>11,560</b>	<b>318</b>	<b>925</b>	<b>(2,089)</b>	<b>(2,233)</b>	<b>1,681</b>	<b>(14)</b>	<b>10,148</b>
<b>RESOURCES</b>								
Director of Resources	153	5	0	0	0	0	0	158
Finance	2,399	94	19	(114)	(155)	193	0	2,435
HR, Corporate Projects & ICT	3,146	101	47	(9)	(210)	102	0	3,178
Revs, Bens, Library & Res Services	4,238	143	62	(29)	(155)	68	0	4,327
Housing Benefit	(377)	0	0	(42)	0	0	0	(419)
Law and Governance	3,111	82	36	(30)	(215)	39	0	3,023
<b>Total Resources</b>	<b>12,670</b>	<b>424</b>	<b>164</b>	<b>(224)</b>	<b>(735)</b>	<b>402</b>	<b>0</b>	<b>12,701</b>
<b>Total Service Budgets</b>	<b>92,303</b>	<b>800</b>	<b>5,639</b>	<b>(3,192)</b>	<b>(7,619)</b>	<b>9,930</b>	<b>(409)</b>	<b>97,452</b>
<b>CORPORATE AND CONTINGENCY</b>								
Contingency	2,653	0	0	0	0	0	947	3,599
Corporate budgets	700	0	0	0	0	0	(175)	525
<b>Total Corporate and Contingency</b>	<b>3,352</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>772</b>	<b>4,124</b>
<b>OTHER NON-SERVICE BUDGETS</b>								
Interest received	(1,152)	0	0	0	0	0	205	(947)
Interest paid	6,592	0	0	0	0	0	2,756	9,348
Minimum revenue provision	3,139	0	0	0	(25)	0	1,006	4,120
Pension deficit recovery contr'ns	4,400	0	0	0	(112)	0	170	4,458
Environment Agency Levy	168	0	0	0	0	0	(2)	166
<b>Total Other Non-Service Budgets</b>	<b>13,147</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(137)</b>	<b>0</b>	<b>4,135</b>	<b>17,145</b>
<b>Net budget</b>	<b>108,802</b>	<b>800</b>	<b>5,639</b>	<b>(3,192)</b>	<b>(7,756)</b>	<b>9,930</b>	<b>4,497</b>	<b>118,721</b>
<b>FUNDING</b>								
Business rates	(14,226)	0	0	0	0	0	(1,315)	(15,541)
Govt grants and other funding	(9,115)	0	0	0	0	0	(3,157)	(12,273)
Surplus/ Deficit movements	(165)	0	0	0	0	0	2,263	2,098
Council tax	(85,622)	0	0	0	(214)	0	(7,170)	(93,006)
<b>Total Funding</b>	<b>(109,128)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(214)</b>	<b>0</b>	<b>(9,379)</b>	<b>(118,721)</b>
<b>Total</b>	<b>(326)</b>	<b>800</b>	<b>5,639</b>	<b>(3,192)</b>	<b>(7,970)</b>	<b>9,930</b>	<b>(4,881)</b>	<b>0</b>

## Appendices to the 2024/25 budget

### 6. Council Plan – Appendix A

- 6.1 The council has set out a revised set of priorities, which emphasise the need to focus on addressing the serious financial challenges faced by the council. The new Council Plan priorities are set out at Appendix A.
- 6.2 These are grouped under the following Strategic Aims:
- 6.3 Put the council on a strong financial footing to serve the borough effectively.
- 6.4 A cleaner, greener, safer, and more prosperous borough.
- 6.5 Children and young people have a great start in life and access to opportunities through to adulthood.
- 6.6 People live healthy and independent lives in supportive communities.
- 6.7 A high-performing council that delivers for the borough.
- 6.8 The Council Plan provides the framework for decisions on resource allocation. The proposed budget allocations are informed by our priorities, and in turn, the activities undertaken to achieve these priorities are developed in line with the resources available. The full Council Plan will include a Technical Appendix, summarising the activities that will be delivered in order to achieve our priorities, and the Key Performance Indicators (KPI) which will enable us to monitor progress, and identify and respond to issues.
- 6.9 Progress against the Council Plan will be monitored through the Quarterly Assurance Reports (QAR) to Cabinet. The full Council Plan, including the Technical Appendix, will come to Cabinet on 27 March, and then Full Council on 11 April 2024.
- 6.10 The Council Plan has been informed by engagement sessions with key stakeholder groups including young people, older people, people with disabilities, the voluntary and community sector, Members, parishes, and staff.
- 6.11 A total of 224 people participated in the sessions, with more contributing to responses submitted via email or the online survey. There was support for the general direction of the council's emerging aims and priorities, with feedback contributing to the shaping of the priorities. The early community engagement highlighted priority concerns for residents and the VCS and the later sessions allowed for better definition and strategic alignment of those aims and priorities. A summary of key themes from the engagement is included at **Appendix B**.

### 7. Budget Consultation – Appendix B

- 7.1 The consultation on the Draft Budget 2024-25 was open from Friday 15 December until Monday 22 January. There were 391 responses from residents, businesses and other stakeholders, plus verbal and written submissions from other stakeholders, including the Youth Council. This was a slight increase on response rates last year. There were also over 900 responses to the parking fees and charges consultation.

- 7.2 50% of respondents agreed with the proposals to increase council tax, a greater proportion than those opposing (34%). Many respondents commented that they would support larger increases, in order to cover rising costs and to fund services adequately.
- 7.3 Key concerns raised, include the potential closure of the Guildhall Museum and on increases to parking charges (which were implemented on 5th February following the decision at November Cabinet to implement increases early due to the financial situation). Respondents also set out a range of ideas for income generation and savings. More detail on the consultation feedback is included at **Appendix B**.
- 7.4 **As recommended by Cabinet, Council is asked to have due regard to the contents of Appendix B.**

## **8. Medium Term Financial Strategy – Appendix C**

- 8.1 The Medium-Term Financial Strategy (MTFS) is the forward projection of the Authority's financial position and takes into account all known plans. It is an estimate, and like all projections, becomes less accurate the further into the future it goes. What it does usefully do is allow us to consider the likely future financial position and allow us to model the impact that alternate decisions might have on that.
- 8.2 The MTFS is included at **Appendix C**. It shows in the far-left column our projected position for the coming year, 2024/25, which has a balanced budget but includes necessary growth of £9.9m and a large-scale transformation programme which underpins savings of £7.5m.
- 8.3 The future year projections are based on assumptions that are shown at the base of the table. Inflation on costs and income has been assumed to be between 2% and 4% with an allowance of inflation on wages of 3%, which is higher than in some previous years and reflects our commitment to try to bring RBWM staff salaries more in line with our neighbouring authorities.
- 8.4 Council Tax is assumed to rise at the maximum amount allowed each year (assuming the cap stays at current levels). Business rates are based on projections supported by industry analysts LG Futures, who support with our NNDR returns.
- 8.5 Future government funding has used Pixel projections, which are industry standard, but has assumed that the potential Spending Review does not happen. It has been expected for some time but the fact that we will potentially soon have a general election throws that into some doubt.
- 8.6 A small allowance for additional future growth has been made of £500k. RBWM is not generating sufficient surpluses to create capacity for much growth and in each year's budget we will have to choose between using what little we do generate for growth pressures or to improve our financial resilience by increasing reserves. The MTFS shows the Authority hoping to hold down the growth to minimal levels, allowing us, over the life of the projection, to bring reserves back to £9m. Financial resilience is also achieved by finding additional savings and income generation, by better systems and processes and by close monitoring and RBWM are doing all of these things.
- 8.7 Each decision made going forward will affect this projection. Staying on plan will maintain the position. Unplanned expenditure will worsen it. It is not guaranteed. It is an estimate of where we will be if we carry out the actions we have laid out in the budget.
- 8.8 It is possible to improve the position. If we create more efficiencies, receive more income than budgeted, reduce expenditure by more than we've already planned or if we receive more Govt funding in future years, the forecast will improve. Either way, we must monitor it closely to check where we are against plan as any deviation from it will

need to be rectified quickly. The level of reserves currently held cannot cover unforeseen expenditure for long, leaving the council at considerable risk.

- 8.9 The graph below the MTFS shows the movements in funding, net budget, and general fund reserves. This shows us the trend in each of these things and the impact that has on general fund reserves – which we are projecting as positive – but, even if we hold down growth will still recover very slowly and be vulnerable to any unforeseen expenditure. During 2023/24 the level of reserves was halved. This is due to the budget in 2023/24 for demand led statutory services, notably Adult Social Care, being insufficient.
- 8.10 Even after applying all available earmarked reserves and grants, the resulting overspend has halved our general reserves and the amount of growth added to both Adult’s and Children’s Services to acknowledge that increase in demand has meant that, unless funding improves materially, the Authority has very little capacity to restore and rebuild those reserves. The only other variable is the contingency budget planned each year so we must endeavour not to use that, to find additional savings wherever possible and to return as much surplus as we can to reserves at the end of each year.
- 8.11 The good news is that the Authority has developed much better approaches to spending with the advent of the Spending Control Panel, improved financial governance and monitoring and a greater awareness of the financial issues in all levels of officers and members. This has reduced unnecessary spend and will continue to do so but the severity of the situation means we must continue to look at ways to improve the governance and approach to finances in both officers and members.

## 9. Growth – Appendix D

- 9.1 As above, the Authority’s budget for 2023/24 proved inadequate in several key areas, the most notable being adults and children’s social care. This has been addressed by adding £5.2m and £2.6m of funding to these areas respectively. The details of the additions to all areas can be seen in **Appendix D**.
- 9.2 The “unavoidable” growth items range from contract pressures and posts that were agreed but not budgeted for to high levels of cost increase in demand led statutory services. Very few of the items listed were costs that the Authority could choose not to incur which meant that compensating savings had to be found to offset them.
- 9.3 Some of the costs are “one off” items for one year only while some are spread over a number of years. The change up or down can be seen in the projections in the table and is reflected in the MTFS.

## 10. Efficiencies – Appendix E

- 10.1 Corresponding to the growth items in **Appendix D**, **Appendix E** lists the £7.5m of efficiencies, savings, and transformation projects that the Authority has developed in order to bring the budget back into balance and cover the inflationary increases in contracts and rise in demand for statutory services that wasn’t covered by the 2023/24 budget.
- 10.2 The amount of efficiencies relating to service budgets can be see in the top half of the MTFS in **Appendix C**, while the amounts relating to Council Tax and pensions are in the bottom half with other funding and non-service-related items.
- 10.3 The approach to finding reductions in the 2024/25 budget to close the gap was as follows:



- **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 and reduce costs.
  - **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 and improve the borough’s infrastructure and public spaces.
- 10.4 The efficiencies outlined in the appendix range from relatively small-scale operational efficiencies to the necessarily more ambitious large scale transformation projects required to deliver savings on this level.
- 10.5 To support the delivery of this programme, a new corporate transformation programme – Future Shape RBWM – has been put in place with associated governance to monitor the project updates, coupled with additional resource as outlined in the Flexible Use of Capital Receipts strategy in **Appendix G**. Project plans have already been developed and will be reported to Cabinet.

## 11. Fees and Charges – Appendix F

- 11.1 As above, one of the Authority’s approaches to closing the budget gap is income maximisation and in line with this, we have increased fees and charges. While never a welcome addition to any budget, these are really important to RBWM as a source of income and fund not only the service they relate to but can provide much needed support to other statutory services.
- 11.2 Most fee and charge increases were agreed in principle in December ahead of being consulted on so they could be implemented as early as possible to help relieve the in-year pressures and subsequent overspend that the Authority is facing. The fees and charges listed at **Appendix F** are those not yet approved.
- 11.3 The feedback given through the budget consultation and comments in regard to fees and charges increases have been taken into consideration and one of the actions from that was to hold the cost of parking permits for the first vehicle and increase more significantly the cost of second or third permits in a household.
- 11.4 Please note that the pitch charges, as noted in the Outdoor Facilities section of the Fees and Charges **Appendix F** are being consulted on and the final decision on the amount to be charged is delegated to the Executive Director of Place in consultation with the Cabinet member for Communities and Leisure
- 11.5 **As recommended by Cabinet, Council is asked to approve the Fees and Charges for 2024/25 as set out in Appendix F, noting that this excludes the pitch fees referenced in 11.4 above.**

## 12. Flexible Use of Capital Receipts – Appendix G

- 12.1 Capital receipts are only permitted to be used for specific purposes, primarily for the funding of new capital expenditure, which would in turn reduce the amount of new assets being added that require us to accrue MRP or that need to be funded by borrowing.
- 12.2 Capital receipts are not allowed to be used for revenue expenditure, apart from under one very specific set of circumstances. As part of the 2016/17 settlement, the government announced that it would allow the use of capital receipts, received from the 1st of April 2016 onwards, to be used to fund transformation. This special direction is due to end in March 2025.
- 12.3 The criteria for qualifying expenditure is as follows; the project has to be designed to:
- Generate ongoing revenue savings in the delivery of public services and/or
  - Transform service delivery to reduce costs and/or
  - Transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners.
  - The expenditure must not be ongoing revenue spend.
- 12.4 This gives us the opportunity, in the last year that this is available, to take advantage of it to fund our transformation programme and the detail of the direction being used and the expenditure we plan to use it for is set out in **Appendix G**. The majority of the expenditure in the table is either consultancy to help us scope and deliver the changes we have set out to achieve as part of the £7.5m of savings in **Appendix E**, or specialised project management resource to manage and report on it.
- 12.5 A new corporate transformation programme – Future Shape RBWM – is being put in place to give the council the best chance to deliver service and organisational change on the scale required. It will be a significant undertaking with high levels of risk – some of which is outside the council’s control – but without this new approach and infrastructure, delivery will not be possible.
- 12.6 The use of capital receipts in this way does carry an opportunity cost, but put quite simply, without adequate resourcing, the transformation programme would be unlikely to succeed and the monetary benefits of it, not only in 2024/25 but ongoing, significantly outweigh the cost of undertaking it. Without the successful delivery of the planned transformation programme, RBWM will not be financially viable. Levels of staffing within the Authority are already far below the level of comparable councils which means that the Future Shape RBWM programme is undeliverable within existing capacity and without the appropriate additional resource, will not succeed.
- 12.7 There are some additional items on the table, not related to the programme, but expected to meet the criteria above and generate additional income or savings. These have an amount specified next to them of savings expected to be generated and more information on these is given in the expanded detail in the spreadsheet attached.
- 12.8 While the table shows the limit of funding that we are proposing to spend on it, each resource will be carefully sought to deliver best value so there is every chance that we will spend less than the amount shown. If approval is given for the expenditure, we will not be allowed to exceed the amount shown.
- 12.9 The plan, if approved by Council, will be shared with DLUHC (the Department for Levelling Up, Housing and Communities) and the Secretary of State for approval but

since this is a direction that is offered to any local authority whose expenditure meet the criteria, and many are currently taking advantage of it, it is unlikely to be refused.

- 12.10 There is a risk that if either DLUHC or our incoming auditors, Grant Thornton, deem the expenditure to be non-compliant they could ask for it to be charged to revenue. Whilst no concrete assurances can be given ahead of the audit, the scope and contents of the plan have been discussed with Grant Thornton in principle and we remain confident that the planned expenditure is compliant.
- 12.11 One example of this compliance is where we have split the amount of resource required to tackle our aged debt between transformation resource (developing and implementing better processes to give consistency between services in their approach to credit control and the creation of template documents to be used at each stage) and the additional credit controllers required to collect the debt (ongoing revenue expenditure).
- 12.12 If approved, we must only charge the expenditure related to the agreed projects and the actual spend must be compliant i.e., having got agreement for the items on the list, each individual expenditure must be demonstrably compliant and within the list agreed. Any change to this would need to go through the same process of being agreed by full Council and an updated request sent to DLUHC.
- 12.13 The alternative to charging this expenditure to capital receipts would be to charge it to revenue expenditure which would consume most of the contingency budget for 2024/25. Since RBWM has very low levels of reserves to withstand unplanned expenditure beyond contingency, this is not advised.
- 12.14 **As recommended by Cabinet, Council is asked to approve the Flexible Use of Capital Receipts for the purposes outlined in the report in Appendix G**

### **13. Capital Strategy – Appendix H**

- 13.1 In spite of the current financial constraints, the council remains committed to a vibrant programme of capital projects designed to improve, maintain and sustain the Borough. There is a focus on the housing needs of our residents, an obligation to ensure their safety and prosperity by maintaining and improving local infrastructure and also a strong emphasis on optimising the use of the buildings, land and other assets that we own for the benefit of the Borough and the council's finances.
- 13.2 Over the last decade, RBWM has accumulated a high spend on capital, funded by borrowing. This has left us with a combined MRP (minimum revenue provision) and interest payable of £13.5m, over 11% of our net expenditure.
- 13.3 To avoid adding to this pressure, RBWM is considering carefully any new capital expenditure, focusing our attention on grant funded infrastructure delivery through S106 and CIL and the programme of work in the borough's schools. Where projects have been proposed that are funded by additional borrowing, they relate to software systems and networks within the Authority. These must be maintained not only so the council can work efficiently but also to protect the security of our resident's data.
- 13.4 The Capital Strategy report at **Annex H** explains our approach to capital expenditure, highlights current and recently completed projects, gives an overview of our plans in the short to medium term, explains how the associated risk of those is managed and the implications of those plans on our future financial sustainability. The capital strategy is a key contributor to the longer-term projections in the MTFS.
- 13.5 There are a considerable number of large-scale projects in process and many smaller projects which are "slipping" forward from 2023/24 to 2024/25 so the proposed capital

programme, of which new bids are primarily grant funded and therefore not adding to our borrowing or MRP costs, represents an achievable and prioritised target.

- 13.6 Care must be taken to focus the Authority's efforts on this programme and avoid diverting resource on potential schemes that don't align with Council priorities and risk not only jeopardising the core deliverables, by using up officer time when staffing levels are already low, but also spending money on schemes that are not a priority and don't deliver a healthy return on investment, making RBWM's financial position worse instead of improving it.
- 13.7 An important part of reducing the burden that debt is placing on our finances is to sell assets to repay it, where it makes financial sense to do so. Making best use of our assets was agreed by Cabinet and Full Council in September as part of our action plan for dealing with the serious financial position of the council. The sale of large assets such as Maidenhead Golf Course, which has been in progress for some time now, is vitally important as it is the Authority's only meaningful way of reducing the existing debt levels.
- 13.8 **Council is asked to approve the statement of MRP policy contained in Appendix H under the heading Minimum Revenue Provision**
- 13.9 **As recommended by Cabinet, Council is asked to approve the Capital Strategy 2024/25 as set out in Appendix H**

#### **14. Capital Programme – Appendix I**

- 14.1 Appendix I shows the new bids for 2024/25. These align with the Authority's strategy to minimise the reliance on borrowing and unfunded projects which has caused the current debt situation that is creating such a draw on the revenue budget.
- 14.2 Only internal systems upgrades, and network strengthening have been approved as unfunded spend with the remainder of the new bids drawing on external funding such as S106, CIL and other grants.
- 14.3 The Appendix goes on to show the complete capital programme for 2024/25 onwards, including new bids and slippage from approved projects in previous years.
- 14.4 The PSDS (Public Sector Decarbonisation Scheme) bid is a late addition and is not yet approved. A business case will be presented in due course to consider the impact of the proposed changes on the ongoing revenue costs. The project itself is largely grant funded but would have an element of cost to RBWM / borrowing and this will be considered as part of the business case alongside the positive or negative impact on revenue of the change in heating system on utility costs.
- 14.5 There is an expectation of further capital bids for the upgrade to the Agresso Finance system. The requirement to upgrade is known but the cost of the upgrade is not. Best estimates are around £100k. There is also an expectation of a bid for further funding from the Mosaic system implementation of around £400k. This project is due to complete in October and the request for additional budget for resource is imminent.
- 14.6 **As recommended by Cabinet, Council is asked to approve the consolidated Capital Programme for 2024/25 as set out in Appendix I**
- 14.7 **That delegated authority is given to the Executive Director of Place and the S151 Officer, in liaison with the Cabinet member for Finance to approve the inclusion of the proposed PSDS project, subject to business case.**

## 15. Highways and Footways capital spend – Appendix J

- 15.1 The capital spend in **Appendix J** is the detail of projects already included in the capital programme but provides a proposed breakdown of spend along with potential projects held in reserve should the projects on the priority list be able to be delivered for less than anticipated.
- 15.2 The highway resurfacing programme is a list of resurfacing schemes which been highlighted as high risk to the borough through the scrim and scan survey carried out in 2023. These schemes need to be carried out to maintain the life of the council's assets, prolong the life of the network for all users, and reduce potential claims to the council. **As recommended by Cabinet, Council is asked to approve the breakdown of projects with the highway resurfacing programme as detailed in Appendix J**
- 15.3 The footway maintenance and construction programme is a list of footway schemes which have been highlighted through highway safety inspections which are carried out throughout the year, which require maintenance. Carrying out this maintenance maintains the life of the council's footways for all user groups, prolongs the life of the assets as well as reducing potential claims to the council. **As recommended by Cabinet, Council is asked to approve the breakdown of projects within the footway maintenance and construction programme as detailed in Appendix J**

## 16. Treasury Strategy – Appendix K

- 16.1 Treasury Management is the management of the Authority's cash flows, borrowing and treasury investments, and the associated risks. Where the Authority has invested sums of money, it is exposed to financial risks, including the loss of invested funds and the revenue effect of changing interest rates. Changing interest rates also have a material impact on its cost of borrowing. The successful identification, monitoring and control of financial risks are therefore central to the Authority's prudent financial management.
- 16.2 Treasury risk at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's 'Treasury Management in the Public Services: Code of Practice 2017 Edition' (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year. The report at **Appendix K** fulfils the Authority's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.
- 16.3 RBWM is in a difficult position. Large amounts of unfunded capital spend over the last decade have left the Authority with close to £200m of debt that is being serviced but not repaid. The interest and MRP (minimum revenue provision, discussed in more detail in the Capital Strategy paper at **Appendix H**) cost in the 2024/25 budget is £13.5m, over 11% of our budget, and the increase in interest rates over the last couple of years was a significant contributor to the gap we had to close in order to balance next year's budget.
- 16.4 The Treasury strategy sets out our approach to the management of existing cash and debt and the refinancing of loans reaching maturity. It sets out the acceptable counterparties for both borrowing and investment and the limits set on these. **As recommended by Cabinet, Council is asked to approve RBWM's Treasury Management Strategy for 2024/25 as set out in Appendix K, including the Treasury Management Policies and Lending Counterparty Criteria.**

- 16.5 A key requirement is that Council approves the maximum amount of debt that the authority can enter into in the short to medium term. The level requested is a function of our capital financing requirement (CFR) and sets both warning and absolute limits just above that. **As recommended by Cabinet, Council is asked to approve the prudential indicators as set out in Appendix K, including the Operational and Authorised limits for external borrowing.**
- 16.6 More work is required to generate better quality cashflow projections and debt management decision making information going forward. While a review of the long-term resource required is underway, interim support has already been put in place to strengthen both capacity and capability in the Finance team ahead of the next round of debt refinancing.

## **17. Dedicated Schools Grant – Appendix L**

- 17.1 The Dedicated Schools Grant (DSG) funds both maintained schools and academies and is ring fenced for schools and pupil activity as defined by the School and Early years Finance (England) Regulations.
- 17.2 The Authority has a responsibility to ensure that the DSG is deployed in accordance with the conditions of grant and the School and Early Years Finance (England) Regulations. The arrangements for 2024-25 are detailed by the Education and Skills Funding agency (ESFA) “Schools operational guide 2024 to 2025”, the “High needs funding 2024 to 2025 operational guide” and the “Early Years operational guide 2024 to 2025 operational guide”.
- 17.3 The grant is notionally split between four funding blocks: Schools, central school services, early years, and high needs and the report at Appendix L sets out the allocation of funding over those blocks.
- 17.4 The report also shows the deficit that has been accumulated on that grant expenditure due to requirements for spend exceeding the amount of funding available. The deficit does represent a risk to RBWM because while there is currently a statutory override in place which allows us to ignore this deficit when determining our financial viability, but this override is due to end in 2026 and it is unclear whether it will be extended or not.
- 17.5 The deficit is expected, at the end of March 2024, to stand at £1.358m
- 17.6 The Authority is required to submit a plan showing how this deficit will be addressed and the plan, and the actions associated with it are included in **Appendix L**
- 17.7 **As recommended by Cabinet, Council is asked to approve the allocation of the £165.017m Dedicated Schools Grant as set out in Appendix L.**

## **18. Pay Policy – Appendix M**

- 18.1 Under sections 38 to 43 of the Localism Act 2011, Local Authorities are required to prepare, approve by full Council (as a Part 1 item), and publish on their website, a pay policy statement by 31 March each year for the following financial year.
- 18.2 The council operates local pay determination and has a Framework Agreement with the Trade Unions to manage the pay award process. Each year in September the Trade Unions (GMB and Unison) submit a joint pay claim to the council. The claim normally mirrors the national local government pay claim. During the autumn and in the lead up to the approval of the budget in February, discussions take place between

the Chief Executive, Executive Director of Resources, Assistant Director of HR, Corporate Projects and IT and the Trade Unions.

18.3 As part of the budget setting process for 2023/24, the budget agreed by Council in February 2023 included the following pay awards:

- 1 April 2023 – 4% pay award.
- 1 April 2024 – 3% pay award.

18.4 This was the first time that a two-year settlement had been made under the local agreement and this was agreed in order to allow the council to plan its budgets more effectively over the short term.

18.5 The process relating to the 2025 pay award will commence in the summer with informal discussions prior to the Trade Unions submitting their pay claim in September.

18.6 **As recommended by Cabinet, Council is asked to approve RBWM's updated Pay Policy Statement for 2024/25 as set out in Appendix M.**

## **19. EQIAs – Appendix N**

19.1 Equality Impact Assessments (EQIAs) were undertaken for any savings with potential equality impacts. These are attached as **Appendix N**. They consider the impact upon individuals and groups with legally protected characteristics, as well as upon other selected demographic groups that may experience disadvantage. An overarching Equality Impact Assessment has been carried out for the budget overall. This is also included in **Appendix N**. The overarching EQIA considers the potential cumulative impact upon certain groups and allows for a more contextual understanding of individual savings.

19.2 In assessing the impact of this budget, it is important to recognise that the majority of Council spend is directed towards Children's and Adults' Services. The individuals and families accessing and supported by these services include a disproportionate number with particular protected characteristics, such as older adults accessing social care; disabled individuals and their families and carers; and children in care. The overall impact of changes to Council spending can therefore be expected to show a bias towards those groups. In this current challenging financial situation, the Council is driving towards a more efficient and appropriate use of its spending, protecting the most vulnerable in our community, whilst supporting enablement and empowerment through a longer-term approach of prevention and early intervention.

19.3 **As recommended by Cabinet, Council is asked to have due regard to the contents of Appendix N.**

## **20. Report of the CFO – Appendix O**

20.1 Section 25 of the Local Government Act 2003 places a duty on the Chief Financial Officer to make a report to the Council on the robustness of the budget estimates and the adequacy of the council's reserves. The Council must have regard to this report when making its decisions about budgets and council tax for the forthcoming year.

20.2 This report can be found at **Appendix O**

## **21. Minutes of the Corporate Overview and Scrutiny committee – Appendix P**

21.1 The minutes of the Corporate Overview and Scrutiny committee who considered the draft revenue budget on the 19<sup>th</sup> of December 2023 are included at **Appendix P**

## **22. LEGAL IMPLICATIONS**

23.1 Section 30(6) LGFA 1992 provides that the Council must set its budget before 11 March in the financial year preceding the one in respect of which the budget is set. The setting of the budget is a function reserved to Full Council which will consider the draft budget which has been prepared and recommended by the Cabinet. Producing this budget and recommending it to Full Council for approval is part of the process that will ensure the Council meets its legal obligations to set a balanced budget.

23.2 Members must satisfy themselves that sufficient mechanisms are in place to ensure both that savings are delivered as agreed and that new expenditure is contained within available resources.

## **23. RISK MANAGEMENT**

23.1 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.

## **24. POTENTIAL IMPACTS**

25.1 This report contains proposals related to staff or service provisions and may involve changes to policy or service delivery. Equality Impact Assessments have been completed where appropriate and are attached as Appendix N.

25.2 A full budget EQIA has been undertaken on the overall budget and is also set out in Appendix N.

## **25. TIMETABLE FOR IMPLEMENTATION**

Implementation date if not called in: Immediate.

## **26. APPENDICES**

26.1 This report is supported by 16 appendices:

- Appendix A Council Plan
- Appendix B Response to budget consultation
- Appendix C MTFS & MTFS graph
- Appendix D Growth
- Appendix E Efficiencies
- Appendix F Fees and Charges
- Appendix G Flexible Use of Capital Receipts
- Appendix H Capital Strategy
- Appendix I Capital Bids 2024/25 and Consolidated Capital Programme
- Appendix J Detail of Highways and Footways capital expenditure
- Appendix K Treasury Strategy
- Appendix L Dedicated schools grant



- Appendix M RBWM Pay Policy
- Appendix N EQIAs
- Appendix O Report of the CFO
- Appendix P Minutes of the Corporate Overview and Scrutiny committee

## 27. BACKGROUND DOCUMENTS

27.1 None.

## 28. 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		<b>16.02.24</b>
Elaine Browne	Monitoring Officer and Deputy Director of Law & Governance		<b>16.02.24</b>
<i>Deputies:</i>			
Andrew Vallance	Deputy Director of Finance (Deputy S151 Officer)		<b>16.02.24</b>
Helena Stevenson	Principal Lawyer and Deputy Monitoring Officer		<b>16.02.24</b>
<i>Mandatory: Equalities Officer</i>			
Ellen McManus-Fry	Equalities & Engagement Officer		<b>16.02.24</b>
<i>Other consultees:</i>			
<i>Executive Directors</i>			
Stephen Evans	Chief Executive		<b>16.02.24</b>
Andrew Durrant	Executive Director of Place		<b>16.02.24</b>
Lin Ferguson	Executive Director of Children's Services		<b>16.02.24</b>
Kevin McDaniel	Executive Director of Adult Social Care, Health & Communities		<b>16.02.24</b>

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
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