

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

**EXECUTIVE MANAGEMENT TEAM'S
REPORT TO**

Cabinet
06 December 2022

Report Title: Revenue and Capital Budget 2023/24 – First Draft Savings Plans

Submitted by: Head of Finance (Section 151 Officer)

Portfolios: Finance, Town Centres and Growth

Ward(s) affected: All

Purpose of the Report

To present the refreshed Medium Term Financial Strategy including the first draft proposals being considered to balance the 2023/24 revenue budget and the proposed capital programme for 2023/24 to 2025/26.

Recommendation

1. The first draft proposals as set out in Appendix A and Appendix B to the report be noted.
2. The amendment to the Medium Term Financial Strategy (MTFS) funding gap as a result of revisions to capital financing and inflationary assumptions be noted (Appendix C).
3. The refreshed Medium Term Financial Strategy (MTFS) (Appendix D) be referred to the Finance, Assets and Performance Scrutiny Committee for their views.
4. The first draft proposals be referred to the Finance, Assets and Performance Scrutiny Committee for their views (Appendix A and Appendix B).
5. The Mid-Year Capital Estimates for 2022/23 be approved.

Reasons

To ensure that the Council meets its statutory duty to set a balanced budget in February 2023.

1. **Background**

1.1 The funding pressures facing the Council for the period for 2023/24 to 2027/28 were presented to Cabinet on 6 September 2022. The report indicated that there would be a budget 'gap' of £2.249m in respect of 2023/24 (£4.770m over the 5 year period of the MTFS) and that this will need to be closed in order to produce a balanced budget.

2. **Issues**

2.1 The MTFS provides an overarching framework for the allocation of resources to the Council's key priorities as set out in the Council Plan. The Council Plan for 2022-2026 was approved by Cabinet on 6 September 2022 and noted by Full Council on 28 September 2022.

- 2.2 After a ten year period of austerity the financial strategy will continue to focus on the need for the Council to become self-sustaining through developing a strong and growing tax base, making best use of its resources, promoting an “everyone’s responsibility” culture in which there is widespread ownership of the Council’s financial position, a robust financial position and a fair funding settlement for Newcastle-under-Lyme.
- 2.3 The MTFs funding gap is constantly reviewed and assumptions made are challenged and amended as circumstances dictate. Following a review of the costs of financing the capital programme (including the interest rates applicable and the timing of capital expenditure) the estimated cost of capital financing in 2023/24 has reduced by £0.082m when compared to the amount previously reported to Cabinet. A revision to estimates regarding inflation on fuel has reduced the amount previously reported to Cabinet by £0.021m (to reflect costs being incurred in September 2022). New pressures have been added for inflationary increases relating to the Payroll contract (£0.008m) and pressures recognised in repairs and renewals expenditure (£0.050m).
- 2.4 The revised budget ‘gap’ therefore amounts to £2.134m for 2023/24 and £5.808m over the 5 year period of the MTFs (Appendix C).

Proposed Savings and Funding Strategies

- 2.5 A number of savings and funding strategies have been identified as being both feasible and sustainable, via a vigorous Financial Efficiency Board process including challenge sessions for each of the Portfolios involving Cabinet Members, the Executive Management Team, Heads of Service and the Finance Manager. The proposed savings identified to date for the period of the MTFs, and the remaining funding gaps have enabled a balanced financial position to be proposed for 2023/24. Further details for 2023/24 are shown in Appendix A.

Detail	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
<i>Income</i>	270	-	-	-	-
<i>One Council</i>	376	-	-	-	-
<i>Staffing Related</i>	18	-	-	-	-
<i>Good Housekeeping</i>	215	-	-	-	-
<i>Tax Base</i>	337	219	222	224	227
<i>Council Tax Increase</i>	159	161	163	165	167
<i>Government Grants</i>	759	-	-	-	-
TOTAL SAVINGS	2,134	380	385	389	394
UPDATED MTFs GAPS	2,134	1,541	423	455	1,255
REMAINING GAP	-	1,161	38	66	861

Capital

- 2.6 The Capital Programme for 2023/24 to 2025/26 (Appendix B) is based on new schemes which are vital to ensure continued service delivery and in assisting the Council to achieve its corporate and service objectives as set out in the Council Plan 2022-26. These schemes total £45.464m including major investment into the Borough via external funding in terms of the Future High Streets Fund and the Town Deals Fund for both Newcastle and Kidsgrove.
- 2.7 The capital programme will require to be part funded by borrowings. The total net amount of borrowing over 3 years of the proposed Capital Programme for 2023/24 to 2025/26 will amount to £13.479m, significant borrowing will be required during 2023/24 (£13.863m), which may be partially repaid during 2024/25 and 2025/26. The associated borrowing costs have been factored into the MTFs.

2.8 A mid-year review of the capital programme for 2022/23 has been undertaken as part of the Efficiency Board and budget setting process for in order to identify any projects that may need to be re-profiled from 2022/23 into future years. The revised capital programme for 2022/23 totalling £32.977m can be seen at Appendix B.

2.9 The table below sets out the key dates of the events to take place before the budget for 2023/24 is finally approved:

Event	Committee	Date
Budget consultation	Proposed to run during December	
Scrutiny of first draft savings proposals	FAPSC	8 December 2022
Approval of final MTFS & consideration of draft budget proposals	Cabinet	10 January 2023
Scrutiny of draft budget proposals	FAPSC	19 January 2023
Final budget proposals recommended for approval by Full Council	Cabinet	7 February 2023
Full Council to approve budget	Full Council	15 February 2023

3. **Proposal**

3.1 That Cabinet note the funding gap of £2.134m in 2023/24 and £5.808m over the life of the MTFS.

3.2 That Cabinet agree the approach regarding the development of savings and income generation proposals in the medium term.

3.3 That Cabinet note the continued uncertainty regarding the medium term impact of local government funding.

4. **Reasons for Proposed Solution**

4.1 The Council has a statutory duty to set a balanced budget by February 2023. Best practice is for financial planning to take place over a 5 year period in the form of a Medium Term Financial Strategy that sets out how the Council plans to allocate resources to meet its objectives.

5. **Options Considered**

5.1 None.

6. **Legal and Statutory Implications**

6.1 The MTFS is not a statutory document but it is considered best practice.

7. **Equality Impact Assessment**

7.1 Local authorities have a responsibility to meet the Public Sector Duty of the Equality Act 2010. The Act gives people the right not to be treated less favourably due to protected characteristics. It is important to consider the potential impact on such groups and individuals when designing or delivering services and budgets. Budget proposals requiring changes or new services and policies will be subject to Equality Impact Assessments including consultation with affected people and organisations.

8. **Financial and Resource Implications**

8.1 These are addressed in the body of the report.

9. **Major Risks**

9.1 Section 25 of the Local Government Acts 2003 places a duty on the Section 151 Officer to report on the robustness of the budget. The main risks to the budget include spending in excess of budget; income falling short of the budget (including capital receipts from disposal of assets); and unforeseen elements such as changes to Government funding. In the context of uncertainty regarding Government funding reforms there are significant budget risks that will need to be managed. It will be essential the Council has sufficient reserves to call on if required.

9.2 It should be noted that a number of assumptions and proposals are provisional or draft, and as such the opinion of robustness will be confirmed in the Revenue and Capital Budgets and Council Tax 2023/24 reports to Cabinet on 7 February 2023 and to Council on 15 February 2023.

10. **UN Sustainable Development Goals (UNSDG)**

10.1 In shaping detailed budget proposals consideration will be given to the need for investment in order to deliver the Council's Sustainable Environment Action Plan.



11. **Key Decision Information**

11.1 Final approval of the MTFS as part of the budget setting process will be a key decision.

12. **Earlier Cabinet/Committee Resolutions**

12.1 None

13. **List of Appendices**

- 13.1 Appendix A – 2023/24 MTFS Funding Strategy
- 13.2 Appendix B – 2023/24 to 2025/26 Capital Programme
- 13.3 Appendix C – MTFS 'Gaps'
- 13.4 Appendix D – MTFS 2023/24 to 2027/28

14. **Background Papers**

14.1 None

Appendix A – 2023/24 MTFS Funding Strategy

Ref	Service Area	Description	£000's	Detail
Income				
I1	Bereavement Services	Income review	75	Full review of charges made including comparisons and levelling up with charges made by other local authorities
I2	Leisure and Cultural	Museum commercialisation	25	Increased commerciality of the Museum service through charging and promotion
I3	Leisure and Cultural	School swimming	30	Expansion of school swimming lessons scheme
I4	Leisure and Cultural	Student memberships	19	Introduction of a student specific membership
I5	Recycling and Fleet	Garden waste	36	Removal of discount given for additional garden waste bins and increase in fee
I6	Recycling and Fleet	Waste transfer notice	15	Introduction of a charge to recover administration fee
I7	Recycling and Fleet	Sale of recyclable materials	50	Reflection of increased prices paid by contractors for recyclable materials
I8	Recycling and Fleet	Advertising	20	Advertising on the Council's vehicle fleet
			270	
One Council				
O1	Corporate	One Council	376	Efficiencies to be generated from the introduction of a new Council operating model, continuous review and development of services and continued prioritisation of digital delivery
			376	
Staffing Related Efficiencies				
S1	Leisure and Cultural	Life-saving detection system	18	Introduction of a life-saving detection system leading to a reduced number of life guards being required
			18	
Good Housekeeping/More Efficient Processes				
G1	ICT	Centralisation	25	Centralisation and rationalisation of ICT and telephony budgets
G2	Leisure and Cultural	Subsidy reduction	100	Reduction in subsidy to Leisure service to reflect performance
G3	Recycling and Fleet	Green waste recycling credits	70	Contractor costs paid by Staffordshire County Council following removal of recycling credits
G4	Corporate	Good housekeeping	20	Review of temporary staff and other fees for services budgets
			215	
Alternative Sources of Finance/Other				
A1	Corporate	Tax base – Council Tax	91	Increase in tax base based on market housing supply requirement (431 properties per year)
A2	Corporate	Tax base – Business Rates	246	Assumed increase in tax base of 4%
A3	Corporate	New Homes Bonus	485	Assumed one year allocation of New Homes Bonus based on submitted data (CTB1 form)
A4	Corporate	Services Grant	104	Ongoing source of funding (less contribution to National Insurance reimbursement)
A5	Corporate	Lower Tier Services Grant	170	Ongoing source of funding
A6	Corporate	Council Tax increase	159	Assumed increase of 1.99% per Band D property
			1,255	
Grand Total			2,134	

Appendix B 2023/24 to 2025/26 Capital Programme and 2022/23 Mid-Year Estimate



CAPITAL PROGRAMME	2022/23 MID YEAR	2023/24	2024/25	2025/26	TOTAL (2023/24 to 2025/26)
	£	£	£	£	£
PRIORITY – One Council Delivering for Local People					
Service Area - Council Modernisation	309,303	1,991,500	269,000	481,500	2,742,000
Total	309,303	1,991,500	269,000	481,500	2,742,000
PRIORITY – A Successful and Sustainable Growing Borough					
Service Area - Housing Improvements	1,720,000	1,670,000	1,670,000	1,720,000	5,060,000
Service Area - Managing Property & Assets	930,725	883,342	1,442,918	1,266,411	3,591,671
Total	2,650,725	2,552,342	3,112,918	2,986,411	8,651,671
PRIORITY – Healthy, Active and Safe Communities					
Service Area - Environmental Health	60,000	60,000	-	12,000	72,000
Service Area - Streetscene and Bereavement Services	940,000	790,000	240,000	280,000	1,310,000
Service Area - Recycling and Fleet	900,927	5,601,000	303,000	1,230,000	7,134,000
Service Area – Leisure and Cultural	800,341	368,000	16,000	150,000	534,000
Service Area - Engineering	155,000	110,000	1,415,000	120,000	1,645,000
Total	2,856,268	6,929,000	1,974,000	1,792,000	10,695,000
PRIORITY – Town Centres for All					
Service Area - Managing Property & Assets	-	4,700,000	-	-	4,700,000
Future High Streets Fund	5,388,399	1,691,166	-	-	1,691,166
Town Deals – Newcastle	14,356,811	4,706,000	2,251,000	807,000	7,764,000
Town Deals - Kidsgrove	6,415,000	4,190,000	2,794,000	1,236,000	8,220,000
Total	26,160,210	15,287,166	5,045,000	2,043,000	22,375,166
CONTINGENCY (will be carried forward to 2023/24)	1,000,000	1,000,000	-	-	1,000,000
TOTAL	32,976,506	27,760,008	10,400,918	7,320,911	45,463,837
FUNDING					
Capital Receipts	3,684,500	1,400,000	4,000,000	4,000,000	9,400,000
External Contributions	27,877,210	12,497,166	6,545,000	3,543,000	22,585,166
Borrowing	1,414,796	13,862,842	(144,082)	(240,089)	13,478,671
TOTAL	32,976,506	27,760,008	10,400,918	7,302,911	45,463,837

Appendix C – 2023/24 to 2027/28 MTFS ‘Gaps’

Detail	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	Description
Employees:						
Increments	61	40	10	2	-	Employees due an increment
Pay awards	508	330	339	347	356	4% pay award assumed for 2023/24 and 2.5% for all years thereafter
2022/23 Pay award	447	-	-	-	-	Pay award proposed for 2022/23 over and above MTFS assumption of 2.5%
Superannuation increases	224	82	77	77	78	22% of increase in increments and pay awards
Superannuation lump sum increases	57	39	41	43	45	Contribution towards pension deficit
National Insurance	153	56	52	53	54	13.8% of increase in increments and pay awards
Premises:						
Business Rates	30	16	16	16	16	Inflationary increase in business rates payable (per CPI)
Utilities	113	11	11	11	11	Inflationary increase in gas and electric (per CPI) and realignment of budget re. 2022/23 increases
Transport:						
Fuel	172	12	12	12	12	Inflationary increase in fuel (per CPI) and realignment of budget re. 2022/23 increases
Financing:						
Borrowing/leasing costs	305	508	15	52	849	Borrowing costs regarding the financing of capital expenditure
Flexible use of capital receipts	100	-	-	-	-	Removal of the flexible use of capital receipts to fund revenue
New Pressures:						
ICT software and maintenance	26	20	20	20	20	ICT costs re. systems maintenance and software licences
Internal Audit fees	8	-	-	-	-	Inflationary increase in contracted costs
Payroll fees	8	-	-	-	-	Inflationary increase in contracted costs
Repairs and renewals	50	-	-	-	-	Increased contract prices
External audit fees	-	100	-	-	-	Likely increase in external audit fees
Income:						
Fees and charges	(253)	(197)	(203)	(209)	(216)	4% increase in fees and charges in 2023/24 and 3% each year thereafter
New Homes Bonus	192	490	-	-	-	Drop out of New Homes Bonus legacy payments
Government grant	12	12	12	12	12	Reduction in Housing Benefit /Council Tax Admin grant
Business Rates baseline funding level	(149)	(78)	(79)	(81)	(82)	Inflationary increase in baseline funding level (per CPI)
Tax base – Council Tax support	(30)	-	-	-	-	Reduction in Council Tax support claimants
Income pressures	100	100	100	100	100	General income shortfalls
TOTAL GAPS	2,134	1,541	423	455	1,255	