

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

CORPORATE LEADERSHIP TEAM'S
REPORT TO

Cabinet
19 September 2023

Report Title: Medium Term Financial Strategy 2024/25 to 2028/29

Submitted by: Service Director for Finance (Section 151 Officer)

Portfolios: Finance, Town Centres and Growth

Ward(s) affected: All

Purpose of the Report

To present an update regarding the financial pressures facing the Council for the period 2024/25 to 2028/29.

Recommendation

1. The funding pressures of £2.751m in 2024/25 and £5.082m over the 5-year period covered by the Medium-Term Financial Strategy (MTFS) be noted.
2. Agree the approach regarding the development of savings and income generation proposals in the medium-term.
3. Note the continued uncertainty regarding the medium-term impact of local government funding and the Cost-of-Living crisis. The Portfolio Holder for Finance, Town Centres and Growth will be writing to Central Government and Local MP's to lobby for funding to assist with the additional pressures in respect of the national pay award and temporary accommodation.

Reasons

To ensure that the Council meets its statutory duty to set a balanced budget in February 2024.

1. **Background**

- 1.1 Full Council agreed a Medium-Term Financial Strategy (MTFS) for the period 2023/24 to 2027/28 in February 2023 as part of the budget setting process. This report updates the assumptions regarding financial pressures facing the Council from that time and sets out the strategy for development of the 2024/25 budget and MTFS for 2024/25 to 2028/29.

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.
- 2.2 After a ten year period of austerity together with the current cost of living pressures, the financial strategy will 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 internal ownership of the

Council's financial position, a robust financial position and a fair funding settlement for Newcastle-under-Lyme.

- 2.3 It is currently unclear when the Government will press ahead with plans for a business rates reset which would see the accumulated growth built up since 2013/14 being redistributed across the system. As a member of the Staffordshire Business Rates Pool the Council currently saves £0.890m per annum in levy payments which would be payable to the Treasury if the Council ceased to be part of a pooling arrangement. In addition to this, growth within the Borough has enabled a further £2.220m of business rates income to be retained by the Council (this has been recognised in previous savings) over and above the funding baseline set by Central Government. In the event that a business rates reset goes ahead strong lobbying will be required to ensure that appropriate transitional arrangements are in place to cushion the impact locally.
- 2.4 The Council has been successful in securing resources required to regenerate the Borough via Town Deals and Future High Street Fund funding. It is important that the Council continues to work closely with Staffordshire County Council to secure inward investment in the Borough to drive growth and employment opportunities for local people.
- 2.5 The current MTFS approved by Council as part of the budget setting process in February 2023 forecast a budget gap of £5.873m over the period 2023/24 to 2027/28 (including £1.593m for 2024/25). The MTFS is being rolled forward by a year and assumptions are constantly revisited. The current forecast around financial pressures facing the Council is for a gap in 2024/25 of £2.751m and over the 5-year period of the MTFS, £5.082m. Further details are shown in Appendix A.
- 2.6 The revised budget gap provides for a 3% pay award in relation to 2024/25. It also provides for a £1,925 per FTE pay award in relation to 2023/24 as per the latest employers offer, this was not budgeted for in full for 2023/24, the MTFS originally allowed for a 4% pay award, however due to the Cost of Living crisis, increasing inflation and interest rates, a pay offer of £1,925 per FTE or of around 6% has been mooted. This pay offer is an increase when compared to the 4% previously built into the MTFS.
- 2.7 Considerable pressure will continue to be placed on the Council's finances in the medium term as a result of a number of national issues. These include the proposed Local Government pay award offer, the additional pressure that rising inflation and interest rates are or will be placing on the Council in terms of fuel and utilities, contractor costs, supplies and services and borrowing costs and the rising costs and availability of temporary accommodation that the Council is required to provide for vulnerable and homeless residents. Since the award of a number of regeneration grants, inflation costs have considerably increased which in turn has resulted in increases in contract prices for projects.
- 2.8 Work on the detail of the 2024/25 budget including investment and savings proposals is underway and is being overseen by an Efficiency Board chaired by the Leader of the Council. Draft budget proposals will be presented to Finance, Assets and Performance Scrutiny Committee (FAPSC) in December.
- 2.9 Based on this work, key themes for further exploration are anticipated to include digital transformation, the One Council programme, commercial opportunities and asset management.
- 2.10 A full risk assessment is being carried out on the Council's reserves. A preliminary assessment suggests that a minimum General Fund reserve of £1.910m will be required to provide sufficient cover for potential risks. Further consideration of the levels of other reserves held will be considered as part of this assessment.

2.11 The Council agreed a 10 year capital strategy in February 2023. The capital strategy sets out how the Council will invest capital resources to support service delivery and facilitate the achievement of key objectives. The strategy has been reviewed and updated including expected capital receipts from asset disposals.

2.12 The capital financing requirement is estimated to increase to £42.380m by 2033/34 based on the current capital programme and the revenue implications have been reflected in the revised MTFS. It is anticipated that the current revenue budget of £0.431m will need to be increased by £0.471m to provide for borrowing costs that may be incurred during 2024/25 if the programme remains as is.

2.13 It should be noted that the MTFS will need to be updated in the coming weeks regarding the Council's carbon journey to net zero by 2030. Further details will be provided in a report which will be taken to Cabinet in October, following which the MTFS will be updated accordingly. Part of the Capital Programme review considers the Council's green agenda on current projects in order for the Council to align the budget to the net zero priority.

2.14 The table below sets out the key dates of the events to take place before the budget for 2024/25 is finally approved:

Event	Committee	Date
Draft MTFS	FAPSC	25 September 2023
First draft savings proposals	Cabinet	5 December 2023
Budget consultation	Proposed to run during December	
Scrutiny of first draft savings proposals	FAPSC	13 December 2023
Approval of final MTFS & consideration of draft budget proposals	Cabinet	16 January 2024
Scrutiny of draft budget proposals	FAPSC	18 January 2024
Final budget proposals recommended for approval by Full Council	Cabinet	6 February 2024
Full Council to approve budget	Full Council	14 February 2024

3. **Proposal**

3.1 That Cabinet note the funding gap of £2.751m in 2024/25 and £5.082m 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 and the Cost-of-Living crisis. The Portfolio Holder for Finance, Town Centres and Growth will be writing to Central Government and Local MP's to lobby for funding to assist with the additional pressures in respect of the national pay award and temporary accommodation.

4. **Reasons for Proposed Solution**

4.1 The Council has a statutory duty to set a balanced budget by February 2024. 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 the cost-of-living crisis and 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.

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 – MTFS 'Gaps'

14. **Background Papers**

14.1 None

Appendix A – 2024/25 to 2028/29 MTFS ‘Gaps’



Detail	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	Description
Employees:						
Increments	40	10	2	-	-	Employees due an increment
Pay awards	730	427	440	453	467	3% pay award assumed for all years plus £1,925 per FTE re. 2023/24
Superannuation increases	169	96	97	100	103	22% of increase in salaries
Superannuation lump sum increases	39	41	43	45	45	Net increase of lump sum pension payment
National Insurance	106	60	61	63	64	National insurance on increase in salaries (increments and pay awards)
Premises:						
Business Rates	30	32	33	34	35	Inflationary increase in business rates payable (per CPI)
Utilities	26	27	28	29	30	Inflationary increase in gas and electric (per CPI)
Transport:						
Fuel	12	13	14	14	15	Inflationary increase in fuel (per CPI)
Hydrotreated Vegetable Oil	9	9	9	10	10	Inflationary increase in HVO (per CPI)
Financing:						
Borrowing costs	471	640	26	86	32	Borrowing costs regarding the financing of capital expenditure
New Pressures:						
ICT software, hosting and maintenance	100	10	10	10	10	ICT costs re. systems maintenance and software licences
Audit fees	100	-	-	-	-	Increase in external audit fees
Temporary accommodation/vulnerable residents	500	-	-	-	-	Increase in both demand and costs
Waste/Recycling driver cover	60	-	-	-	-	Increased level of cover required by the service
Staff Retention	40	-	-	-	-	Initiatives to encourage staff retention
Market Stalls	57	-	-	-	-	Putting up and taking down of temporary stalls to enable event space
Income:						
Fees and charges	-266	-277	-288	-300	-312	4% increase in fees and charges
New Homes Bonus	500	-	-	-	-	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	-164	-170	-177	-184	-192	Inflationary increase in baseline funding level (per CPI)
Income pressures	180	100	100	100	100	General income shortfalls
TOTAL GAPS	2,751	1,030	410	472	419	