

**NEWCASTLE-UNDER-LYME BOROUGH COUNCIL**

**CORPORATE LEADERSHIP TEAM'S  
REPORT TO**

**Cabinet**  
**05 December 2023**

**Report Title:** Revenue and Capital Budget 2024/25 – First Draft Savings Plans

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

**Portfolios:** Finance, Town Centres and Growth

**Ward(s) affected:** All

<b><u>Purpose of the Report</u></b>	<b><u>Key Decision</u></b>	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
<p>To present the refreshed Medium Term Financial Strategy including the first draft savings proposals being considered to balance the 2024/25 revenue budget and the proposed capital programme for 2024/25 to 2026/27.</p>			
<p><b><u>Recommendations</u></b></p> <p>That Cabinet:</p> <ol style="list-style-type: none"> <li>1. Note the first draft savings proposals as set out in Appendix A and Appendix B to the report.</li> <li>2. Note the revised Medium Term Financial Strategy (MTFS) funding gap (Appendix C).</li> <li>3. Refer the refreshed Medium Term Financial Strategy (MTFS) (Appendix D) to the Finance, Assets and Performance Scrutiny Committee for their views.</li> <li>4. Refer the first draft savings proposals to the Finance, Assets and Performance Scrutiny Committee for their views (Appendix A and Appendix B).</li> <li>5. Approve the Mid-Year Capital Estimates for 2023/24.</li> </ol>			
<p><b><u>Reasons</u></b></p> <p>To ensure that the Council meets its statutory duty to set a balanced budget in February 2024.</p>			

1. **Background**

1.1 The funding pressures facing the Council for the period 2024/25 to 2028/29 were presented to Cabinet on 19 September 2023. The report indicated that there would be a budget 'gap' of £2.751m in respect of 2024/25 (£5.082m 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 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. A small number of changes have been made to the budget 'gap' for 2024/25 of £2.751m reported to Cabinet on 19 September 2023 resulting in a revised budget 'gap' of £2.686m. It is also likely that a reset of the Business Rates Retention funding scheme will be undertaken during the medium term. Initial forecasts indicate that the funding the Council currently benefits from will reduce to a lower baseline. The MTFS phases this potential loss over a 3 year period from 2025/26 onwards by utilising the balance of the Business Rates Reserve which was established for this purpose.

The revised budget 'gap' therefore amounts to £2.686m for 2024/25 and £6.879m over the 5 year period of the MTFS (Appendix C).

### **Proposed Savings and Funding Strategies**

- 2.4 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 Cabinet Portfolios involving Cabinet Members, the Corporate Leadership Team, Service Directors 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 2024/25. Further details for 2024/25 are shown in Appendix A.

<b>Detail</b>	<b>2024/25 £'000</b>	<b>2025/26 £'000</b>	<b>2026/27 £'000</b>	<b>2027/28 £'000</b>	<b>2028/29 £'000</b>
<b><i>Income</i></b>	680	91	-	-	-
<b><i>One Council</i></b>	230	-	-	-	-
<b><i>Staffing Related</i></b>	199	-	-	-	-
<b><i>Good Housekeeping</i></b>	489	-	-	-	-
<b><i>Tax Base</i></b>	424	383	394	407	419
<b><i>Council Tax Increase</i></b>	164	166	168	170	172
<b><i>Government Grants</i></b>	500	-	-	-	-
<b>TOTAL SAVINGS</b>	<b>2,686</b>	<b>640</b>	<b>562</b>	<b>577</b>	<b>591</b>
<b>UPDATED MTFS GAPS</b>	<b>2,686</b>	<b>1,557</b>	<b>997</b>	<b>1,092</b>	<b>547</b>
<b>REMAINING GAP</b>	<b>-</b>	<b>917</b>	<b>435</b>	<b>515</b>	<b>(44)</b>

## Capital

- 2.5 The Capital Programme for 2024/25 to 2026/27 (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 £41.230m 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.
- 2.6 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 2024/25 to 2026/27 will amount to £2.092m, significant borrowing will be required during 2024/25 (£7.685m), which may be partially repaid during 2025/26 and 2026/27. The associated borrowing costs have been factored into the MTFS. It should be noted that this is in addition to borrowing that may be required to fund the 2023/24 Capital Programme (£16.728m).
- 2.7 The Capital Programme for 2024/25 to 2026/27 includes an estimate for the development of York Place, this assumes spend of £16m over the period 2024/25 to 2025/26 and a subsequent capital receipt of the same value during the first 3 year period of the Capital Programme. This is subject to the business case that is currently being developed.
- 2.8 A mid-year review of the Capital Programme for 2023/24 has been undertaken as part of the Efficiency Board and budget setting process in order to identify any projects that may need to be re-profiled from 2023/24 into future years. The revised Capital Programme for 2023/24 totalling £55.467m 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 2024/25 is finally approved:

Event	Committee	Date
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. Recommendations

- 3.1 That Cabinet note the first draft savings proposals as set out in Appendix A and Appendix B to the report.
- 3.2 That Cabinet note the revised Medium Term Financial Strategy (MTFS) funding gap (Appendix C).

3.3 That Cabinet refer the refreshed Medium Term Financial Strategy (MTFS) (Appendix D) to the Finance, Assets and Performance Scrutiny Committee for their views.

3.4 That Cabinet refer the first draft savings proposals to the Finance, Assets and Performance Scrutiny Committee for their views (Appendix A and Appendix B).

3.5 That Cabinet approve the Mid-Year Capital Estimates for 2023/24.

#### 4. **Reasons**

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 and Mitigation**

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 2024/25 reports to Cabinet on 6 February 2024 and to Council on 14 February 2024.

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 and the regeneration projects detailed in the Council 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 – 2024/25 MTFS Funding Strategy
- 13.2 Appendix B – 2024/25 to 2026/27 Capital Programme
- 13.3 Appendix C – MTFS 'Gaps'
- 13.4 Appendix D – MTFS 2024/25 to 2028/29

14. **Background Papers**

14.1 None

## Appendix A – 2024/25 MTFS Funding Strategy

Ref	Service Area	Description	£000's	Detail
<b>Income</b>				
I1	Planning	Planning Application fees	192	National increase of 25% for minor and 35% for major planning applications
I2	Planning	Pre-Planning Application fees	10	Increase in the charge to bring in line with other Local Authorities
I3	Planning	Section 106 monitoring	7	Introduction of a fee for the monitoring of Section 106 obligations
I4	Sustainable Environment	Food waste	86	Rebate received for the collection of food waste, the contractor now pays for haulage costs
I5	Sustainable Environment	Green waste	34	A below inflation increase to the green waste collection subscription
I6	Commercial Delivery	VAT on Leisure income	120	An increase in income has occurred following a change in VAT legislation for leisure fees
I7	Commercial Delivery	Depot rent	50	Rental from the sharing of depot space with partner
I8	Commercial Delivery	Commercial property rent	70	Additional rental income being achieved following rent reviews
I9	Commercial Delivery	Bereavement Services	10	Additional income to be generated from on line sales and charges for searches
I10	Commercial Delivery	Car Parking	91	Increased demand, pricing and permits for new car park - assumed 6 months of income for 2024/25 and remaining 6 months in 2025/26
I11	Neighbourhood Delivery	Fixed Penalty Notice's	10	Introduction of a charge and new processes regarding fly tipping
			<b>680</b>	
<b>One Council</b>				
O1	Corporate	One Council	230	Further efficiencies to be generated from the One Council Programme including continuous review and development of services and increased performance management in order to maximise revenue income in line with the Council's objectives.
			<b>230</b>	
<b>Staffing Related Efficiencies</b>				
S1	Planning	Planning structure	45	Savings that have been generated through the review and digitalisation of processes under the One Council initiative
S2	Regulatory Services	Reduced hours	9	Reduction in hours of Food Safety Officer
S3	Regulatory Services	Licencing structure	33	Reduction of 1 FTE following reduced demand and more efficient processes
S4	Regulatory Services	Housing and Vulnerability structure	17	Restructure of team which includes greater utilisation of ongoing funding
S5	Neighbourhood Delivery	Professional fees	95	Application of professional fees (e.g. Landscape) to capital projects
			<b>199</b>	
<b>Good Housekeeping/More Efficient Processes</b>				
G1	ICT	Procurement savings	37	Contract and procurement savings from telephony, printing and email monitoring
G2	Commercial Delivery	Energy efficiency	14	Energy savings from the installation of pool covers at Jubilee 2
G3	Commercial Delivery	Reduction in subsidy	175	A reduction in running costs at Jubilee 2 following a 'deep dive' review of the service, this includes more efficient rota's of staffing, increased income following the benchmarking of fees and charges and the generation of addition income (e.g. swimming lessons)
G4	Sustainable Environment	Green Waste route optimisation	39	Optimisation of collection routes for green waste to increase efficiency



G5	Sustainable Environment	Streetscene route optimisation	31	Efficiencies generated from greater use of data held to optimise routes and responses
G6	Corporate	Vacancy factor	193	An increase in the assumed vacancy factor of posts from 2% to 3.5%
			<b>489</b>	
<b>Alternative Sources of Finance/Other</b>				
A1	Corporate	Tax base – Council Tax	114	Increase in tax base based on market housing supply requirement (451 properties per year) and current year tax base forecasts
A2	Corporate	Tax base – Business Rates	280	Assumed increase in tax base of 4%
A3	Corporate	Single Persons Discount review	30	Assumed increase in Council Tax from a Borough wide review of claimants of discounts
A4	Corporate	Minimum Funding Guarantee	500	Government grant ensures that there is a minimum 3% increase in core spending power (i.e. replaces any lost grant such as New Homes Bonus)
A5	Corporate	Council Tax increase	164	Assumed increase of 1.99% per Band D property
			<b>1,088</b>	
<b>Grand Total</b>			<b>2,686</b>	

**Appendix B 2024/25 to 2026/27 Capital Programme and 2023/24 Mid-Year Estimate**



CAPITAL PROGRAMME	2023/24 MID YEAR	2024/25	2025/26	2026/27	TOTAL (2024/25 to 2026/27)
	£	£	£	£	£
<b>PRIORITY – One Council Delivering for Local People</b>					
Service Area - Council Modernisation	2,172,370	394,000	434,000	336,000	1,164,000
<b>Total</b>	<b>2,172,370</b>	<b>394,000</b>	<b>434,000</b>	<b>336,000</b>	<b>1,164,000</b>
<b>PRIORITY – A Successful and Sustainable Growing Borough</b>					
Service Area - Housing Improvements	1,670,000	1,620,000	1,670,000	1,670,000	4,960,000
Service Area - Managing Property & Assets	9,636,154	8,197,482	9,744,888	748,895	18,691,265
<b>Total</b>	<b>11,306,154</b>	<b>9,817,482</b>	<b>11,414,888</b>	<b>2,418,895</b>	<b>23,651,265</b>
<b>PRIORITY – Healthy, Active and Safe Communities</b>					
Service Area - Environmental Health	-	72,000	-	-	72,000
Service Area - Streetscene and Bereavement Services	1,004,569	210,000	250,000	160,000	620,000
Service Area - Recycling and Fleet	5,828,408	710,000	1,230,000	5,943,100	7,883,100
Service Area – Leisure and Cultural	636,862	47,000	150,000	-	197,000
Service Area - Engineering	117,300	385,000	120,000	50,000	555,000
<b>Total</b>	<b>7,587,139</b>	<b>1,424,000</b>	<b>1,750,000</b>	<b>6,153,100</b>	<b>9,327,100</b>
<b>PRIORITY – Town Centres for All</b>					
Future High Streets Fund	5,855,826	-	-	-	-
Town Deals – Newcastle	18,937,732	2,251,000	807,000	-	3,058,000
Town Deals - Kidsgrove	8,607,615	2,794,000	1,236,000	-	4,030,000
<b>Total</b>	<b>33,401,173</b>	<b>5,045,000</b>	<b>2,043,000</b>	<b>-</b>	<b>7,088,000</b>
<b>CONTINGENCY (will be carried forward to 2024/25)</b>	<b>1,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL</b>	<b>55,466,836</b>	<b>16,680,482</b>	<b>15,641,888</b>	<b>8,907,995</b>	<b>41,230,365</b>
<b>FUNDING</b>					
Capital Receipts	3,325,000	2,450,000	21,050,000	4,050,000	27,550,000
External Contributions	35,413,441	6,545,000	3,543,000	1,500,000	11,588,000
Borrowing	16,728,395	7,685,482	(8,951,112)	3,357,995	2,092,365
<b>TOTAL</b>	<b>55,466,836</b>	<b>16,680,482</b>	<b>15,641,888</b>	<b>8,907,995</b>	<b>41,230,365</b>



## Appendix C – 2024/25 to 2028/29 MTFs ‘Gaps’

Detail	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	Description
<b>Employees:</b>						
Increments	40	10	2	-	-	Employees due an increment
Pay awards	799	501	518	536	555	3.5% pay award assumed for all years plus £1,925 per FTE re. 2023/24
Superannuation increases	185	112	114	118	122	22% of increase in salaries
Superannuation lump sum increases	39	41	43	45	45	Net increase of lump sum pension payment
National Insurance	116	70	72	74	77	National insurance on increase in salaries (increments and pay awards)
<b>Premises:</b>						
Business Rates	30	32	33	34	35	Inflationary increase in business rates payable (per CPI)
Utilities	116	30	32	33	34	Inflationary increase in gas and electric (per CPI)
<b>Transport:</b>						
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)
<b>Financing:</b>						
Borrowing costs	471	561	-	86	32	Borrowing costs regarding financing of capital expenditure
<b>New Pressures:</b>						
ICT software, hosting and maintenance	100	10	10	10	10	ICT costs re. systems maintenance and software licences
Audit fees	95	-	-	-	-	Increase in external audit fees
Temporary accommodation/vulnerable residents	425	-	-	-	-	Increase in both demand and costs
Staff Retention	40	-	-	-	-	Initiatives to encourage staff retention
Building Control	5	-	-	-	-	Increase in contract
<b>Income:</b>						
Fees and charges	(230)	(270)	(281)	(292)	(304)	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	(258)	(174)	(181)	(188)	(196)	Inflationary increase in baseline funding level (per CPI)
Business Rates Retention Reset	-	500	500	500	-	Reduction in retained business rates forecast to result from Fair Funding Review and reset
Income pressures	180	100	100	100	100	General income shortfalls
<b>TOTAL GAPS</b>	<b>2,686</b>	<b>1,557</b>	<b>997</b>	<b>1,092</b>	<b>547</b>	