

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

CORPORATE LEADERSHIP TEAM'S
REPORT TO

Cabinet
16 January 2024

Report Title: Draft Revenue and Capital Budgets and Strategies 2024/25

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

Portfolios: Finance, Town Centres and Growth

Ward(s) affected: All

<u>Purpose of the Report</u>	<u>Key Decision</u>	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
<p>To review progress on the completion of the revenue and capital budgets for 2024/25 and approve the 5 year Medium Term Financial Strategy for 2024/25 to 2028/29.</p> <p>To consider drafts of the Capital Strategy for 2024/34, the Treasury Management Strategy for 2024/25, the Investment Strategy for 2024/25 and the Commercial Strategy for 2024/25 prior to their submission to Full Council for final approval.</p>			
<p><u>Recommendations</u></p> <p>That Cabinet:</p> <ol style="list-style-type: none"> 1. Note the progress on the completion of the Revenue (Appendix 1) and Capital Budgets (Appendix 4). 2. Note the updated Medium Term Financial Strategy 2024/25 to 2028/29 (Appendix 2). 3. Note the strategy for ensuring a balanced revenue outturn position for 2023/24. 4. Note the calculation of the Council Tax base and the Council Tax increase to be proposed for 2024/25 of 1.99% per Band D equivalent property. 5. Note the risk assessment at Appendix 3 and the Section 151 Officer's recommendation on the level of reserves and contingencies provisionally required to be maintained in 2024/25. 6. Note the draft Capital Strategy (Appendix 5) for 2024/34 be noted. 7. Note the draft Treasury Management Strategy (Appendix 6) for 2024/25. 8. Note the draft Investment Strategy (Appendix 7) for 2024/25. 9. Note the draft Commercial Strategy (Appendix 8) for 2024/25. 			

10. Refer the draft Budget and Council Tax proposals to Finance, Assets and Performance Scrutiny Committee for comment before the final proposals are considered at Cabinet on 6 February 2024.

Reasons

To inform the Cabinet in recommending a robust and affordable budget for 2024/25 to the Council meeting on 14 February 2024.

The Council needs to have an approved Capital Strategy for 2024/25, an approved Treasury Management Strategy for 2024/25 and an approved Investment Strategy for 2024/25 in place before the start of the 2024/25 financial year.

1. Background

- 1.1 The Council is committed to the delivery of high quality services. Integral to this ambition is effective targeting of financial resources in line with the vision of “good local services, a prosperous borough and safe and welcoming places for all” and the Council’s stated aims and objectives, as set out in the Council Plan 2022-2026, which was approved by Cabinet on 6 September 2022.
- 1.2 The Medium Term Financial Strategy (MTFS) sets out the Council’s financial position over the next 5 years. This is aligned to the Council Plan 2022-2026 and is the key vehicle for ensuring efficiency in service delivery and targeting resources to priority areas.
- 1.3 Despite the COVID-19 pandemic and the Cost of Living Crisis, and the challenges faced by the Council in its response, there has been good progress against Council Plan objectives in the current year, with high standards of service delivery being achieved overall. Key Council Achievements, linked to the Council Plan objectives, are reported to Cabinet on a quarterly basis. (Details of the Council Plan 2022-2026 can be seen here <https://www.newcastle-staffs.gov.uk/policies-1/council-plan-2022-2026>)
- 1.4 The draft 2024/25 budget is based on the assumptions set out in the MTFS which was approved as a basis for consultation by the Cabinet at its meeting on 5 December 2023 and scrutinised by the Finance, Assets and Performance Scrutiny Committee at its meeting on 13 December 2023.
- 1.5 The draft and provisional proposals included in this report will inform the Revenue and Capital Budgets and Council Tax 2024/25 reports to Cabinet on 6 February 2024 and to Full Council on 14 February 2024.
- 1.6 The Capital Strategy 2024/34 sets out how the Council proposes to deploy its capital resources in order to achieve its corporate and service objectives. It takes into account other relevant Council strategies, policies and plans and the views of partners and interested parties with whom the Council is involved. It also takes account of the resources which are likely to be available to the Council to fund capital investment and the effect of that investment on the Council’s revenue budget. It will serve as a useful point of reference when determining or reviewing the Council’s Capital Programme.

- 1.7 The Council has adopted the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code of Practice. This requires approval by Full Council concerning the Treasury Management Strategy to be followed in carrying out its treasury management activities in the forthcoming financial year, 2024/25.
- 1.8 The Investment Strategy 2024/25 is compiled according to Central Government's Guidance on Local Government Investments ('the Guidance') and the 2017 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ('the CIPFA TM Code'). It sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.
- 1.9 The Commercial Strategy 2024/25 is aligned with the Council's vision for Newcastle-under-Lyme to be a sustainable and business-oriented Council that maximises commercial opportunities in order to deliver long-term benefits for residents of the borough and support the Council's medium-term financial strategy.

2. **Issues**

Budget 2023/24 – Provisional Outturn Forecast

Revenue

- 2.1 The Council approved a General Fund Revenue Budget of £16.857m on 15 February 2023 for 2023/24. The actual and forecast position compared to this budget is continuously monitored by Budget Holders, the Corporate Leadership Team and Portfolio Holders in order to detect any significant variances of expenditure or income from the approved amounts contained in the budget.
- 2.2 At the close of period 8 a positive variance of £0.013m has been achieved. The projected outturn on the General Fund Revenue Account for the year is £16.836m. This represents a positive outturn of £0.023m for the year.
- 2.3 The adverse variances that have occurred at the close of period 8 of 2023/24 include:
 - a. Income shortfalls from sales, fees and charges which amount to £0.361m (forecast to be £0.452m for the financial year),
 - b. A shortfall of £0.266m in Housing Benefits subsidy grant regarding accommodation and payments for which full subsidy is not claimable (forecast to increase to £0.400m for the financial year),
 - c. The provision of temporary accommodation for the homeless and vulnerable amounts to £0.059m after utilising an element of grant funding (forecast to increase to £0.089m for the financial year),
 - d. Increased gas and electricity prices have resulted in an overspend of £0.056m at the close of period 8 at Jubilee 2 (forecast to increase to £0.084m for the financial year),

- e. Holding costs for York Place (e.g. utilities and business rates) and additional backdated rent for a commercial property are expected to amount to £0.251m for the financial year. Proportionally, this amount to £0.167m at the close of period 8,
 - f. A pay award that is in excess of the amount provided for in the budget (4%), including national insurance and pension the additional amount is forecast to total £0.266m at the close of period 8 (and £0.400m for the financial year).
- 2.4 These adverse variances have been offset in full by the following favourable variances:
- a. Utilisation of the Cost of Living Reserve that was established during the budget setting for 2023/24 in order to respond to any above inflationary increases in costs. This will be fully used to offset the forecast pay award (£0.266m at the close of period 8 and £0.400m for the financial year).
 - b. Interest receivable on cash that the Council holds in terms of Town Deal and Future High Street funding, together with Section 31 grant and remaining Coronavirus grant funding (that are repayable to Central Government) totals £0.948m at the close of period 8, following recent interest rate hikes (it is forecast that this will grow to £1.290m of income by the close of the financial year).
- 2.5 Expenditure continues to be reduced wherever possible throughout the Council to ensure that only absolutely necessary spending is being incurred, this helps to reduce the adverse variance on a service by service basis. It has been forecast that this situation continues throughout the remainder of the financial year.
- 2.6 Careful monitoring of the financial position will be required over coming weeks and months leading to prompt corrective action where necessary to ensure the Council remains in a position of being able to deliver a balanced budget position in the current financial year and beyond.

Capital

- 2.7 A Capital Programme totalling £30.360m was approved for 2023/24. Of this total £17.863m relates to the total cost of new schemes for 2023/24 together with £12.497m for schemes funded by external sources (Town Deals Fund, Future High Streets Fund and Disabled Facilities Grants) and £1.000m contingency. In addition £24.013m was brought forward from the 2022/23 Capital Programme (including £22.771m from the Town Deals Fund and the Future High Streets Fund), resulting in a total Capital Programme of £54.373m for 2023/24.
- 2.8 At the close of period 8 the profiled capital budget amounts to £6.498m, actual spend for this period totals £6.526m.
- 2.9 A mid-year review of the capital programme for 2023/24 has been undertaken as part of the Efficiency Board and budget setting process. The revised capital programme for 2023/24 totalling £55.433m (including a £1m contingency and agreed carry forwards from 2022/23) was approved by Cabinet on 5 December 2023.

Medium Term Financial Strategy

- 2.10 The draft MTFS was approved as a basis for consultation by Cabinet on 5 December 2023 and has since been updated to reflect the impact of the Local Government Finance Settlement.
- 2.11 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.

Detail	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000
<i>Income</i>	680	91	-	-	-
<i>One Council</i>	230	-	-	-	-
<i>Staffing Related</i>	199	-	-	-	-
<i>Good Housekeeping</i>	489	-	-	-	-
<i>Tax Base</i>	424	383	394	407	419
<i>Council Tax Increase</i>	164	166	168	170	172
<i>Government Grants</i>	506	-	-	-	-
TOTAL SAVINGS	2,692	640	562	577	591
UPDATED MTFS GAPS	2,692	1,557	997	1,092	547
REMAINING GAP	-	917	435	515	(44)

- 2.12 The table below shows the amendments to items included in the saving strategy reported to Cabinet on 5 December 2023 reflecting the impact of the Local Government Finance Settlement on them (further details are included at 2.39 to 2.45):

Detail	£'000
<i>Total Savings at 6 December 2023</i>	(2,686)
Additional New Homes Bonus Grant	(6)
<i>Total Revised Savings</i>	(2,692)

Draft Revenue Budget 2024/25

- 2.13 The MTFS has been updated to reflect the Local Government Finance Settlement received on 19 December 2023. It provides for a revised gap in 2024/25 of £2.692m and a gap over the 5 year period of the MTFS of £6.885m.
- 2.14 The table below shows the factors which give rise to the £2.692m gap for 2024/25:

Additional Income	£'000
Fees and Charges	(230)
Business Rates Retention	(306)
Total Additional Income	(536)
Loss of Income	
Government Grant (New Homes Bonus, Housing Benefits Admin, Services Grant)	463
Reduction in income from under achieved budgets	180
Total Loss of Income	643
Additional Expenditure	
Employees (pay awards, increments, national insurance, pension)	1,179
Premises (business rates and utilities)	146
Transport (fuel)	21
Contribution to Budget and Borrowing Support Fund	103
Borrowing	471
Other (inc. software licences, temporary/supported accommodation)	665
Total Additional Expenditure	2,585
Net Increase in Base Budget	2,692

2.15 The table below shows the amendments to items included in the MTFs 'gap' reported to Cabinet on 5 December 2023 reflecting the impact of the Local Government Finance Settlement on them (further details are included at 2.34 to 2.38):

Detail	£'000
Total Pressures at 6 December 2023	2,686
Business Rates baseline funding level	(48)
Services Grant	127
Minimum Funding Guarantee	(176)
Contribution to Budget and Borrowing Support Fund	103
Total Revised Pressures	2,692

2.16 The proposed savings identified for 2024/25 are summarised below, with further detail in Appendix 1. These savings and strategies enable a balanced financial position to be proposed for 2024/25.

Category	£'000	Comments
Income	680	Additional sources of income generation and an increased demand for services that the Council charges for
One Council	230	Efficiencies to be generated from the continued implementation of a new Council operating model and increased performance management
Staffing Related Efficiencies	199	No redundancies are anticipated to arise from these proposals

Good Housekeeping/More Efficient Processes	489	Various savings arising from more efficient use of budgets
Tax Base Increase	424	Increase in Council Tax and Business Rates tax base
Council Tax Increase	164	An assumed 1.99% per Band D equivalent increase in Council Tax
Government Grants	506	Grants in respect of New Homes Bonus and Minimum Funding Guarantee
Total	2,692	

- 2.17 As in previous years, the first draft of the savings plan set out at Appendix 1 was made available to the Finance, Assets and Performance Scrutiny Committee for scrutiny at its meeting on 13 December 2023. The Committee will also scrutinise this Cabinet report at its meeting on 18 January 2024.

Borough Growth Fund

- 2.18 The Borough Growth Fund was established in 2020 for the purpose of enabling investment in corporate priorities. The Borough Growth Fund is required to be used to invest in initiatives that are forecast to generate on-going revenue savings through reducing the costs of service delivery or through the generation of additional income.
- 2.19 Since the establishment of the Borough Growth Fund, investments have been made and committed to in the following areas:

Investment Area	£'000	Details
Council Modernisation	429	Embedding digitalisation across services and developing the skills of staff.
One Council Programme	100	Contribution to drive the digital programme which will transform public access to council services and drive efficiency savings.
Environmental Sustainability	139	Tree planting/carbon reduction
Walley's Quarry	75	Addressing community concerns regarding the quarry's unpleasant odour omissions.
Town Centre Support	113	Used to support the Town Deal bids for Newcastle and Kidsgrove and the rejuvenation of the Markets.
Car Parking Machines	30	Purchase of car parking machines with cashless payment options.
Commercial Property Review	20	Review to develop income generation ideas as part of the Commercial Strategy.

2.20 The savings and funding strategies identified in the table in paragraph 2.14 and in Appendix 1 will enable continued investment of £0.250m in the Council's priorities as per the Council Plan 2022-2026 via the Borough Growth Fund. The Borough Growth Fund will continue to be used to provide investment in initiatives, including Digital Delivery, that are forecast to generate on-going revenue savings through reducing the costs of service delivery or through the generation of additional income. The Council's Section 151 Officer will determine whether any proposed use of the fund complies with this guidance on a case by case basis.

2.21 The 2024/25 Borough Growth Fund investment will be used in the following areas:

Investment Area	£'000
Environmental Sustainability	100
Digital Delivery	100
Economic Development	50
Total	250

2.22 In order to boost environmental sustainability within the Borough, £0.100m per annum over the life of the MTFs continues to be ring-fenced from the Borough Growth Fund to enable such projects to be fully funded.

2.23 £0.100m of the 2024/25 Borough Growth Fund will continue to be allocated to the digital programme which will transform public access to Council services and drive efficiency savings.

2.24 The remaining £0.050m will be used within economic development on initiatives and events for boosting footfall within the town centre.

Council Tax and Collection Fund

2.25 The savings and funding strategy assumes a 1.99% per Band D equivalent property Council Tax increase, producing £0.164m of additional income. This increase in Council Tax would equate to the following monetary increases for residents:

Property Band	Annual Increase £ p	Weekly Increase £ p
A	2.84	0.05
B	3.32	0.06
C	3.79	0.07
D	4.27	0.08
E	5.21	0.10
F	6.16	0.12
G	7.11	0.14
H	8.53	0.16

- 2.26 Taking into account changes to the Council Tax base (i.e. new properties, single persons discount review), the Council Tax base has increased by 639 band D equivalent properties from 38,099 in 2023/24 to 38,738 in 2024/25.
- 2.27 The Council is required to declare its estimated surplus or deficit on the Collection Fund (for both Business Rates and Council Tax) to preceptors ahead of the financial year end for 2023/24. This surplus or deficit is then shared between the relevant preceptors in 2024/25 (a surplus if paid out to preceptors, including the Council, and a deficit is repaid to the collection fund from preceptors, including the Council).
- 2.28 The Business Rates Collection Fund is estimated to be in a deficit position at the close of 2023/24. The deficit is estimated to amount to £0.633m, of which the Council's share is £0.253m.
- 2.29 The majority of the deficit relates to reliefs funded via Section 31 grants and as such an increased amount of Section 31 grant (£0.156m) is forecast to be received by the Council, the remainder of the Council's share of the forecast deficit (£0.097m) will be transferred from the Business Rates Reserve which was established to allow for fluctuations in the Business Rates Retention scheme.
- 2.30 The Council Tax Collection Fund is estimated to be in a small surplus position as the close of 2023/24. This surplus is estimated to amount to £0.053m, of which the Council's share is £0.006m.
- 2.31 The Local Government Finance Settlement for 2024/25 was received on 18 December 2023. Overall, the MTFs provides for an increase in funding of £0.258m when compared to 2023/24. The amount receivable is provisionally an additional £0.103m than assumed in the MTFs, and it is proposed that this be paid into the Budget and Borrowing Support Fund (formally named the Budget Support Fund) in order to further safeguard against a number of recovering income budget pressures.
- 2.32 Taking account of the above, Baseline Settlement Funding (via Business Rates Retention scheme and Revenue Support Grant) and compensation for the under indexing of the business rates multiplier has increased by £0.306m when compared to 2023/24, this varies from the MTFs assumption of an increase of £0.258m by £0.048m. This compensates the Council, via Section 31 Grant, for the freeze in the business rates multiplier which would otherwise have generated additional business rates income.
- 2.33 The Services Grant was proposed for the local government finance settlement 2022 to 2023 to provide funding to all tiers of local government in recognition of the vital services delivered at every level of local government. The MTFs assumed that the Services Grant would be continued. Services Grant will be continued but at a reduced rate of £0.024m which is £0.127m less than the amount received in 2023/24.
- 2.34 The Local Government Settlement for 2024/25 announced that the New Homes Bonus (NHB) Scheme will continue for a further year, the allocation amount for the

Council is £0.506m due to the increase in properties within the borough in the last year.

- 2.35 The minimum funding guarantee has continued for 2024/25. This ensures that all authorities see an increase in core spending power of at least 3%, this will result in a grant to the Council of £0.398m for 2024/25 (primarily as compensation for the reduced Services Grant), this amounts to an increase of £0.176m. The MTFS assumes that compensation will be received in full for any reduction in New Homes Bonus in years after 2024/25 via the minimum funding guarantee.

Budget Consultation

- 2.36 Public consultation has been undertaken on the budget, the consultation ran between 1 December 2023 and 1 January 2024. The results of which will be reported to Cabinet on 6 February 2024.

Capital Programme 2024/25 to 2026/27 and Capital Strategy 2024/34

- 2.37 The Capital Programme for 2024/25 to 2026/27 (Appendix 4) 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 £41.269m 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.
- 2.38 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.
- 2.39 The Capital Strategy for 2024/34 (Appendix 5) meets the requirements of statutory guidance issued by the Government in January 2018. The Council's capital investment is carried out within the statutory framework laid down by the Local Government Act 2003 and regulations under that Act. Accordingly, only expenditure which fits the definition of capital expenditure contained in the Act or Regulations pursuant to it will be capitalised.
- 2.40 The Capital Programme is produced in line with the Capital Strategy for 2024/34. In addition to the Council's corporate and service objectives, as set out in the Council Plan 2022-26, the Capital Programme is also influenced by a number of external parties and factors:
- Central government and its agencies;
 - Legislation requiring capital works;
 - Partner organisations;
 - Businesses and Developers; and,
 - The needs and views of other interested parties, particularly those of Borough residents.

- 2.41 Delivering the capital programme for 2024/25 will require prudential borrowing to be undertaken. The impact of borrowing is included in the MTFs pressures for 2024/25 and future years.
- 2.42 Advice will be sought from the Council's Treasury Management advisors, Arlingclose, as to the most beneficial timing of prudential borrowing. Their current advice remains to borrow on a short term basis (up to 4 years) from other local authorities where possible.
- 2.43 In summary, investment in the capital programme for 2024/25 to 2026/27 totalling £41.269m will be funded by:
- £11.588m External Funding;
 - £27.550m Capital Receipts; and,
 - £2.131m Prudential Borrowing.

Treasury Management Strategy 2024/25 and Investment Strategy 2024/25

- 2.44 The Treasury Management Strategy for 2024/25 is attached at Appendix 6. The Minimum Revenue Provision Policy for 2024/25 is contained in Annex C to the strategy.
- 2.45 The Treasury Management Strategy for 2024/25 allows for borrowing. Although not utilised in recent years, the Council has previously considered the option of long-term borrowing from the Public Works Loans Board (PWLB). After the utilisation of capital receipts and internal borrowing, the Council will now look to borrow short term from other local authorities in the first instance and will then review any other sources of funding if required.
- 2.46 The Investment Strategy for 2024/25 is attached at Appendix 7. This investment strategy meets the requirements of statutory guidance issued by the government in January 2018 and is based on guidance provided by Arlingclose, the Council's treasury management advisors. Quantitative investment indicators are included within the Strategy to allow elected members and the public to assess the Council's total risk exposure as a result of its investment decisions.

Balances and Reserves

- 2.47 A review of the Council's Balances and Reserves together with a financial resilience risk assessment informing the levels of these has been undertaken by the Council's Section 151 Officer. Details of the risk factors considered and the weightings applied to each are set out at Appendix 3.
- 2.48 It is recommended that a minimum level of unallocated reserves and contingencies (i.e. the Council's Balance and Reserve Strategy for 2023/24) of £2.157m be held in 2024/25 to reflect the levels of revenue risk shown in the draft budget for 2024/25. The increase required (£0.247m) will be funded from a VAT refund that the Council has received in relation to VAT on Leisure fees, the remainder of this refund (£0.226m) will be used to contribute to the Walley's Quarry reserve

(£0.100m) and the Budget and Borrowing Support fund (£0.126m) in order to boost the Council's financial resilience during the forthcoming financial year.

Timetable

Event	Committee	Date
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. Proposals

- 3.1 That the progress on the completion of the Revenue (Appendix 1) and Capital Budgets (Appendix 4) be noted.
- 3.2 That the updated Medium Term Financial Strategy 2024/25 to 2028/29 (Appendix 2) be noted.
- 3.3 That the strategy for ensuring a balanced revenue outturn position for 2023/24 be noted.
- 3.4 That the calculation of the Council Tax base and the Council Tax increase to be proposed for 2024/25 of 1.99% per Band D equivalent property be noted.
- 3.5 That the risk assessment at Appendix 3 and Section 151 Officer's recommendation on the level of reserves and contingencies provisionally required to be maintained in 2024/25 be noted.
- 3.6 That the draft Capital Strategy (Appendix 5) for 2024/34 be noted.
- 3.7 That the draft Treasury Management Strategy (Appendix 6) for 2024/25 be noted.
- 3.8 That the draft Investment Strategy (Appendix 7) for 2024/25 be noted.
- 3.9 That the draft Commercial Strategy (Appendix 8) for 2024/25 be noted.
- 3.10 That the draft Budget and Council Tax proposals be referred to Finance, Assets and Performance Scrutiny Committee for comment before the final proposals are considered at Cabinet on 6 February 2024.

4. Reasons for Proposed Solution

- 4.1 The Council has a statutory duty to set a balanced budget before 11 March in the financial year preceding the one in respect of which the budget is set, per Section 30(6) of the Local Government Finance Act 1992. Best practice is for financial planning to take place over a 5 year period in the form of a MTFs 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 Council is required to set its Council Tax for 2024/25 by 10 March 2024, per Section 30(6) of the Local Government Finance Act 1992. It is planned to approve the final budget and Council Tax rates on 14 February 2024.

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 Such risks require regular and robust monitoring and it is essential that the Council has sufficient useable reserves to call on if required. The review and risk assessment indicates that overall unallocated reserves and contingencies are required to be held at a minimum level of £2.157m to reflect the levels of revenue risk shown in the draft budget for 2024/25. In addition a contingency of £1m is required to provide flexibility to manage risks relating to delivery of the capital programme.

9.3 The assessment of the Section 151 Officer is that the draft proposals included in this report are robust and will ensure an adequate level of reserves. However, it should be noted that a number of assumptions and proposals are provisional or draft, and as such this opinion 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.

9.4 Treasury management is a major area of risk for the Council in that large amounts of money are dealt with on a daily basis and there are a number of limits and indicators, which must be complied with.

9.5 The overriding consideration in determining where to place the Council's surplus funds is to safeguard the Council's capital. Within this constraint the aim is to maximise the return on capital. Operational procedures, coupled with monitoring arrangements, are in place to minimise the risk of departures from the approved strategy.

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 budget setting process will be a key decision.

12. Earlier Cabinet/Committee Resolutions

12.1 Medium Term Financial Strategy 2024/25 to 2028/29 (Cabinet 28 September 2023)

12.2 Revenue and Capital Budgets 2024/25 – First Draft Savings Plans (Cabinet 5 December 2023)

13. List of Appendices

13.1 Appendix 1 – 2024/25 MTFS Funding Strategy

13.2 Appendix 2 – 2024/25 to 2027/28 MTFS 'Gaps'

13.3 Appendix 3 – Risk Assessment on Required Balances/Contingency Reserve

13.4 Appendix 4 – 2024/25 to 2026/27 Capital Programme and 2023/24 Mid-Year Estimate

13.5 Appendix 5 – Capital Strategy 2024 to 2034

13.6 Appendix 6 – Treasury Management Strategy 2024/25

13.7 Appendix 7 – Investment Strategy 2024/25

13.8 Appendix 8 – Commercial Strategy 2024/25

14. Background Papers

CIPFA Treasury Management Code of Practice (revised December 2017)

Council's Treasury Management Policy Statement
Local Government Act
Local Authorities (Capital Finance and Accounting) (England) Regulations

Appendix 1 – 2024/25 MTFS Funding Strategy

Ref	Service Area	Description	£000's	Detail
Income				
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
			680	
One Council				
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.
			230	
Staffing Related Efficiencies				
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
			199	
Good Housekeeping/More Efficient Processes				
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%
			489	
Alternative Sources of Finance/Other				
A1	Corporate	Tax base – Council Tax	114	Increase in tax base based on market housing supply requirement 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	New Homes Bonus	506	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
			1,094	
Grand Total			2,692	

Appendix 2 – 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	799	501	518	536	555	3.5% pay award 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
Premises:						
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)
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	561	-	86	32	Borrowing costs regarding financing of capital expenditure
Contribution to Budget and Borrowing Support Fund	103	-	-	-	-	Contribution to increase financial resilience
New Pressures:						
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
Income:						
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	(306)	(174)	(181)	(188)	(196)	Inflationary increase in baseline funding level (per CPI)
Business Rates Retention Reset	-	500	500	500	-	Funding reduction forecast to result from Fair Funding Review
Services Grant	127	-	-	-	-	Reduction in Services Grant per settlement
Minimum Funding Guarantee	(176)	-	-	-	-	To compensate for reduced Services Grant and to ensure Core
Income pressures	180	100	100	100	100	Spending Power increases by 3%
						General income shortfalls
TOTAL GAPS	2,692	1,557	997	1,092	547	

Appendix 3 – Risk Assessment on Required Balances (£2.157m)

Item	Risk	Potential Consequences	Risk Score I * L	Risk Rating	Specify Existing Control Measures	Final Score I * L	Final Risk Rating	Further Action Required	Balance Needed £
1	Increase in fees and charges does not result in higher income levels	Shortfall in income leading to overspends	3 x 4	High	Included in calculation of minimum balances	2 x 3	Moderate	Regular monitoring of income levels	135,000
2	Reduced Income due to non-availability of service (e.g. COVID-19 related or similar)	Shortfall in income leading to overspends	3 x 3	High	Included in calculation of minimum balances	3 x 3	High	Regular monitoring of income levels	300,000
3	Income, including collection fund income, falls short of budget because of changes in market conditions, e.g. demand fluctuations COVID-19 related or failure to fully recover	Shortfall in income leading to overspends	3 x 5	High	Included in calculation of minimum balances	3 x 3	High	Regular monitoring of income levels	180,000
4	Bad debts reduce the Council's income	Shortfall in income leading to overspends and need to top up provision	3 x 4	High	A contribution to the bad debts provision is budgeted for	3 x 3	High	Increase monitoring of collection rates	65,000
5	Employee budgets – the budget is discounted on the assumption there will be vacancies	Vacancies do not occur leading to additional costs	3 x 3	High	The budget assumes a vacancy factor of 3.5%, this is realistic compared with previous years	3 x 3	High	Regular monitoring of vacancy levels	65,000
6	Employee budgets - the 2024/25 employee pay settlement results in an increase higher than included in the budget	Additional unbudgeted costs	2 x 3	Moderate	Balances sufficient to deal with any additional costs, plus reduced job security in economy	2 x 3	Moderate	None	90,000
7	Problems with staff recruitment/retention	Additional unbudgeted costs	3 x 3	High	Subject to ongoing review	3 x 3	High	None	20,000

Item	Risk	Potential Consequences	Risk Score I * L	Risk Rating	Specify Existing Control Measures	Final Score I * L	Final Risk Rating	Further Action Required	Balance Needed £
	resulting in the payment of market supplements at extra cost								
8	Problems with staff sickness/suspensions resulting in the needs to use agency/interim staff at extra cost	Additional unbudgeted costs	3 x 3	High	Absence management procedures in place	3 x 3	High	Monitoring of sickness levels	75,000
9	Council becomes liable to pay compensation or legal fees or another unforeseen commitment arises	Additional unbudgeted costs	3 x 3	High	Included in calculation of minimum balances	3 x 3	High	None	120,000
10	Inflation relating to supplies and services exceeds the allowance in the budget	Additional unbudgeted costs	3 x 3	High	Included in calculation of minimum balances. Regular review of inflation levels	3 x 3	High	None	105,000
11	Existing commitment(s) missed out of budget	Additional unbudgeted costs	3 x 2	Moderate	Budgets subject to checking at several levels. Preparation of standstill budget for comparison	3 x 2	Moderate	None	75,000
12	Additional interest costs incurred resulting from loss of income and additional expenditure	Additional unbudgeted borrowing costs	3 x 3	High	Capital Budgets and receipt expectations have been realistically set. Allowance provided for in calculation of minimum balances	3 x 2	Moderate	None	115,000
13	Fuel costs increase by more than allowed for in budget	Additional unbudgeted costs	3 x 3	High	Realistic increases included in base budget	3 x 3	High	None	40,000

Item	Risk	Potential Consequences	Risk Score I * L	Risk Rating	Specify Existing Control Measures	Final Score I * L	Final Risk Rating	Further Action Required	Balance Needed £
14	Energy costs increase by more than allowed for in budget	Additional unbudgeted costs	3 x 3	High	Realistic increases included in base budget	3 x 3	High	None	50,000
15	Unforeseen major repairs needed to Council properties	Additional unbudgeted costs	2 x 3	Moderate	Planned maintenance programme in place and stock condition survey.	2 x 3	Moderate	None	50,000
16	Insurances – unexpected increases in premiums	Additional unbudgeted costs	3 x 3	High	Included in calculation of minimum balances	3 x 3	High	None	20,000
17	Insurances - high level of excesses to be met by Council or uninsured losses	Additional unbudgeted costs	3 x 3	High	Included in calculation of minimum balances. Insurance Provision established	3 x 3	High	Monitor level of Insurance Provision	55,000
18	Government further increase NI rates during 2024/25	Additional unbudgeted costs	2 x 3	Moderate	Included in calculation of minimum balances. Increased rate built into budget	1 x 2	Low	None	20,000
19	Savings built into Budget are not realised	Additional unbudgeted costs	3 x 3	High	Regular Budget Monitoring	3 x 3	High	None	317,000
20	New Legislation imposes extra costs but provides insufficient resources	Additional unbudgeted costs	3 x 3	High	Contingency Reserve available. Included in calculation of minimum balances	3 x 2	Moderate	None	25,000
21	Partnerships - expenses falling on Council as accountable body	Additional unbudgeted costs	2 x 3	Moderate	Monitor partnership activities and ensure carried out according to agreements	2 x 1	Low	None	5,000
22	Civil Emergency	Additional unbudgeted costs	5 x 2	High	Bellwin Scheme will meet 100% of eligible expenditure within 1 month of an emergency	4 x 2	Moderate	None	55,000

Item	Risk	Potential Consequences	Risk Score I * L	Risk Rating	Specify Existing Control Measures	Final Score I * L	Final Risk Rating	Further Action Required	Balance Needed £
23	Municipal Mutual Insurance (MMI) Clawback	Additional unbudgeted costs	4 x 4	Extreme	MMI Provision	4 x 3	High	Consider increasing amount of provision if necessary	25,000
24	Data Protection breach resulting in fine	Additional unbudgeted costs	3 x 3	High	Data Protection Policy Reminders to staff. All staff complete mandatory Data Protection e-learning module	3 x 3	High	None	75,000
25	Members act against officer advice resulting in cost to the Council	Additional unbudgeted costs	3 x 3	High	Agenda pre-meetings. Liaison with members. Monitoring Officer	3 x 3	High	None	75,000

Appendix 4 – 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)
	£	£	£	£	£
PRIORITY – One Council Delivering for Local People					
Service Area - Council Modernisation	2,172,370	394,000	434,000	336,000	1,164,000
Total	2,172,370	394,000	434,000	336,000	1,164,000
PRIORITY – A Successful and Sustainable Growing Borough					
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	9,843,846	688,895	18,730,223
Total	11,306,154	9,817,482	11,513,846	2,358,895	23,690,223
PRIORITY – Healthy, Active and Safe Communities					
Service Area - Environmental Health	-	72,000	-	-	72,000
Service Area - Streetscene and Bereavement Services	1,001,569	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	605,862	47,000	150,000	-	197,000
Service Area - Engineering	117,300	385,000	120,000	50,000	555,000
Total	7,553,139	1,424,000	1,750,000	6,153,100	9,327,100
PRIORITY – Town Centres for All					
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
Total	33,401,173	5,045,000	2,043,000	-	7,088,000
CONTINGENCY (will be carried forward to 2024/25)	1,000,000	-	-	-	-
TOTAL	55,432,836	16,680,482	15,740,846	8,847,995	41,269,323
FUNDING					
Capital Receipts	3,325,000	2,450,000	21,050,000	4,050,000	27,550,000
External Contributions	35,398,990	6,545,000	3,543,000	1,500,000	11,588,000
Borrowing	16,708,846	7,685,482	(8,852,154)	3,297,995	2,131,323
TOTAL	55,432,836	16,680,482	15,740,846	8,847,995	41,269,323