

Gloucester City Council

Meeting:	Cabinet Council	15th February 2023 23rd February 2023
Subject:	Money Plan 2023-28 & Budget Proposals 2023/24	
Report Of:	Leader of the Council & Cabinet Member for Performance and Resources	
Wards Affected:	All	
Key Decision:	No	Budget/Policy Framework: Yes
Contact Officer:	Jon Topping, Director of Policy and Resources Jon.topping@gloucester.gov.uk Tel: 01452 396242	
Appendices:	1. Money Plan 2023/24 to 2027/28 2. Budget Pressures & Savings 3. Budget Efficiencies & Savings Programme 4. Capital Programme 2022/23 to 2026/27 5. Budget Book 2023/24 6. Fees & Charges 2023/24	

FOR GENERAL RELEASE

1.0 PURPOSE OF REPORT

1.1 To review the Council's Money Plan for recommendation to Council.

2.0 RECOMMENDATIONS

2.1 Cabinet is asked to RESOLVE to RECOMMEND to Council that:

- (1) the proposals for the 2023/24 budget included in this report be approved.
- (2) it be noted that consultation has been undertaken on budget proposals.

2.2.1 Council is asked to RESOLVE that:

- (1) the proposals for the 2023/24 budget included in this report be approved.
- (2) it be noted that consultation has been undertaken on budget proposals.

3.0 BUDGET ASSESSMENT OF THE SECTION 151 OFFICER

3.1 In accordance with Section 25 of the Local Government Act 2003 the Chief Finance Officer (Section 151 Officer) must report on the following matters:

- 1) the robustness of the estimates made for the purposes of the calculations, and
- 2) the adequacy of the proposed financial reserves.

3.2 The Director of Policy & Resources as Section 151 Officer confirms the robustness of the calculations and the adequacy of the proposed financial reserves.

4.0 Introduction

- 4.1 The Money Plan sets out the Council's strategic approach to the management of its finances and presents indicative budgets and Council Tax levels for the medium term. It covers the General Fund Revenue Budget, the Capital Programme and Earmarked Reserves. It also comments on the significant financial risks facing the Council in the forthcoming years and explains what the Council is doing to reduce those risks.
- 4.2 The main objectives of the Money Plan are to:
- Explain the financial context within which the Council is set to work over the medium term;
 - Provide a medium-term forecast of resources and expenditure;
 - Identify the financial resources needed to deliver the Council's priority outcomes, in line with the Council's plan;
 - Achieve a stable and sustainable budget capable of withstanding financial pressures;
 - Achieve a balanced base budget, minimising the use of balances to meet recurring baseline spending, with the General Fund balance being maintained at a minimum of 10% of net expenditure by the end of the plan period;
 - Where possible, additional investment and spending decisions will be made to reflect Council priorities and strategic commitments, with disinvestment and budget savings being made in non-priority areas; and
 - Ensure capital financing is established at a level that maintains ongoing robustness in the capital programme.

5.0 The Local Government Finance Environment

- 5.1 The Council's Money Plan provides the framework within which revenue spending decisions can be made over the medium term. It is reviewed and updated on an annual basis to consider any alterations that may be required as a result of changed circumstances. The Money Plan covers a five-year period up to 2027/28.
- 5.2 Local Government continues to face a tough financial outlook, with funding pressures set to continue. The Local Government Finance Settlement for Gloucester City Council in recent years has seen unprecedented reductions in settlement funding assessment.
- 5.3 The current high inflation and cost of living crisis are placing significant pressure on the Council's revenue budgets. The plan has made best estimates on the ongoing implications for the Council during these challenging times. The COVID-19 pandemic introduced considerable risk and uncertainty into the Money plan. The Money Plan and budget for 2023/24 continues to review any implications on income streams.
- 5.4 On the 17 November 2022 the Chancellor made his autumn statement setting out the Fiscal Plan for the public finances, and the announcement was accompanied by an assessment from the Office for Budget Responsibility (OBR).

The announcement including the following:

- Band D council tax thresholds. The core threshold of 2.99%,
- Business rates multiplier. The multiplier will be frozen in 2023-24. Local authorities "will be fully compensated for the loss of income as a result of these business rates measures".
- Business rates reliefs. Extension of Retail, Hospitality and Leisure (RHL) reliefs into 2023-24, plus a Supporting Small Business Scheme (SSBS).
- Revaluation 2023. Revaluation will go ahead but there will be a more generous transitional scheme, with additional Government support.
- New Homes Bonus (NHB). No announcement on the future of NHB or the other grants within the settlement.

It seems very likely now that the Government will stick to the Spending Review (SR) 2021 allocations (for 2023-24 and 2024-25). This means no new funding for inflation pressures in local government in this year, or in the next two years. This means very severe real-terms cuts in funding.

It has been reported that the Fair Funding Review will be delayed for the remainder of this Spending Review period. Two rollover settlements in 2023-24 and 2024-25 now seem more likely than ever, with the Fair Funding Review and other funding reforms taking place in 2025-26 or later. The Money Plan has been produced on this basis.

- 5.5 One significant risk for the Council is the sharp increase in the cost of borrowing since June 2022. With the Council's ongoing Kings Quarter regeneration programme in progress there is risk of increased revenue pressures. For 2023/24 and 2024/25 these risks have been mitigated through the use of Leveling Up Funding and income as part of the development. Forecasts do expect borrowing costs to return to more sustainable levels in 2024/25 however this is something our treasury management will need to monitor closely. If this is not the case future plans will need to address these interest rate pressures.

Local Government Finance Settlement 2023/24

- 5.6 The Government published the provisional local government finance settlement for 2023-24 on 19 December 2022. A Policy Statement (12 December 2022) had already announced the key principles that ministers intended to use in the provisional settlement, and these remained unchanged in the settlement announcement.

The settlement was broadly as expected following the previous weeks Policy Statement announcement.

- It is a one-year settlement for 2023-24, with some indications about funding for 2024-25.
- Revenue Support Grant (RSG) has been uplifted by 10.1%, as expected, though this was from a low starting level so only equates to an additional £0.015m.
- The Services Grant component which was only introduced last year is lower than expected.
- The 3% Core Spending Power Funding Guarantee promised by Government to every authority has been calculated as expected. In 2023-24 for the Council this has been calculated as an extra £0.320m less the removal of Lower Tier Grant of £0.169m so a net gain of £0.151m.
- Core Spending Power assumes that authorities apply the maximum increase in Council Tax, and that tax base rises in line with the 4-year average for the authority.
- An additional year of NHB allocations has been announced. There is no indication about the future of NHB in 2024-25 and beyond. In 2023/24 this equates to £0.217m.

- 5.7 Although the settlement was in line with expectations since the draft Money Plan was produced further budgetary pressures have been identified for Waste & Streetcare, Joint Strategic Plan, and interest costs. This is primarily as a result of current inflation levels particularly affecting fuel and energy prices, staff pay awards and interest payable. These pressures have been met through expected growth in retained Business rates identified following the settlement. Appendices 1 & 2 provide further details.

- 5.8 The settlement continues to use the 'Core Spending Power' measure. Core Spending Power is made up of the following elements.

Settlement Funding Assessments (SFA)

This is made up of:

- Revenue Support Grant

Instead of cutting all SFA by a set percent, Government takes into account the ability to raise Council Tax locally. There are five key variables:

- Funding reductions
- Split of reductions between tiers
- Council Tax Base
- Council Tax Rate
- Lower Tier Grant

Council Tax Requirement (CTR)

The Core Spending Power assumes district councils will increase Band D Council Tax by 2.99%. The plan assumes an increase of £2.99%.

New Homes Bonus (NHB)

NHB is expected to reduce from £0.217 m in 2023/24 to £0.000m in 2024/25.

6. Business Rates Retention

- 6.1 The Gloucestershire authorities have agreed to continue the pooling arrangements during 2023/24. This scheme increases the business rates retained locally by reducing the levy that is payable to Central Government.

7. General Fund Revenue Budget - Principles and Key Assumptions

- 7.1 The principles underpinning the proposed revenue strategy are:

- i. Annually, a balanced revenue budget will be set with expenditure limited to the amount of available resources.
- ii. No long-term use of balances to meet recurring baseline expenditure.
- iii. Resources will be targeted to deliver Corporate Plan priorities and value for money. Any additional investment and spending decisions will be made to reflect Council priorities and strategic commitments.
- iv. Maintaining the General Fund balance at approximately 10% of net revenue budget. This assumes a minimum level of £1.4m by the end of the plan.
- v. Year on year savings targets where required to be met by ongoing efficiency gains, income generation and service transformation.

- 7.2 **Table 1** below, lists the major **assumptions** that have been made over the five years of the strategy:

Table 1	2023/24	2024/25	2025/26	2026/27	2027/28
Council Tax base growth	0.75%	0.75%	0.75%	0.75%	0.75%
Council Tax inflation	2.99%	2.99%	2.99%	2.99%	2.99%
Inflation – Pay	5%	5%	2.50%	2.50%	2.50%
Inflation – contracts	See para 7.3	5%	2.5%	2.5%	2.5%
Inflation – other income	See para 7.4	5%	2.5%	2.5%	2.5%

8. Revenue Budget Increases

Pay and Prices Increases

- 8.1 A 5% pay award allowance has been included in 2023/24 and 2024/25 of the plan as a result of the current high inflation. It should be noted that pay awards in Local Government are covered by collective bargaining between employers and trade unions and is not subject to direct control from Central Government.

- 8.2 The pension fund is subject to a triennial actuarial valuation, the most recent of which has been undertaken by Hymans Robertson LLP during 2022, on behalf of Gloucestershire County Council, the pension fund administrator. As a result of the triennial valuation the actuary confirmed that the Council's contribution can be reduced by £0.126m per annum. This still assumes that the Council will be fully funded in line with the current strategy of 17 years. The new contribution rates will commence from April 2023. The plan assumes no further increase in pension contributions.
- 8.3 Prices inflation has been included on selected non-pay items, namely contractual obligations. All other inflationary increases are expected to be absorbed within base budget which represents a real time reduction through efficiency gains. In contrast to previous years rather than place a percentage increase in 2023/24, significant contractual obligations have been reviewed and the plan at Appendix 1 & 2 has included expected pressure in areas such as waste, leisure, utilities, and interest costs.
- 8.4 Prices inflation is included on selected fees and charges for each year of the plan. As with inflation on prices in 2023/24 the increases have been calculated taking into account the cost pressures on the Council. For 24/25 a 5% increase and in subsequent years a 2.5% increase has been assumed.

Cost Pressures and Savings

- 8.5 Cost pressures and savings are included in **Appendix 2** and total a net cost of £1.051m
- 8.6 Significant cost pressures that have been highlighted through budget monitoring are highlighted at **Appendix 2**. Some key pressures are highlighted below:
- Waste and Streetcare.
 - Interest Costs
 - Joint Strategic Plan (formerly JCS)
 - IT hosting costs.
 - Leisure Management Fee.
 - Additional Utilities Costs.
- 8.7 The budget savings identified in **Appendix 2** for 2023/24 relate to several areas where actions undertaken by the Council have led to savings or income growth. Some of the key areas are highlighted below:
- Food dock
 - Recycling Income
 - Transformation & Commercialisation

9. Efficiency Savings/Income Generation

- 9.1 With the inclusion of assumed settlement figures for 2023/24 and the assumption of further formula grant reductions over the life of the plan, further efficiencies may be required.
- 9.2 The expected impact of current high inflation and cost of living crisis plus ongoing impact of COVID-19 requires Council to find further efficiencies and savings in both 2023/24 and 2024/25. Appendix 3 provides details of proposed measures for 2023/24.

10. Overall Costs

- 10.1 The total costs of the Council (the "Net Budget Requirement") over the five-year period of the Money Plan change from £15.784m in 2023/24 to £15.789m in 2027/28. Any further spending pressures identified in addition to those detailed in **Appendix 2**, over the five-year period of the Money Plan, will need to be funded by additional efficiencies.

11. **Revenue Funding**

Formula Grant / Localised Business Rates / Revenue Support Grant

- 11.1 Our current grant from Government for 2023/24 comprises two formula driven components - Revenue Support Grant (RSG) and a retained Business Rates target.
- 11.2 The Council will expect to receive £0.256m RSG in 2023/24. This figure appears to be a significant increase from 2022/23, however the Local Government Finance Settlement rolled the Local Council Tax Support Grant into RSG and therefore it is only an inflationary-matching increase.

New Homes Bonus

- 11.3 New Homes Bonus is a grant that is effectively a reward for increasing the number of residential properties within an area.
- 11.4 The Council will receive £0.217m New Homes Bonus in 2023/24.

Council Tax

- 11.5 The Local Government Finance Settlement includes Council Tax Requirement (CTR) as part of the Council's 'Core Spending Power'. CTR is assumed to grow as part of the settlement as follows:
- an average growth in Council Tax Base, in line with the 4-year average for the authority.
 - assumed increase of 2.99%.

Therefore, to maintain CTR in line with Government assumptions the minimum year on year increase should in line with bullet points above.

- 11.6 The Money Plan assumes an increase in Council Tax of 2.99%.

12. **General Fund Balance**

- 12.1 The estimated level of the General Fund balance in each financial year is shown in **Appendix 1**. The General Fund level is above the minimum required level by the end of the Money Plan.
- 12.2 It should also be noted, that although £1.4m is considered an appropriate level of General Fund balances to retain each year, the position should be reviewed if the Council delivers a budget surplus at year end.
- 12.3 In the financial year 2023/24 it is proposed to decrease the General Fund by £0.104m.

13.0 **Capital Programme and Capital Financing**

- 13.1 The key financial details on capital expenditure and financing in the revised Money Plan for the 5 years from 2023/24, are shown in detail at **Appendix 4**, and summarised below:
1. Capital programme expenditure of £62.358m (£23.968m in 2022/23). Key projects include:
 - (a) The Forum
 - (b) Food Dock
 - (c) Museum Improvements
 - (d) Railway Station Improvements
 - (e) High Streets - Heritage Action Zone project.
 2. Capital financing comprises grants, Capital receipts, borrowing, and revenue funding.

- 13.2 The regeneration of the Kings Quarter has now commenced on site and the Forum development is a significant proportion of the Capital programme and the required borrowing.
- 13.3 The capital programme assumes the majority of capital financing will be funded through borrowing, the use of current and expected future capital receipts, and external grants. The future financial commitments will be approved based on specific income generating, or revenue saving business cases to fund the cost of the borrowing. The main exceptions to this policy will be essential works on the Council's buildings and ICT systems, which will result in a reduced maintenance liability or potential increase in asset value and ensure delivery of the Council's transformation programme.
- 13.4 Wherever possible and desirable, additional one-off capital investments on a business case basis will be made, providing corporate objectives are delivered, and financing is available and affordable within existing budgets, or preferably with the provision of a "spend to save" revenue saving on existing budgets.
- 13.5 The strategy on borrowing is to ensure that any borrowing is only undertaken on a business case basis and is affordable and paid off over the life of the asset.
- 13.6 **Appendix 4** shows the proposed capital budgets for 5 years from 2023/24 incorporating any carried forward capital budgets and new, approved schemes. The capital programme will be updated for any future additions.

14.0 Earmarked Reserves

- 14.1 The Council has limited Earmarked Reserves with the balance at 31 March 2022 being £7.413m, as shown in the table in 13.4 below. Where earmarked reserves are not ring fenced for a specific use then, if necessary, these reserves may potentially be used to support the General Fund.
- 14.2 The Council faces significant uncertainty from 2025/26 and it is expected there will be a significant reduction in retained funding from business rates when the Government eventually undertake their proposed Fair Funding Review. This Review has been delayed several times and is now not expected to occur prior to 2025. The Council needs to ensure there is sufficient funding in the Business Rates reserve to offset the expected changes when they occur and as such the plan assumes £1m will be drawn from this reserve from 2025 to 2028.
- 14.3 During 2023/24 the Council will draw on the appropriate Earmarked Reserves for the delivery of agreed Council activities. However, it is prudent and sensible to maintain and where possible increase the level of earmarked reserves to protect the Council going forward particularly in these uncertain times.

14.4 The table provides a forecast position on Earmarked Reserves:

Reserves Forecast	Balance at 31/03/2022	Transfers 2022/23	Forecast 31/03/2023	Transfers 2023/24	Forecast 31/03/2024
	£m	£m	£m	£m	£m
Historic Buildings	0.053		0.053		0.053
Housing Survey	0.060		0.060		0.060
Shopmobility	0.029		0.029	(0.029)	-
Regeneration	0.145	(0.100)	0.045		0.045
Insurance	0.010		0.010		0.010
Land Adoption	0.873		0.873		0.873
VAT Shelter	0.167	(0.100)	0.067	0.200	0.267
Business Rates	1.023		1.023		1.023
Environmental Insurance	0.900		0.900		0.900
Repairs	0.023		0.023	0.100	0.123
Community Builder	0.029	(0.029)	-		-
Planning Strategy	0.165	(0.090)	0.075	(0.030)	0.045
Flooding Works	0.010		0.010		0.010
Lottery	0.020	-	0.020	-	0.020
Museum Bequest	0.305		0.305	(0.083)	0.222
Transformation	0.100		0.100	(0.075)	0.025
Budget Equalisation	0.243	(0.200)	0.043		0.043
Destination Marketing	0.150	(0.100)	0.050	(0.050)	-
Homelessness	0.100		0.100		0.100
Planning Appeals	0.050		0.050		0.050
Communities	0.024	(0.006)	0.018		0.018
Climate Change	0.066	(0.025)	0.041		0.041
Neighbourhood Spaces	0.057		0.057	(0.033)	0.024
Collection Fund Timing	2.811	(2.811)	-		-
Total	7.413	(3.461)	3.952	-	3.952

15.0 Alternative Options Considered

15.1 The Council must set a balanced budget in time to start collecting Council Tax by 1 April 2023. Alternative proposals put forward for budget savings will be considered as part of this process.

16.0 Social Value Implications

16.1 There are no social value implications as a result of this report.

16.0 Financial Implications

17.1 Contained in the body of the report.

18.0 Legal Implications

18.1 The Local Government Finance Act 1992 requires a council to set a balanced budget. To do this the Council must prepare a budget that covers not only the expenditure but also the funding to meet the proposed budget. The budget has to be fully funded and the income from all sources must meet the expenditure.

18.2 Best estimates have to be employed so that all anticipated expenditure and resources are identified.

18.3 Local government legislation requires the Council's S151 officer to make a report to the full Council meeting when it is considering its budget and council tax. The report must deal with the robustness of the estimates and the adequacy of the reserves allowed for in the budget proposals. This is done so that members will have authoritative advice available to them when they make their decisions

18.4 Section 106 of the Local Government Finance Act 1992 precludes a councillor from voting on a calculation which might affect the calculation of the council's budget if they have an outstanding council tax debt of over two months. If a councillor is present at any meeting at which relevant matters are discussed, they must disclose that section 106 applies and may not vote. Failure to comply is a criminal offence

19.0 Risk & Opportunity Management Implications

19.1 Covered in the report. The budget is prepared based on the information available at the time of writing. The budget pressures facing the Council have, as far as possible, been built into the budget.

19.2 The risks are set out more fully in the report but in summary centre around the continuing economic situation and the impact this is likely to have on the public sector, driving changes to Government funding in future years and the level of the Council's spend from 2023/24 onwards.

19.3 In addition to the risks identified in the report, a list of additional identified risks for both the Draft Money Plan and the Budget for 2023/24, along with the mitigations is also shown below:

Risk Identified	Inherent Risk Evaluation (where 16 represents highest risk)		Proposed measures	Residual Risk Evaluation (where 16 represents highest risk)	
▪ Employee-related costs will be more than assumed	Risk Score	6	▪ Figures based on known commitments and estimated future costs.	Risk Score	4

Risk Identified	Inherent Risk Evaluation (where 16 represents highest risk)		Proposed measures	Residual Risk Evaluation (where 16 represents highest risk)	
<ul style="list-style-type: none"> ▪ Other costs will be more than assumed 		8	Any further pressures will need to be matched by additional identified savings.		4
<ul style="list-style-type: none"> ▪ Pension fund contributions will be higher than expected. 	Risk Score	8	<ul style="list-style-type: none"> ▪ The financial plan will continue to be reviewed and updated annually for a five year period, based on known changes and informed by the most recent actuarial triennial valuation. 	Risk Score	4
<ul style="list-style-type: none"> ▪ Planned budget reductions will not be achieved 	Risk Score	8	<ul style="list-style-type: none"> ▪ Close monitoring of budgets will be carried out in each financial year. ▪ Continuous monitoring of service pressures and ongoing focus on preventative support. 	Risk Score	6
<ul style="list-style-type: none"> ▪ Income from fees, charges and other sources will not be as high as planned 	Risk Score	12	<ul style="list-style-type: none"> ▪ Close monitoring of income budgets will be carried out in each financial year. 	Risk Score	8
<ul style="list-style-type: none"> ▪ Timing of Capital Receipts will be later than anticipated or lower than estimated ▪ Timing of Capital payments may be earlier than estimated 	Risk Score	8	<ul style="list-style-type: none"> ▪ Close monitoring of the timing and payments of capital expenditure/income will be carried out in each financial year. Alternative savings will be identified, or contingency arrangements agreed 	Risk Score	4

20.0 People Impact Assessment (PIA):

20.1 People Impact Assessments will be carried out for each line of the budget savings, to ensure that all relevant considerations are taken into account.

21.0 Other Corporate Implications

1. Community Safety
None
2. Environmental
None
3. Staffing
None

Background Documents:

Money Plan 2022-27, February 2022