

Gloucester City Council

Meeting:	Cabinet Council	Date:	7 February 2024 22 February 2024
Subject:	Money Plan 2024-29 & Budget Proposals 2024/29		
Report Of:	Leader of the Council, and Cabinet Member for Performance and Resources		
Wards Affected:	All		
Key Decision:	No	Budget/Policy Framework:	Yes
Contact Officer:	Greg Maw, Head of Finance and Resources		
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Appendices:	1. Money Plan 2024/25 to 2028/29 2. Budget Pressures & Savings 3. Budget Efficiencies & Savings Programme 4. Capital Programme 2024/25 to 2028/29 5. Budget Book 2024/25 6. Fees & Charges 2024/25 7. Budget Consultation		

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 **RECOMMEND** to Council that:

- (1) the proposals for the 2024/25 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 2024/25 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 Head of Finance and 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 2028/29.

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/interest rate 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 Money Plan and budget for 2024/25 continues to review any implications on income streams.

5.4 On the 22 November 2023 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:

- Business rates multiplier. The multipliers will be de-coupled in 2024-25 to freeze the small business rating multiplier and to index the standard multiplier. Although likely to add complexity to the settlement, it should not significantly affect funding received by local authorities.
- 75% Retail, Hospitality and Leisure (RHL) discounts will continue for a further year.
- Local Housing Allowance (LHA) rates will be raised to the 30% percentile of local market rents from April 2024. No direct impact on local authorities but this should indirectly reduce pressure on temporary accommodation.
- Local authorities will be able to increase planning fees for applications from larger businesses (to recover the full costs) but will have to return fees if timelines not achieved.

No new funding has been announced for local authorities beyond the increases that were previously announced, Additional funding for the NHS and adult social care announced in the Autumn Statement 2022 has been “reaffirmed”, as we expected. The movement in local government Resource Departmental Expenditure Limit (RDEL) is to accommodate the additional funding for the extension of the 75% Retail, Hospitality and Leisure discount and the additional section 31 to compensate authorities for the decision to freeze the small business rating multiplier.

Looking further ahead, prospects for local government finance settlements in the next spending review period look very tight indeed. There is no change in the overall planned increase in Resource Departmental Expenditure (RDEL) of 1% in real terms. But that means real-terms cuts for unprotected services, including most of local government. The Chancellor is looking to put more pressure on the public sector, with a target of 0.5% annual productivity improvements. This could provide justification for some of those real-terms cuts in future years.

- 5.5 One significant risk continuing for the Council is the high cost of borrowing since June 2022. With the Council’s ongoing Kings Quarter regeneration programme in progress there remains risk of increased revenue pressures. In 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 2025/26 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 2024/25

- 5.6 The Government published the provisional local government finance settlement for 2024-25 on 18 December 2023. A Policy Statement (5 December 2023) 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 2024-25.
- Revenue Support Grant (RSG) has been uplifted by 6.62%, as expected, though this was from a low starting level so only equates to an additional £0.017m.
- The Services Grant component which was only introduced 2022/23 is significantly lower than expected, a £0.125m reduction from 2023/24.
- The 3% Core Spending Power Funding Guarantee promised by Government to every authority has been calculated as expected. In 2024-25 for the Council this has been calculated as zero as a result of the higher NHB allocation.
- 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 2025-26 and beyond. In 2024/25 this equates to £0.811m.

5.7 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 £0.811 m in 2024/25 to £0.000m in 2025/26.

6. Business Rates Retention

6.1 The Gloucestershire authorities have agreed to continue the pooling arrangements during 2024/25. 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	2024/25	2025/26	2026/27	2027/28	2028/29
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 8.3	5%	2.5%	2.5%	2.5%
Inflation – other income	See para 8.4	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 2024/25 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 commenced 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 2024/25, 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 2024/25 the increases have been calculated taking into account the cost pressures on the Council. For 25/26 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 £0.693m
- 8.6 Significant cost pressures that have been highlighted through budget monitoring are highlighted at **Appendix 2**. Some key pressures are highlighted below:
- Homelessness Prevention Costs.
 - Interest Costs
 - External Audit Fees
- 8.7 The budget savings identified in **Appendix 2** for 2024/25 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
 - Pension Contributions
 - Direct Cremations
 - Temporary Housing acquisitions

9. Efficiency Savings/Income Generation

- 9.1 With the inclusion of assumed settlement figures for 2024/25 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 requires Council to find further efficiencies and savings in 2024/25 through to 2026/27. Appendix 3 provides details of proposed measures for 2024/25 and 2025/26.

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 £17.680m in 2024/25 to £17.869m in 2028/29. 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 2024/25 comprises two formula driven components - Revenue Support Grant (RSG) and a retained Business Rates target.

11.2 The Council will expect to receive £0.273m RSG in 2024/25. Up from £0.256m in 2023/24 which is 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 £0.811m New Homes Bonus in 2024/25.

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 be 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 £1.7m 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 2024/25 it is proposed to increase the General Fund by £0.393m.

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 2024/25, are shown in detail at **Appendix 4**, and summarised below:

1. Capital programme expenditure of £85.750m (£62.358m in 2022/23). Key projects include:
 - (a) Kings Quarter
 - (b) GL1 / Oxstalls
 - (c) Railway Station Improvements
 - (d) Temporary Housing Provision
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 2024/25 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 2023 being £4.266m, 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 2026/27 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 2026. The Council needs to ensure there is sufficient funding in the Business Rates reserve to offset the expected changes when they occur.
- 14.3 During 2024/25 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 31/03/2023	Transfers 2023/24	Forecast 31/03/2024	Transfers 2024/25	Forecast 31/03/2025
		£'000	£'000	£'000	£'000	£'000
1	Historic Buildings	53	0	53	0	53
2	Housing Survey	60	0	60	0	60
3	Shopmobility	28	0	28	0	28
4	Regeneration	220	0	220	-159	61
5	Insurance	10	0	10	0	10
6	Land Adoption	874	0	874	0	874
7	VAT Shelter	167	0	167	-131	36
8	Business Rates	733	0	733	0	733
9	Environmental Insurance	900	0	900	0	900
10	Repairs	23	0	23	0	23
11	Planning Strategy	126	0	126	0	126
12	Flooding Works	10	0	10	0	10
13	Lottery	21	0	21	0	21
14	Museum Bequest	305	0	305	0	305
15	Transformation	25	0	25	0	25
16	Budget Equalisation	34	-34	0	0	0
17	Destination Marketing	85	0	85	0	85
18	Homelessness	100	-100	0	0	0
19	Planning Appeals	50	0	50	0	50
20	Communities	18	0	18	0	18
21	Climate Change	66	0	66	0	66
22	Neighbourhood Spaces	12	0	12	0	12
23	Defibrillator	6	0	6	0	6
24	Health Inequalities	340	-230	110	-110	0
Total		4,266	(364)	3,902	(400)	3,502

1. Reserve will finance the refurbishment of historic buildings in the City.
2. Reserve for housing surveys undertaken every three to four years.
3. Donated funds for shopmobility for use specifically on the shopmobility service.
4. The reserve is intended for the delivery of key regeneration priorities.
5. This reserve is intended to cover possible insurance claims not able to be met from the Insurance Provision
6. The reserve contains contributions received from developers upon the adoption of open space on housing development. The reserve will be used to fund increased grounds maintenance costs in future years.
7. Earmarked for future regeneration and housing projects.

8. A reserve to be used to protect the Council's General Fund from fluctuations in business rates income expected as a result of Fair Funding and Spending Reviews.
9. The Council has ongoing potential environmental liabilities from the housing stock transfer, including potential asbestos work liability and contaminated land.
10. The Council has significant exposure to major repairs which are currently unbudgeted and could be a significant risk. This reserve is intended to assist in offsetting potential future liabilities.
11. A reserve to meet the future costs of the City Plan review.
12. This reserve holds fund for use on future flood prevention capital projects.
13. This reserve holds funding generated by Gloucester Lottery to be distributed to the voluntary sector.
14. This reserve holds funding received via bequest.
15. Reserve for transformation programme.
16. This reserve was established to provide a buffer with which to deal with the uncertainties in the forward financial planning process arising from changes in the funding for local authorities
17. This reserve will meet the delivery of the two year destination marketing plan
18. Reserve will support delivery of the homelessness strategy and implementation of a private landlord scheme
19. Reserve will protect the Council against future planning appeals
20. Reserve future the work of City Safe and Street Aware projects
21. The reserve will contribute to the Councils response to the Climate emergency
22. This reserve will fund improvements to small areas of public open space and community gardens
23. This reserve will be used to procure defibrillators
24. This reserve will meet known and future commitments on the Councils property investments
25. A reserve to meet a joint Health Inequalities programme with the NHS.

15.0 Alternative Options Considered

- 15.1 The Council must set a balanced budget in time to start collecting Council Tax by 1 April 2024. 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 2024/25 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 2024/25, 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)	
<ul style="list-style-type: none"> ▪ Employee-related costs will be more than assumed ▪ Other costs will be more than assumed 	Risk Score	6	<ul style="list-style-type: none"> ▪ Figures based on known commitments and estimated future costs. Any further pressures will need to be matched by additional identified savings. 	Risk Score	4
		8			
<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

Risk Identified	Inherent Risk Evaluation (where 16 represents highest risk)		Proposed measures	Residual Risk Evaluation (where 16 represents highest risk)	
	Risk Score			Risk Score	
<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 2024-29, February 2024