

- **Budget 2023/24**
- **7th October 2022**

Context

- Secretary of State for Leveling Up, Housing and Communities advised in July that local government settlement announced in December 2022 would be a flat cash two year settlement;
- Global events and uncertainty are driving inflation;
- Bank of England have raised interest rates over summer, and further increases are expected;
- Fiscal event on the 23rd of September did not mention local government funding, further announcements being trailed in media;
- Residents and local businesses are facing significant cost of living challenges and energy costs:

Impact of inflation

- The funding model for local Government makes little allowance for the transition to an inflation driven economy.
- 9.7% of base budget is funded from Government grants. The current assumption is that this will not increase;
- 21.6% of base budget is funded from retained business rates. The Current assumption is that this will not increase;
- 68.2% of base budget is funded from council tax, the assumption is that this will increase by 2.99%, referendum limit announcement in December;
- Cost inflation is likely to be in double digits for the medium term:

Perfect storm of inflation and need to invest in children's services

- Structural disconnect between rate of increase in funding and costs, costs are increasing at an unprecedented rate;
- Based upon the available information and assuming Government support is not forthcoming the Council's budget gap for next year is £21.6m; (pressures £31.8m, funding increases £10.2m)
- The above includes £4.6m additional budget for Children;
- Without additional support from Government, it will not be possible to balance the Council's financial position without affecting front line service delivery:

Key Assumptions 2023/24 to 2026/27

Expenditure	23/24	24/25	25/26	26/27
Pay award	£1,925 per FTE	£1,925 per FTE	4.00%	4.00%
Employers National Insurance	15.05%	15.05%	15.05%	15.05%
Employers Pension Contributions (payroll rate)	17.60%	17.60%	17.60%	17.60%
Contract Indexation - Community Wellbeing	8.00%	5.00%	5.00%	5.00%
Contract Indexation - E&E	8.00%	8.00%	8.00%	8.00%
Contract Indexation - Childrens Placements	6.00%	6.00%	6.00%	6.00%
Contract Indexation - IT	12.00%	12.00%	12.00%	12.00%
Contract Indexation - BCIS	8.00%	8.00%	8.00%	8.00%
Income	23/24	24/25	25/26	26/27
Council Tax				
Council taxbase (after council tax reduction scheme)	70,448.3	70,644.7	70,841.6	71,039.4
Increase in CT Base	1.0%	1.0%	1.0%	1.0%
Band D (standard) (%)	1.99%	1.99%	1.99%	1.99%
Band D (adult social care precept)%	1.00%	1.00%	1.00%	1.00%
Treasury Rates	23/24	24/25	25/26	25/27
PWLB Borrowing Rates (10-year)	3.5%	3.1%	3.1%	3.1%

Pressures by directorates

	Community & Wellbeing	Children & Young People	Economy & Environment	Corporate	Central	Total
	£m	£m	£m	£m	£m	£m
Pay inflation	0.7	1.0	0.6	0.7	-	3.0
Pay increment	0.2	0.5		0.7	-	1.4
Demand pressures	1.1	10.9	0.3	2.3	-	14.6
Contract inflation	0.4	-	1.8	-	-	2.2
Non-contractual inflation	5.3	1.3	0.6	1.0	-	8.2
Energy inflation			1.0			1.0
Capital Financing costs	-	-	-	-	1.8	1.8
Interest costs	-	-	-	-	1.0	1.0
Savings	(0.9)	-	-	-	-	(0.9)
Other	(0.5)	-	-	-	-	(0.5)
Total pressure	6.3	13.7	4.3	4.7	2.9	31.8

Progress

- Each Corporate Director, in consultation with the portfolio holders have been tasked to develop a savings programme, to deliver:
 - In year recovery program;
 - Recurring savings for 2023/4 and future years to be included in next years budget and the roll forward of the MTFS;
 - Transformation programme;
- These recovery plans and savings will be subject to the normal decision making processes;
- The development of a savings programme will enable the Council to identify further areas of savings to be made to address the worsening financial position:

Transformation programme: ambitions and approach

- Digital and customer transformation programme: across all services – see next slide
- Transformation work with Directorates: introduction of strategic capacity to promote disruptive thinking to ways of working and re-framing purpose
- Corporate by default: providing excellent corporate support services that everyone will use, bringing consistency across the Council
- Longer term thinking: what shape will the Council need to take, agreement on vision and strategy, building on Economy 2050, Climate Change action plan, Housing Strategy
- Operational asset review: consider purpose-built new accommodation
- Cost of living review: how we support residents

Digital and customer transformation programme

- Working with partner on wholesale review of Council's use of technology and digital communication across all services
- Primary objectives to improve significantly the experience of residents, and staff, and to be able to deliver more efficient and smarter services
- Digital transformation programmes carried out in other similar local authorities result in substantial savings – scope to be determined in diagnostic work
- Phase one of work underway from mid September taking 10 weeks to complete diagnosis, build case for change and implementation planning, i.e. reporting in late November / early December
- Phase two that follows will involve developing, designing and implementing new operating models, transforming ways of working and organisational culture:
 - Wholesale redesign of customer processes
 - Introduction of more automation and self-service
 - Engaging staff on changes to their ways of working and building capacity within the Council for change to continue.

Consultation

- As mentioned above the budget plans are dependant on clarity from Government on a number of key assumptions that are used to construct the budget. This level of uncertainty is a change from previous years. As consequence the budget consultation will take two forms;
- Consultation on strategic capital budget priorities, both on line and face to face consultation, to commence in October:
- The full revenue and capital budget consultation will be carried out once Government have confirmed the local government settlement,
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