

Title of report: 2024/25 Draft Budget - Revenue

Meeting:	Cabinet
Meeting date:	Thursday 14 December 2023
Cabinet member:	Peter Stoddart, finance and corporate services
Report by:	Leader of the Council (Section 9E)
Report author:	Director of Resources and Assurances

Classification

Open

Decision type

Budget and policy framework

Wards affected

All Wards

Purpose

To approve the 2024/25 draft budget for consultation. This report provides an estimated funding position, based on information known to date, and sets out the key pressures and the savings proposals for each Directorate.

The Council has a statutory responsibility to set a Budget and Council Tax in advance of the commencement of the new financial year. The 2024/25 Revenue Budget and Medium Term Financial Strategy 2024/25 to 2027/28 will be approved by Council in February 2024.

Recommendation(s)

That Cabinet:

- a) **approves the 2024/25 draft revenue budget, which includes the key pressures and savings proposals for each Directorate, for consultation with Members, the council's relevant scrutiny committees, business rate payers and the public; and**
- b) **acknowledges that until the Local Government Finance Settlement is published in late December 2023, the funding assumed in the draft 2024/25 budget is an estimate of expected funding.**

Alternative options

1. It is open to Council to recommend alternative spending proposals or strategies; however, given the legal requirement to set a balanced budget, should additional expenditure be proposed compensatory savings proposals must also be identified. If it is proposed to spend less, the impact on service delivery of the proposed reduction should be considered.
2. Council can agree a council tax increase above the referendum principle levels. This is not recommended as doing so would require the increase to be subject to a local referendum, incurring additional costs to the council.

Key considerations

3. A balanced draft revenue budget which totals £205.2 million is proposed for 2024/25. The proposal includes a 4.99% increase in council tax and estimates of central funding to be confirmed following the announcement of the provisional financial settlement in late December 2023.
4. The draft 2024/25 revenue budget assumes a total council tax increase of 4.99%: 2.99% increase in core council tax and a 2% adult social care precept. This increases the band D equivalent charge to £1,875.76, representing an increase of £7.43 per month. This is the maximum increase permitted; a higher increase would require the support of a referendum.
5. The 2% adult social care precept will generate approximately £2.5 million of additional income to fund social care pressures identified in the Community Wellbeing Directorate; reflecting increases in both demand and cost for services to support the county's residents.
6. An increase to the base budget for 2024/25 is proposed to fund identified budget pressures of £43.3 million. Savings and efficiencies of £19.5 million are proposed to mitigate these pressures to deliver a balanced budget.

Autumn Statement & Funding Updates

7. The Chancellor's Autumn Statement on 22 November 2023 included economic forecasts from the Office for Budget Responsibility (OBR) and set out medium term spending plans.

Inflation Forecasts and National Living Wage Increases

8. The OBR has forecast inflation to remain higher for longer and it is now expected that inflation will not return to the 2% target until the second quarter of 2025, more than a year later than forecast in the March 2023 Budget.
9. Consumer Price Index (CPI) inflation is forecast to fall to 4.8% in the final quarter of 2023 with an increase of 7.5% across 2023 compared with a rate of 6.1% in the March 2023 Budget. The increase for 2024 is 3.6% compared with 0.9% previously forecast. CPI inflation is expected to reduce below the 2% OBR target between 2025 and 2027 before returning to a rate of 2% for a longer term.
10. In advance of the Autumn Statement, Central Government announced an increase to the National Living Wage for individuals aged 21 and over of 9.8% from 1 April 2024 from £10.42 to £11.44 per hour.
11. The impact of the increase in the National Living Wage and movement in CPI inflation on the rates that the council pays for services under contract, and in particular care contracts, has been considered as part of this draft budget.

Planned Council Tax Increases

12. The Local Government Settlement in February 2023 confirmed that the council tax referendum limit would be increased to 3% in 2024/25. In addition, local authorities are able to meet adult social care pressures by raising council tax by a further 2% through additional precept in 2024/25.
13. Each 1% increase in council tax will generate approximately £1.3 million of recurrent funding to meet demand pressures and deliver the council's services. The proposed draft revenue budget for 2024/25 assumes the maximum increase of 4.99% in 2024/25.
14. It is anticipated that Government will announce individual local authority funding allocations in late December 2023 as part of the Provisional Local Government Finance Settlement. The final settlement is expected to be received in early February 2024.
15. If additional funding is identified following the announcement of the Local Government Finance Settlement in late December 2023, this will provide an opportunity for Cabinet to review the options for an increase in council tax and any other element of the draft budget. The updated funding position and any changes to the proposals will be included in the Report to Cabinet on 25 January 2024 along with the outcome of the public consultation and recommendations from scrutiny.

Revenue Budget Proposals 2024/25

16. The base budget proposed for 2024/25 is summarised below and detailed in Appendix B with Directorate Savings Proposals detailed in Appendix A.

Detail	2023/24 Base Budget	Unfunded Pressures	Mitigation	Savings	2024/25 Proposed Budget
	£'000	£'000	£'000	£'000	£'000
Community and Wellbeing	68,124	17,182	(5,123)	(3,251)	76,932
Children and Young People	50,812	17,623	(800)	(2,503)	65,132
Economy and Environment	27,735	5,811	(2,000)	(3,080)	28,466
Corporate	25,530	2,376	-	(2,772)	25,134
All Ages Social Care	4,000	(4,000)	-	-	-
Sub Total	176,201	38,992	(7,923)	(11,606)	195,664
Central	17,107	314	-	(7,915)	9,506
TOTALS	193,308	39,306	(7,923)	(19,521)	205,170
Funded by:					
Council tax	126,980				135,054
Business rates	40,614				41,426
Collection fund surplus	1,400				-

Revenue support grant	983				1,048
Rural sparsity delivery grant	5,353				5,982
Social care support grant	13,466				15,642
ASC Discharge Fund	951				1,585
Mkt Sustainability/Fair Cost of Care	2,062				3,100
Services Grant	1,268				1,102
New Homes Bonus	231				231
TOTALS	193,308				205,170

Directorate Key Budget Pressures

17. A summary of Unfunded Pressures of £43.3 million in 2024/25, by Directorate, is noted in the table below. It is proposed that the £4.0 million All Ages Social Care budget, approved in the 2023/24 revenue budget, is applied to the Community Wellbeing Directorate in 2024/25 to fund demand and cost pressures in adult social care.

Pay Award: This pressure represents an impact of the estimated pay award for 2024/25 on staffing expenditure across each Directorate.

Inflation: This pressure represents the impact of inflation across contractual and non-contractual commitments in 2024/25. Inflation is estimated based on a variety of relevant inflation and price indices as well as contract specific rates.

Demand: Demand pressures reflect additional demand for services based on most recent activity data and costs. This pressure includes adjustments to reflect trend analysis and planned activity in each service area.

Transformation: This pressure reflects expenditure required to deliver transformation of service activity and improvements in each Directorate.

Pressure	Community Wellbeing	Children & Young People	Economy & Environment	Corporate Services	Central	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000
Pay Award	1,160	1,253	806	809	-	4,028
Inflation	7,115	2,121	2,100	1,158	-	12,494
Demand	8,873	12,886	2,776	-	314	24,849
Transformation	34	1,363	129	409	-	1,935
TOTAL	17,182	17,623	5,811	2,376	314	43,306

Community Wellbeing

18. The Directorate faces continued challenge in 2024/25 as a result of increasing demand and complexity of need for the county's ageing population, limited market availability, the impact of hospital high occupancy rates and an increase in the number of individuals unable to fund their own care linked to the impact of increases in the cost of living and inflation.

19. Planned activity in 2024/25 aims to respond to these challenges and deliver savings and efficiencies across the Directorate through increased collaboration with Health and community partners, reviewing high cost Adult Social Care packages and improved utilisation of existing care contracts.

Children & Young People

20. Unprecedented increases in the demand for children’s social care have had a significant impact on Children’s Services nationally. Insufficiency of local residential placements, growing demand in Special Educational Needs (SEN) and Home to School Transport services and national challenges in the recruitment and retention of social workers continue to contribute to pressures across the Directorate.
21. In 2024/25, savings proposals through the 3 Year Financial Plan place workforce stability and the reduction of high cost placements as key priorities for the Directorate to ensure it lives within its means after 3 years. There will be a continued focus on the conversion of high cost agency staff to permanent posts and a decrease in the number of social workers, aligned to expected reductions in the number of children in care due to improvements. The 3 Year Financial Plan is aligned to support the delivery of activity per the Children’s Improvement Plan.
22. The table below outlines how savings planned over the three year period will enable a reduction in the base budget by 31 March 2027.

	Year 1 2024/25 £'000	Year 2 2025/26 £'000	Year 3 2026/27 £'000	Total 3 Year Saving £'000
Base budget b/f	50,812	65,132	59,761	
Additional funding	10,750	-	-	
Pressures less Mitigations	6,073	-	-	
Planned savings	(2,503)	(5,371)	(2,292)	(10,166)
Base budget c/f	65,132	59,761	57,469	

Economy & Environment

23. The Directorate budget for 2024/25 implements increases in parking charges to recognise previously deferred savings targets. Investment in the Directorate will provide sufficient resource and capacity to support growth in the economy in 2024/25 and beyond with additional one-off funding allocated to ensure the Local Plan can be delivered in the next 12 months and to provide resources and expertise to support the Future Operating Model and contractual arrangements with BBLP.

Corporate Services

24. Savings will be delivered in 2024/25; reducing costs through a review of corporate services, business support functions across the council and a review of the council’s management structure.

Proposed Directorate and Council-wide Savings

25. Total Savings of £19.5 million are proposed in the 2024/25 draft budget comprising £11.6 million of Directorate savings and a further £7.9 million of council-wide savings. These savings include a range of proposals to:
- transform the delivery of services;
 - increase opportunities to recover the costs of service delivery;
 - reduce expenditure to deliver recurrent efficiencies; and
 - review of the size and shape of the organisation.

Category of Saving	Directorate £'000	Council-wide £'000	TOTAL £'000
Transform	5,488	7,915	13,403
Reduce	5,103	-	5,103
Increase	1,015	-	1,015
TOTAL	11,606	7,915	19,521

26. Details of individual proposals and a description of planned activity for Directorate savings of £11.6 million are included at Appendix A.
27. In addition to the proposed Directorate savings, a further £7.9 million of savings will be achieved through planned transformation activity across the council in 2024/25. Efficiencies and savings will be achieved through the council's Thrive programme with improvements to systems, processes and technology; using digital solutions and technology to improve the customer offer and maximise opportunities to work with communities and partners alongside maximising income through service cost recovery.
28. Delivery of these initiatives will require the council to transform as an organisation to ensure the future sustainability of the council and the services it delivers. This will require a review of the size and shape of the workforce to create a lean and resilient council for the future.

Outstanding Information and Next Steps

29. Outstanding information which is required in the budget setting process is set out below. Changes to budget proposals arising from the funding settlement, consultation activity, inflationary changes as well as the assessed level of reserves and forecast outturn position for 2023/24 will need to be considered and reflected in the final budget proposed by Cabinet in January 2024.
30. Outstanding information expected to have an impact on the proposed budget for 2024/25 and MTFS includes:
- The provisional and final Local Government Finance Settlement for 2024/25 setting out the council's Settlement Funding Assessment and confirming estimated grant funding and any other changes;
 - The outcome of the public consultation running from 21 November to 31 December 2023; and
 - Recommendations from Scrutiny Management Board in respect of draft budget and savings proposals.

31. Cabinet will propose the 2024/25 Revenue Budget for recommendation to Council at the meeting on 25 January 2024 reflecting the outstanding information above. The report to Cabinet in January 2024 will include:
- a) Council tax and precept calculations;
 - b) 2024/25 Revenue Budget;
 - c) Medium Term Financial Strategy (2024/25 to 2027/28);
 - d) Directorate Savings Plans 2024/25;
 - e) Directorate Base Budgets 2024/25;
 - f) Treasury Management Strategy 2024/25;
 - g) Earmarked Reserve Balances at 31 March 2023;
 - h) Results of Consultation Activity; and
 - i) Responses to recommendations from Scrutiny Management Board.
32. Council will meet to approve the 2024/25 Revenue Budget and supporting Appendices at its meeting on 9 February 2024. Any changes to the budget proposed by Cabinet at the meeting on 25 January 2024, as a result of outstanding information noted above, will be incorporated into the final budget to be considered by Council.

Community impact

33. The draft budget demonstrates how the council plans to use its financial resources to deliver its statutory responsibilities and strategic priorities. The budget and savings proposals support the overall delivery plan and service delivery strategies in place.
34. In accordance with the adopted code of corporate governance, the council achieves its intended outcomes by providing a mixture of legal, regulatory and practical interventions. Determining the right mix of these is an important strategic choice to make to ensure intended outcomes are achieved. The council needs robust decision making mechanisms to ensure our outcomes can be achieved in a way that provides the best use of resources while still enabling efficient and effective operations.

Environmental Impact

35. The council provides and purchases a wide range of services for the people of Herefordshire. Together with partner organisations in the private, public and voluntary sectors we share a strong commitment to improving our environmental sustainability, achieving carbon neutrality and to protect and enhance Herefordshire's outstanding natural environment.
36. Whilst this overarching budget setting document will not detail specific environmental impacts, consideration is always made to minimising waste and resource use in line with the council's Environmental Policy. A specific environmental impact assessment for the service specific budget proposals will be considered as appropriate to seek to minimise any adverse environmental impact and actively seek opportunities to improve and enhance environmental performance.

Equality duty

37. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:
- A public authority must, in the exercise of its functions, have due regard to the need to –
- a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;

- b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
37. Service specific equality impact assessments for the service specific budget proposals will be completed, as required, to assess the impact on the protected characteristic as set out in the Equality Act 2010. The duty means that the potential impact of a decision on people with different protected characteristics is always taken into account when these assessments have been completed then we will consider mitigating against any adverse impact identified. Where additional governance is required to support possible service delivery changes the impact of a decision on people with different protected characteristics will be fully detailed and disclosed in that governance decision report.

Resource implications

38. The financial implications are as set out in the report. The ongoing operational costs including, human resources, information technology and property resource requirements are included in the draft budget and will be detailed in separate governance decision reports as appropriate.

Legal implications

39. When setting the budget it is important that councillors are aware of the legal requirements and obligations. Councillors are required to act prudently when setting the budget and council tax so that they act in a way that considers local taxpayers. This also covers the impact on future taxpayers.
40. In acting prudently, the council has an obligation to determine whether any planned council increase is excessive (based on a set of principles defined by the Secretary of State, and approved by the House of Commons).
41. The level of council tax rise does not meet the definition of an excessive increase so can be approved without the need for a referendum.
42. 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.
43. Best estimates have to be employed so that all anticipated expenditure and resources are identified. If the budget includes unallocated savings or unidentified income then these have to be carefully handled to demonstrate that these do not create a deficit budget. An intention to set a deficit budget is not permitted under local government legislation.
44. The council must decide every year how much they are going to raise from council tax. The decision is based on a budget that sets out estimates of what is planned to be spent on services. Because the level of council tax is set before the year begins and cannot be increased during the year, risks and uncertainties have to be considered, that might force higher spending more on the services than planned. Allowance is made for these risks by: making prudent allowance in the estimates for services; and ensuring that there are adequate reserves to draw on if the service estimates turn out to be insufficient.
45. 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 (the statement is contained within the risk management section of this report). This is done so that members will have authoritative advice available to them when they make their decisions. As part of the Local Government Act 2003 members have a duty to determine whether they agree with the S151 statutory report.

46. The council's budget and policy framework rules require that the chairpersons of a scrutiny committee shall take steps to ensure that the relevant committee work programmes include any budget and policy framework plan or strategy, to enable scrutiny members to inform and support the process for making Cabinet proposals to Council.
47. Section 106 of the Local Government Finance Act 1992 precludes a councillor from voting on the Council's budget if he or she has an outstanding council tax debt of over two months. If a councillor who is precluded from voting is present at any meeting at which relevant matters are discussed, he or she must disclose that section 106 applies and may not vote. Failure to comply is a criminal offence.

Risk management

48. Section 25 of the Local Government Act 2003 requires the S151 officer to report to Council when it is setting the budget and precept (council tax). Council is required to take this report into account when making its budget and precept decision. The report must deal with the robustness of the estimates included in the budget and the adequacy of reserves.
49. The budget has been updated using the best available information; current spending, anticipated pressures and estimates in respect of the provisional 2024/25 funding settlement.
50. The known most substantial risks have been assessed as part of the budget process and reasonable mitigation has been made where possible. Risks will be monitored through the year and reported to cabinet as part of the budget monitoring process.
51. The council maintains a general fund reserve balance above the minimum requirement, earmarked reserves and an annual contingency budget to manage these risks.
52. Key risks and mitigating actions are noted in the table below:

Key Financial Risk	Likelihood	Impact	Mitigation Action
<p>Not delivering required improvements The council must address the statutory direction and improvements across Children's Services</p>	Low	Medium	<p>The Children's Improvement Board continues to work with the Department for Education, the appointed Commissioner for Children's Services and its improvement partner Leeds City Council and resources have been allocated to address required transformation and improvement. Performance against the Improvement Plan is monitored and reported on a quarterly basis.</p> <p>A three year Strategic and Financial Plan has been developed to ensure the Children & Young People Directorate is able to live within its means after 3 years.</p>
<p>Unexpected events and emergencies By its nature, the financial risk is uncertain</p>	Low	High	<p>The Council maintains a strategic reserve at a level of between 3 and 5% of its net revenue budget for emergency purposes. The level of this reserve at 31 March 2023 was 9.6m (5.0% of budget). Additionally, national resources have</p>

			historically been provided to support national issues.
Increasing demand for Adult and Children's Social Care Demand for Children's services continue and demand for adult services increases as the population ages	High	Medium	Demand led pressures are reflected within our spending plans; additional funding to support increased demand has been applied to Community Wellbeing and Children & Young People Directorate base budgets for 2024/25. In year monitoring of performance enables Directorates to forecast trends and identify changes in demand. Talk Community and strength Based Assessment have evidenced managing demand and investing in Early Help and Prevention will support our response to increasing demand.
Potential overspend and non-delivery of savings required to balance the budget	Medium	Medium	High risk budget areas have been identified and financial support is targeted in these areas. Robust and regular financial monitoring which is reported to Directorate and Corporate Leadership Teams and Cabinet enables the timely identification of actions to mitigate the risk of overspends.
Volatility in Government funding streams The government settlement for 2024/25 is a one year settlement; the assumed funding for the MTFS period is not confirmed	High	Medium	The MTFS will reflect prudent estimates and assumptions in the financial planning over the medium term period where it is acknowledged that uncertainty over future funding exists
Interest and Inflation There is uncertainty over interest and inflation rates	Medium	Medium	The Treasury Management Strategy is informed by latest forecasts, as provided by our Treasury Management Advisors. Increases in borrowing rates will be offset by increases in investment returns.

Consultees

53. The council's constitution states that budget consultees should include parish councils, health partners, the schools forum, business ratepayers, council taxpayers, the trade unions, political groups on the council, the scrutiny committees and such other organisations and persons as the Leader shall determine.
54. A series of 15 local budget public consultation events will be held between 22 November and 13 December 2023 including engagement with community groups and the business community. The consultation presents high-level options to contribute towards balancing the council's budget for 2024/25 and their likely impact. These options included reducing and transforming services, increasing charging for services and increasing council tax.

55. An online public consultation will be available for residents to complete from 21 November to 31 December 2023.
56. The results of these consultation activities will be included in the updated 2024/25 Budget Report for the meeting of Cabinet on 25 January 2024.
57. Scrutiny Management Board will be consulted with in early January 2024 and the Board's recommendations for consideration by Cabinet will be included in the updated 2024/25 Budget Report for the meeting of Cabinet on 25 January 2024.

Appendices

Appendix A Proposed Savings Plans 2024/25

Appendix B Proposed Directorate Base Budgets 2024/25

Background papers

None identified.