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Date: 30th November 2023

Dear Sir/Madam,

Cabinet – 6th December, 2023

I refer to **Agenda Item 9 – DRAFT GENERAL FUND BUDGET** and attach the report that was marked to follow on the agenda.

Yours faithfully,

BRENT DAVIS

Chief Executive

To: Members of the Cabinet

Councillor K. Wilson (Leader of the Council and Business and Regeneration)
Councillor C. Golby (Deputy Leader and Housing and Communities)
Councillor S. Croft (Finance and Corporate)
Councillor S. Markham (Public Services)
Councillor R. Smith (Planning and Regulation)
Councillor J. Gutteridge (Health and Environment)

Observer

Councillor C. Watkins (Leader of the Main Opposition Party)

Cabinet/Individual Cabinet Member Decision

Report Summary Sheet

Date: 6th December 2023

Subject: Draft General Fund Revenue Budget 2024/25

Portfolio: Finance and Corporate (Councillor S. Croft)

From: Strategic Director – Finance & Governance

Summary:

To provide detail regarding the draft Revenue Budget for the General Fund for 2024/25

To provide an update to Cabinet on the Chancellor's Autumn Statement

Recommendations:

That the General Fund budget position detailed within the report is noted.

That an update on the General Fund 2024/25 budget be presented to Cabinet in February once the NNDR1 is finalised and the Local Government Financial Settlement has been announced.

That the potential savings required on the General Fund are noted and an action plan to generate savings is reported to Cabinet in February.

That the Chairs of Overview & Scrutiny Panels are notified of the budget proposals in line with the Constitution.

Options:

To accept the recommendations.

To not accept the recommendations and propose alternative suggestions regarding a savings plan.

Reasons:

The Council is required to achieve a balanced budget each year.

Consultation undertaken with Members/Officers/Stakeholders

Strategic Directors

Members

Assistant Directors

Finance Officers

Subject to call-in:

Yes

Ward relevance:

None directly.

Forward plan:

Yes

Building a Better Borough Aim:

Work

Building a Better Borough Priority:

Grow a strong and inclusive economy

Relevant statutes or policy:

Local Government Finance Act 1992

Equalities Implications:

None

Human resources implications:

None

Financial implications:

Detailed in the report.

Health Inequalities Implications:

None

Section 17 Crime & Disorder Implications:

None

Risk management implications:

The Council analyses risks as part of the budget setting process and ensures an appropriate level of reserves are in place.

Environmental implications:

None

Legal implications:

To assess the risks and achieve a balanced budget each year.

Contact details:

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AGENDA ITEM NO.9

NUNEATON AND BEDWORTH BOROUGH COUNCIL

Report to: Cabinet - 6th December 2023
From: Strategic Director – Finance & Governance
Subject: Draft General Fund Revenue Budget 2024/25
Portfolio: Finance & Corporate (Councillor S. Croft)

Building a Better Borough Aim: Work

Building a Better Borough Priority: Grow a strong and inclusive economy

1. Purpose of Report

- 1.1 To provide a draft position of the expected General Fund budget for 2024/25.
- 1.2 To update Cabinet on the outcomes affecting the Council following the Chancellor's Autumn Statement on 22nd November.

2. Recommendations

- 2.1 That the General Fund budget position detailed within the report is noted.
- 2.2 That an update on the General Fund 2024/25 budget be presented to Cabinet in February once the NNDR1 is finalised and the Local Government Financial Settlement has been announced.
- 2.3 That the potential savings required on the General Fund are noted and an action plan to generate savings is reported to Cabinet in February.
- 2.4 That the Chairs of Overview & Scrutiny Panels are notified of the budget proposals in line with the Constitution.

3. Budget Setting Background

- 3.1 Nuneaton and Bedworth Borough Council (the Council) along with all local authorities across England have seen significantly reduced funding from central government over the last 10 years and the need to generate savings and increase income has been ongoing.

- 3.2 Changes in behaviour brought about by the pandemic appears to have reduced footfall across the town centres which has created further losses in income.
- 3.3 Savings of £2.3m were proposed as part of the budget process for 2023/24, some of which have not been achievable due to market conditions and other pressures have also been identified. The impact of these areas is being seen currently in the monitoring reports that have been presented to Cabinet in both September and November.

Autumn Statement

- 3.4 The Autumn Statement was announced on 22nd November and has brought with it some key items that will impact the finances for the Council outside of the Local Government Financial Settlement. These include:
- NNDR multiplier frozen for 2024/25
 - Homelessness prevention funding of £120m
 - Locally set premium for major planning applications
 - Increased Local Housing Allowance
 - Local Nutrient Mitigation Fund of £110m
- 3.5 No confirmation of Council Tax referendum limits was reported.
- 3.6 The freeze on the Business Rates multiplier is for the fourth consecutive year and the impact will be updated in the budget once the NNDR1 is completed.
- 3.7 More targeted homelessness funding should benefit the Council as it will help mitigate some of the high costs associated with the prevention of homelessness. This is not captured in the budget currently but will be updated once detail of the allocation is issued.
- 3.8 The Council will, under planning reforms, be able to charge a premium on all major development sites. Although this may support the Council in reducing taxpayer funding for the planning service, there are risks around the tight deadlines for planning decisions and that the fee is fully reimbursed if deadlines are not achieved. The detail of the proposal and any impact is still to be reviewed.
- 3.9 The Local Housing Allowance has not been increased since 2020 so this news is welcome in supporting lower income families and the risk around homelessness. This will, however, not support the Council's Benefit subsidy losses.
- 3.10 A fund in relation to reducing pollution in waterways has been announced with this enabling the release of land to build up to 40,000 new homes. The Council does not have any housing sites on hold due to waterways issues and therefore this will not directly impact.

4. Draft Budget 2024/25

Assumptions

- 4.1 A Council Tax increase of £5 is included in the draft budget which is approximately 1.95%. As noted earlier in the report, referendum limits have not been confirmed but each 1% rise increases the Council's precept by approximately £100k.
- 4.2 The following cost assumptions and provisions are built into the draft budget:
- Pay award at 6%
 - Inflation where unavoidable on contracts etc
 - Treasury updates on investment income and interest payable
 - Forecasted interest on regeneration projects
 - Increases to external audit charges
 - Recycling
 - Bridge repairs across the Borough
- 4.3 A pay award increase of 5% was included in the budget for 2023/24 and this was exceeded slightly by the settled pay award. Due to the recruitment freeze however, the General Fund is making savings and therefore the full impact of the pay award will not be seen to the full extent in year. An increase of 6% for 2024/25 is proposed as an assumption at this stage but this will however be reviewed in more detail over the coming months.
- 4.4 Inflation based on this year's CPI in September has been included on contractual items at 6.7%. This however will be reviewed further due to the level of inflation now reducing so a saving may be generated.
- 4.5 It has been highlighted as part of the budget setting process that repair works on bridges in the Council's ownership are required and an exercise is being conducted to determine the cost implications and the timeframe in which these repairs will need to be undertaken.
- 4.6 Cash levels are set to decrease over the next three years as per the Treasury Strategy as cash reserves are utilised in advance of borrowing. Investment income is likely to fall slightly from the levels seen in 2023/24 and interest payable through borrowing will increase due to regeneration projects.
- 4.7 A full review of interest receivable and payable is underway and will be reported in February as part of the updated Treasury Strategy for 2024/25. Any changes to the budget as a result of this review will be updated as part of the budget report in February.
- 4.8 Recycling income has seen a large reduction in year due to the fall in material prices plus an increased charge for the recycling service from

Coventry City Council is being seen and both have been reported in the quarterly monitoring updates. The position for 2023/24 has been reflected in the budget for 2024/25. At this stage however, any implications of the Sherbourne Recycling Facility have not been factored in as the Council has not received enough data regarding the material quality to forecast accurately. An update to this is expected to bring savings.

- 4.9 The Public Sector Audit Appointments (PSAA) company which was incorporated by the Local Government Association (LGA) are responsible for engaging with the audit sector and setting fees for external audit. The increase in fees is expected to result in an additional pressure of £50k between years.
- 4.10 As noted at 3.1, the General Fund is under pressure with reduced funding and increased expenditure and a transformation approach is being undertaken to source savings and opportunities for income generation.
- 4.11 The draft position on the General Fund is a £4.0m deficit. The funding for the Council in 2024/25 is assumed to be through NNDR and Council Tax with a small level of New Homes Bonus which is to be fully reinvested into vehicle replacement.

	£'000
Portfolio Total	20,433
Central Adjustments	-523
Council Net Expenditure	19,910
Total Funding	-15,876
Draft Deficit	<u>4,034</u>

- 4.12 At this stage, small levels of New Homes Bonus have been included which will fund vehicle replacement and therefore does not benefit the revenue position. Nothing has been built in for any potential one-off grants that have been announced in recent years as part of the Financial Settlement and NNDR has been reduced awaiting the NNDR1 completion. Council Tax has been increased by £5 as noted at 4.1. These updates are resulting in a reduction of £1m in core funding between years.

5. Savings Plan

- 5.1 As noted in the recommendations, the Council must look to review services and potential income generation. To continue to support discretionary services, the Council must undertake a complex review of what can be afforded and what is required under statute. Where discretionary services are not cost neutral, further analysis regarding the value added to residents of the Borough will be completed.

- 5.2 To ensure the Council fully recovers its costs, there is a review underway of fees and charges as inflationary pressures and the staff pay award are by default making the cost to manage services more expensive.
- 5.3 Reviews of service structures since the restructure of Management Team in April 2023 have been undertaken and are currently in consultation. Any savings that are expected to be generated from the changes have not yet been built into the budget.
- 5.4 Transformation, as reported in the quarterly outturn reports, is now gaining traction and a number of areas are under review. It is expected that savings will be found by drawing out inefficiencies with a fundamental review of the effectiveness of procedures. Although work is underway, nothing has yet been included within the budget.
- 5.5 Some smaller savings have already been proposed but not compiled as a whole and a full review of opportunities not yet included in the draft is underway.

6. Earmarked Reserves

- 6.1 As part of the budget setting process, reserves must be reviewed to determine whether they are at a sufficient level to cover any risks faced by the Council.
- 6.2 On the General Fund, the minimum general reserve balance of £1m is in place and earmarked reserves are available to support specific expenditure, however these can only be utilised once.
- 6.3 The expected balance on earmarked reserves for 2024/25 is £9.7m based on the draft budget.
- 6.4 There are earmarked reserves scheduled for drawdown in 2023/24 and any deficit will also need to be funded from specific reserves set aside although this needs to be avoided and cannot be a solution for next financial year. Reserve balances are reducing annually and control over the financial sustainability of the Council is critical.

7. Conclusion

- 7.1 The Council needs to make some difficult decisions regarding services and fees in the coming months. The General Fund cannot sustain deficits of £4m per annum into the medium-term and needs to take action to reduce.
- 7.2 Reserve levels on the General Fund are reducing annually and there is little available for overspends due to the Council's general reserve currently sitting at the minimum balance of £1m.

7.3 Earmarked reserves are being utilised to fund services which is not sustainable into the longer-term and decisive action must be taken to keep statutory services running as a minimum.

8. Appendices

8.1 None

9. Background Papers (if none, state none)

9.1 None