

## Report to Cabinet

**Subject:** General Fund Revenue Budget 2024/25  
**Date:** 21 February 2024  
**Author:** Senior Leadership Team on behalf of Leader of the Council

### Wards Affected

Borough wide.

### Purpose

This report sets out the revenue budget which aligns to the Gedling Plan priorities, objectives and priority actions for the Council for the forthcoming year.

### Key Decision

This is a Key Decision because the proposals will have a significant impact on all wards in the borough and include financial implications that are above the threshold of £0.5m determined by Council for decisions to be regarded as a Key Decision.

### Recommendation(s)

Cabinet is asked to approve:

- i. a 5% discretionary income inflation increase for the individual portfolios as shown in the table at paragraph 2.4.5.

Cabinet is asked to recommend to Council on 6 March 2024:

- ii. that the financial threshold above which decisions will be regarded as Key Decisions be set at £0.5m for 2024/25;
- iii. a provisional Council Tax increase of 2.988% (£5.48) which balances the financing of a Net Council Tax Requirement of £7,358,400 in 2024/25;
- iv. that the detailed budget for 2024/25, as detailed in Appendix 1 be approved.

## **1. Background**

- 1.1 The Constitution of the Council requires the Leader to present, by 21 February each financial year, a draft Budget and Performance Plan to the Cabinet for approval, highlighting budget priorities, growth items and proposed efficiencies.
- 1.2 The Executive is required to consider any comments made on the draft Budget and Performance Plan and to present the final drafts to Council for adoption in accordance with the statutory requirements. To fulfil these requirements the 2024/25 budget proposals together with the Gedling Plan will be presented to Budget Council on 6 March 2024. The Borough Council has a statutory responsibility to determine its Council Tax by 11 March each year.
- 1.3 This report ensures that these requirements will be met for the 2024/25 budget process.

## **2. Proposed General Fund Budget 2024/25**

- 2.1 The Council's proposed General Fund budget sets out the financial strategy and framework for overall financial control and administration for the Council. It also details how individual items such as Central Government Funding, Taxation levels, Resource Developments and Efficiency proposals impact on the annual budget and this has been taken into account in presenting this annual budget and Medium Term Financial Plan (MTFP) Summary.

### **2.2 Principles Underpinning the Budget Strategy**

The Council has a number of agreed principles as a basis for financial management and budget planning as follows:

- Emerging pressures are managed within existing overall budgets;
- Spending is aligned to key priorities as set out in the Gedling Plan 2024-27;
- Income is only included in the budget where supported by robust proposals and is deliverable;
- The Council will optimise its commercial income where possible to ensure that fee charging services break-even over time and are provided with a nil cost subsidy from the taxpayer where appropriate, or return a surplus where appropriate;
- Where possible, future liabilities are anticipated;
- Budgets are sustainable;
- Savings proposals are supported by project plans and the impact on service delivery is clear;
- Capital and revenue planning must be integrated to ensure that implications are fully anticipated;
- The Council's reserves and balances are not to be used as a primary method to balance the ongoing pressures in the budget. Earmarked reserves are used for specific one-off purposes to support the delivery of corporate objectives and to mitigate risks.

Considering the anticipated medium term financial pressure, the Council has developed a forward strategy to inform future financial planning, by providing a framework for reducing planned expenditure over the medium term to ensure that the Council is financially sustainable, while still delivering the Council's key priorities as set out in the Gedling Plan 2024-27.

### 2.3 Local Government Finance Settlement (LGFS) 2024/25

2.3.1 The local government finance settlement is the annual determination of funding for local government, distributing revenue raised from business rates and other funding streams through:

- Revenue Support Grant and Baseline Funding level for Business Rates Retention known as the Settlement Funding Assessment.
- Other Key Grants – e.g. New Homes Bonus; Funding Guarantee Grant.

The final settlement figures for 2024/25 were announced by the Secretary of State for Levelling Up, Housing and Communities (DLUHC) on 5 February 2024, this was the second of a two-year settlement. The final settlement followed a consultation on the provisional settlement, which closed on 15 January 2024. The Government's assessment of the Core Spending Power of local authorities and its referendum principles for managing excessive council tax increases were also confirmed as part the Settlement.

The final settlement figures announced on 5 February 2023 related only to 2024/25 (i.e. a one-year settlement) and there was no multi-year settlement that many local authorities were hoping for. However, the Government has attempted to provide some clarity for 2024/25 by ensuring the funding guarantee introduced last year is maintained, to ensure every Council sees at least a 4% increase in Core Spending Power next year before any local decisions on council tax. Core settlement funding was also uplifted with Revenue Support Grant increasing by CPI, and an increase in baseline funding levels. They also announced that they will continue with the previous year's approach to the Service Delivery Grant and New Homes Bonus in recognition that these grants are important to Councils. This means there will be no implementation of the Fair Funding Review or reset of the Business Rates system in 2024/25 and confirmed no further changes will be made to Council Tax referendum principles.

The statement also announced that the Government will continue to support projects that reduce costs and improve efficiency by extending the flexibility to use capital receipts to fund the revenue costs of these projects until 2030. In addition, a consultation was launched to engage with the sector to explore additional capital flexibility options to enable invest-to-save and transformation initiatives.

The one-year settlement means that there is still no clarity over funding levels after March 2025. This continues to hamper meaningful financial planning at a time when demand for services is still high. This resulting level of uncertainty

means in practice that local authorities will find it much harder to plan and fund capital expenditure.

The 2024/25 Settlement Funding Assessment (SFA) figures are set out in the table below along with those from previous periods for comparative purposes:

Year	Revenue Support Grant £	Business Rates £	Total SFA £	Cash (Reduction) /Increase £	Movement from Prev. Year	Movement from 2015/16
2015/16	2,146,200	2,792,300	<b>4,938,500</b>			
2016/17	1,415,700	2,815,500	<b>4,231,200</b>	(707,300)	-14.3%	<b>-14.3%</b>
2017/18	780,500	2,873,000	<b>3,653,500</b>	(577,700)	-13.7%	<b>-26.0%</b>
2018/19	384,900	2,959,300	<b>3,344,200</b>	(309,300)	-8.5%	<b>-32.3%</b>
2019/20	0	3,027,100	<b>3,027,100</b>	(317,100)	-9.5%	<b>-38.7%</b>
2020/21	0	3,076,400	<b>3,076,400</b>	49,300	+1.6%	<b>-37.7%</b>
2021/22	0	3,076,400	<b>3,076,400</b>	0	0.0%	<b>-37.7%</b>
2022/23	500	3,076,400	<b>3,076,900</b>	500	0.0%	<b>-37.7%</b>
2023/24	117,500	3,191,600	<b>3,309,100</b>	232,200	+7.5%	<b>-33.0%</b>
2024/25	125,300	3,321,100	<b>3,446,400</b>	137,300	+4.1%	<b>-30.2%</b>

The total cumulative settlement reductions equate to -30.2% or £1,492,100 in cash terms over the periods from 2016/17 to 2024/25 compared to the base position of 2015/16. Excluding the grant now consolidated into RSG of **£125,300** (council tax administration grant) i.e. not additional funding, the equivalent cumulative settlement reductions equate to 32.8% or £1,617,400 over the same period.

SFA is reduced to 23% of Gedling's net budget for 2024/25, before accounting for new required efficiency targets, compared to 60% in 2010/11.

### 2.3.2 Business Rates Retention – Current 50% Retention Scheme

Business Rates growth compared to baseline funding levels of £3,321,100 for 2024/25 is estimated at £3,217,800 giving total income from business rates of **£6,538,900**, including S31 grants to compensate for new reliefs and indexation introduced by the government since the scheme's introduction (Note: S31 Grants are used by central government to reimburse a local authority for additional activities which are not covered by existing funding methods).

Growth amounts for the medium term have been set at a prudent level of £1,069,300 per annum from 2025/26 to 2028/29 due to the uncertainties that

remain in the estimation process due to the delay in the review of the future local government funding system, including business rates retention and the potential for a system reset. In addition, the business rates retention scheme has shown volatility in respect of the appeals process, the prediction of future growth, and the potential for significant local impact where a large business relocates/closes.

### 2.3.3 New Homes Bonus

During 2011/12 Central Government introduced the New Homes Bonus (NHB) which is funded from the centrally retained share of Business Rates income and paid as a separate non-ringfenced grant in addition to the Settlement Funding Assessment.

The principles of the grant are to reward local authorities for each new property completed within their boundary plus an additional reward for returning empty properties back into use. The value of the reward was linked to the national average council tax band D property for a number of specified years, initially set at six years.

When the NHB was introduced, the then Department for Communities and Local Government (now the Department for Levelling Up, Housing and Communities) stated in its final scheme design that it was intended to be a predictable, permanent and enduring feature of local government funding. However, since its introduction a number of changes have been made as summarised in the table below:

Scheme Period	Growth Level Awarded	Number of Years of Award
2011/12 – 2016/17	All	6
2017/18 – 2019/20	Above 0.4% Threshold	4
2020/21 – 2024/25	Above 0.4% Threshold	1

During 2016/17 the Government made changes to the NHB with effect from 2017/18 with the intention of delivering savings to fund pressures in social care. The main changes to the scheme included:

- Reducing the length of time bonus is paid from six years to four years;
- Introduction of a 0.4% growth threshold, recognising that some housing would be built regardless of the NHB, to remove what Government terms as 'deadweight' from the payment. Local authorities need to achieve growth of greater than 0.4% in each year before they receive any NHB funding. For Gedling, this equates to 185 Band D properties before any payment is made. It was considered that the baseline could remove any incentive to grow in relatively low growth areas and penalise areas with limited opportunity to grow, for example in green belt areas.

The Government have confirmed that NHB will continue for 2024/25 on the same basis as 2020-24, with no change to the way the NHB is calculated and the award being for one year only.

For the period measured for the 2024/25 New Homes Bonus i.e. October 2022 to October 2023, growth in Gedling was 593 band D equivalent houses, equivalent to 1.28% growth. This growth is before removing the national baseline of 0.4%, and the reduced NHB based on 408 band D properties has been confirmed at **£709,853** for 2024/25 (to be paid for one year only).

The impact of the scheme changes has been a significantly reduced award as demonstrated in the table below:

New Homes Bonus Projections Compared to 2016/17

<b>Payment Year</b>	<b>16/17 £000</b>	<b>17/18 £000</b>	<b>18/19 £000</b>	<b>19/20 £000</b>	<b>20/21 £000</b>	<b>21/22 £000</b>	<b>22/23 £000</b>	<b>23/24 £000</b>	<b>24/25 £000</b>
2011/12	339								
2012/13	410								
2013/14	366	366							
2014/15	448	448							
2015/16	468	468	468						
2016/17	369	369	369	369					
2017/18		9	9	9	9				
2018/19			11	11	11	11			
2019/20				93	93	93	93		
2020/21					270				
2021/22						2			
2022/23							428		
2023/24								333	
2024/25									709
<b>Total MTFP</b>	<b>2,400</b>	<b>1,660</b>	<b>857</b>	<b>482</b>	<b>383</b>	<b>106</b>	<b>521</b>	<b>333</b>	<b>709</b>
<b>Reduction from 2016/17</b>		<b>(740)</b>	<b>(1,543)</b>	<b>(1,918)</b>	<b>(2,017)</b>	<b>(2,294)</b>	<b>(1,879)</b>	<b>(2,067)</b>	<b>(1,691)</b>

There remains considerable uncertainty surrounding the future of the NHB scheme. During 2019/20 the then Secretary of State for MCHLG stated that it was not clear the NHB in its current form is focussed on incentivising homes where they are most needed and announced that the government would consult on the future of the incentive in the spring of 2020. This consultation was delayed for a year due to Covid-19 but was completed in April 2021. However, the results of the consultation were never announced. Given that the Fair Funding Review is not expected to be completed for 2025/26, the Medium Term Financial Plan assumes a lower award for NHB of £300,000 each year (roughly compared to 2023/24). This is because if NHB was to be deleted

then an equivalent amount of protective funding would be received as an alternative.

#### 2.3.4 Services Grant

The Government introduced a new Services Grant as part of the local government finance settlement for 2022/23 which was initially intended to provide funding for one year only to all tiers of local government in recognition of the services they provide and to manage inflationary pressures e.g. the planned increase in National Insurance contributions for Health and Social Care levy. This grant was reduced in 2023/24 because there was no longer an increase in employer National Insurance contributions. However, the settlement announced that the service Grant would continue in 2024/25, although again at a much-reduced rate. This is an un-ringfenced grant and Gedling's allocation is **£21,479** reduced from £125,258 in 2023/24.

#### 2.3.5 Funding Guarantee Grant

The settlement also announced that the Funding Guarantee introduced in 2023/24 would continue in 2024/25. This is intended to ensure that all Council's see at least a 4% increase in their Core Spending Power (CSP) before any decision about efficiencies, use of reserves, and Council Tax Levels.

Gedling's Funding Guarantee allocation for 2024/25 is **£225,721**. This is a reduction from the 2023/24 allocation of £349,912.

The Funding Guarantee replaced the previous Lower Tier Services Grant, but still only protects CSP at 2021/22 levels. There is still no consideration or allowance for CSP reductions suffered by Councils prior to 2021/22, and therefore this approach continues to protect those Councils that had healthy levels of NHB in the base year, despite the principle of NHB legacy payments not being paid.

#### 2.3.6 Core Spending Power 2024/25 Compared to 2015/16

As part of the Settlement announcements the Government includes its projection and comparison of Core Spending Power (CSP) for each authority. The government has selected to use 2015/16 as their base year for comparative purposes.

For Gedling, the components of Core Spending Power include the Settlement Funding Assessment (revenue support grant and business rates), the Government's estimate of Council Tax Receipts, the New Homes Bonus, the Funding Guarantee Grant, the Services Grant and S31 grants and these are summarised in the table below:

Core Spending Power 2015/16 to 2024/25 (based on Government projections)

Year	SFA and S31 Grant	Council Tax	NHB	Funding Guarantee	Service Grant	Total	Movement	Movement from 2015/16
	£m	£m	£m	£m	£m	£m	£m	£m
15/16	5.2	5.5	2.0	0.0	0.0	12.7	N/A	N/A
16/17	4.3	5.5	2.4	0.0	0.0	12.3	-2.5%	-2.5%
17/18	3.8	5.7	1.7	0.0	0.0	11.2	-9.0%	-11.2%
18/19	3.5	6.0	0.9	0.0	0.0	10.4	-7.7%	-18.4%
19/20	3.3	6.0	0.5	0.0	0.0	9.8	-5.8%	-21.5%
20/21	3.3	6.3	0.4	0.0	0.0	10.0	+2.3%	-21.3%
21/22	3.4	6.5	0.1	0.1	0.1	10.1	+1.4%	-20.2%
22/23	3.6	6.7	0.5	0.1	0.2	11.1	+10.3%	-12.4%
23/24	3.9	7.0	0.3	0.3	0.1	11.7	+4.8%	-8.0%
24/25	4.1	7.3	0.7	0.2	0	12.4	+5.8%	-2.0%

Core Spending Power for local authorities in England increased by 7.5% in 2024/25. The table above shows an increase of +5.8% for Gedling in 2024/25 which is -1.7% below the average received by the sector as a whole. The Government's estimate of council tax receipts assumes that District/Borough Councils will increase Council Tax by the maximum possible equating to £213,000 for Gedling. However, actual council tax receipts will be determined by local decisions for council tax increases and actual tax base growth.

The Government forecast presents a total cumulative reduction in Core Spending Power by 2022/23 of -2.0% when compared to 2015/16. **Gedling has the seventh largest reduction in Core Spending Power when comparing 2024/25 to 2015/16 out of 349 Authorities in England.** In previous years Gedling's positioning was as follows:

Worst affected Council in England:	Gedling's Position
<b>2024/25</b>	<b>7<sup>th</sup></b>
<b>2023/24</b>	<b>5<sup>th</sup></b>
<b>2022/23</b>	<b>7<sup>th</sup></b>
<b>2021/22</b>	<b>1<sup>st</sup></b>
<b>2020/21</b>	<b>1<sup>st</sup></b>

Note for comparative purposes – only 11 other authorities remain in negative CSP growth, a further 17 are showing as zero growth (but they did not exist in 2015/16) and 23 have had CSP growth of less than 5%. The remaining 298 authorities have all seen growth of 5% and above since 2015/16.



### 2.3.7 Council Tax Increase Referendum Trigger

The Localism Act 2011 gives powers to the local community to either endorse or veto Council Tax rises that are above a limit which is to be set annually by the House of Commons. If a local authority decides to implement a council tax increase above the government set limit this will trigger a referendum so that local voters can either support or reject the proposed rise.

In the final settlement the Government confirmed the referendum principles for 2024/25. For Shire Districts a Council Tax increase will be considered excessive if it is either 3% (or more than 3%) and more than £5 greater than the amount for 2023/24. For Gedling the 3% limit equates to £5.50. Any Council which sets an increase greater than the referendum limit and does not get support from the electorate via a referendum will have to revert to a council tax level that is compliant, and bear the costs of re-billing its residents.

### 2.3.8 Future of Business Rates Retention

As detailed above the Business Rates Retention Scheme will be retained at 50% for next year and there will also be no reset of the business rates baseline for 2024/25. If the reset is implemented in 2025/26 it is expected that some existing business rates growth could be removed upon reset, reducing income levels.

## 2.4 General Fund Budget 2024/25 Summary

2.4.1 The following table summarises the proposed General Fund Budget for 2024/25. The detailed budgets are presented at Appendix 1. In developing a budget proposal, assumptions on the core budget have to be made. These have been included in both the annual base budget and MTFP calculations.

### General Fund Budget Summary 2024/25

<b>Portfolio</b>	<b>Original Budget 2023/24 £</b>	<b>Base Budget 2024/25 £</b>	<b>Variance £</b>
Communities and Place	188,000	342,600	154,600
Lifestyles, Health and Wellbeing	2,028,100	2,144,800	116,700
Public Protection	1,566,100	1,319,200	(246,900)
Life Chances and Vulnerability	1,140,800	1,860,100	719,300
Environmental Services	3,703,700	4,071,300	367,600
Climate Change and Natural Habitat	1,899,800	2,126,200	226,400
Sustainable Growth and Economy	1,471,100	1,182,000	(289,100)
Corporate Resources and Performance	2,367,900	2,402,200	34,300
<b>Net Portfolio Budget</b>	<b>14,365,500</b>	<b>15,448,400</b>	<b>1,082,900</b>
Transfer to/(from) Earmarked Reserves	(165,600)	(510,500)	(344,900)
<b>Net Council Budget</b>	<b>14,199,900</b>	<b>14,937,900</b>	<b>738,000</b>

## 2.4.2 Major Budget Pressures

Since the approval of the original budget 2023/24 there has been a continuous increase in demand for services including Homelessness. Inflation remains high albeit reducing slowly, and many of the inflationary pressures remain with the cost of higher than usual pay awards placing significant pressure on Council budgets across the medium term.

The base budget includes the following major budget movements **greater than £50,000**, which are substantially above the previous Medium Term Financial Plan expectations due to prevailing economic conditions and resulting inflationary and demand pressures:

### Expenditure:

- An estimated £1,925 pay award per full-time employee is anticipated to cost £930,600;
- Additional budget is required to deliver the Digital, Data and Technology Strategy of £163,200 (assumed 9 months in 2024/25 of full year cost of 213,600);
- Efficiencies proposals totalling (£406,200), see 2.4.3 for details;
- Resource Developments totalling £435,600, see 2.4.4 for details;
- Removal of one-off additional staff vacancy provision £150,000;
- Inflationary savings on utility contract prices amounting to (£84,900);
- Housing Benefits Rent Allowances reduced subsidies £236,200;
- Additional borrowing cost (interest and minimum revenue provision) due to the rising interest rates and the Capital Programme financing amounts of £134,000;
- Reduction in Superannuation Fixed Recharge (£93,000) following pension valuation report;
- Increase in Waste Services Agency & Overtime budget £94,500;
- Increase in fuel budget £80,000.

### Income:

- Income inflation on fees and charges (£159,200);
- Due to the currently high Bank of England interest rates and amount available for investment an additional (£869,000) investment income is anticipated;
- Civic Centre Income expected to fall by £106,700 following rent review July 2024.

## 2.4.3 Major Budget Reductions – Efficiency Programme

In response to the budget pressures arising from the downturn in the economy and consequent reductions in central government grant funding, the Council has approved a number of efficiency/budget reductions programmes to ensure delivery of a sustainable Medium Term Financial Plan (MTFP).

The Council's efficiency programme has been developed in accordance with the themes contained in the approved Efficiency Strategy i.e:

- **Efficiency & Effectiveness** – including: service efficiencies delivering the same level of service with a reduced level of resource; effective asset management; new ways of working including service re-engineering and new delivery methods; demand management; and service reductions or cessation;
- **Contract Management** – improved value for money in procurement;
- **Income Generation** – to maximise all income and reduce the level of subsidy provided in our discretionary service areas moving towards full cost recovery where appropriate; innovation/new ideas for new income streams.

#### Efficiency Programmes – Progress Update

Since 2014/15 Council have approved seven separate efficiency programmes totalling £7.5m net of risk provision. The total programme remaining for delivery over 2024/25 to 2025/26 is £297,600 (net of risk provision).

The progress of the current programme delivery has been positive and budget reductions achieved remain broadly in line with the profiled estimate.

#### Efficiency Proposals – New Proposals 2024/25

Due to the uncertainties of future Settlement funding and the potential pressures arising from pay awards, inflation and increased demand for services, additional efficiencies will be required.

As part of the budget set for 2023/24 on 2 March 2023, efficiencies totalling £2,857,000 were required to balance the budget in the medium term. The Medium Term Financial Plan has been refreshed and moved on a further year and it is now anticipated that comparable efficiencies of £3,558,900 are required by 2028/29 (however £1,333,700 has already been identified as detailed in the next paragraph).

The Council has been active in developing plans to deliver these efficiencies and proposals of £833,700 have been agreed and proposed for approval in this report with £406,200 of these being delivered in 2024/25 as set out in the table below and at appendix 4. A further £500,000 has been identified to be delivered as part of the Council's investment in the Digital Data and Technology Strategy (these are minimum efficiencies identified for the medium term, the strategy roadmap is expected to identify more efficiencies which will support the Council to deliver efficiencies in the longer term. The remaining £2,225,200 of efficiencies have partially been identified but are in the early days of development. These plans will be worked up into viable proposals and presented for approval at a later date.

A new **efficiency programme totalling £406,200** for delivery in 2024/25 is now proposed for approval. An additional risk provision of £79,600 is included in the budget to manage the inherent risks of efficiency programme delivery and a **Transformation Fund budget of £200,700** (refer to paragraph 2.4.4b) is included to facilitate the implementation of the overall programme.

The tables below summarise the proposed budget reductions analysed by Portfolio and Reduction type, with a detailed list included in Appendix 4.

### **Summary of Budget Reduction Proposals**

<b>Portfolio</b>	<b>2024/25 £</b>	<b>2025/26 £</b>	<b>2026/27 £</b>	<b>Total £</b>
Environmental Services	40,000	75,000	75,000	190,000
Life Chances & Vulnerability	41,000	2,000	18,400	61,400
Public Protection	45,100	118,500	3,000	166,600
Sustainable Growth & Economy	37,800	12,500	0	50,300
Corporate Resources & Performance	242,300	99,700	23,400	365,400
<b>Total</b>	<b>406,200</b>	<b>307,700</b>	<b>119,800</b>	<b>833,700</b>

### **Budget Reduction Proposals Summarised by Type**

<b>Summary 2024/25 - 2026/27</b>	<b>Efficiency &amp; Effectiveness £</b>	<b>Income Generation £</b>	<b>Total £</b>
Environmental Services	0	190,000	<b>190,000</b>
Life Chances & Vulnerability	61,400	0	<b>61,400</b>
Public Protection	157,600	9,000	<b>166,600</b>
Sustainable Growth & Economy	50,300	0	<b>50,300</b>
Corporate Resources & Performance	232,400	133,000	<b>365,400</b>
<b>Grand Total</b>	<b>501,700</b>	<b>332,000</b>	<b>833,700</b>

#### 2.4.4 Proposed Revenue Resource Developments 2024/25

The Revenue Resource Developments detailed in the table below are recommended to Cabinet for approval. These have been scored using the Council's approved methodology (which assesses schemes in accordance with the level of contribution made towards the achievement of the Council's Priorities and Improvement Plans).

(a) Revenue Resource Developments 2024/25

<b>Scheme</b>	<b>Revenue Bid 2024/25 £</b>	<b>Ongoing £</b>
Temporary accommodation bed & breakfast	135,000	-
Increase in vehicle workshop parts & repairs	68,800	68,800
Ecology Officer	51,100	51,100
Temporary accommodation property sinking fund	41,000	41,000
Property condition surveys	30,000	-
Increase in protective clothing budget	19,000	19,000
Maintenance of new pavilion at Magenta Way	15,000	15,000
Temporary accommodation properties repairs & maintenance	24,000	24,000
Cleaning of Changing Places Toilets at King George V park	11,000	11,000
Repair Flooring at Ponds Hills Community Centre	5,700	-
<b>Total Revenue Bids</b>	<b>400,600</b>	<b>229,900</b>

Further details of the Revenue Bids are as follows:

- Temporary accommodation bed & breakfast £135,000, increase in cases presenting as homeless;
- Increase in vehicle workshop parts and repairs £68,800, increasing life of vehicles pending introduction of Food Waste collections;
- Ecology Officer £51,100, due to new Bio-Diversity Net Gain requirements in Planning;
- Temporary accommodation property sinking fund £41,000, introduction of budget to ensure properties are maintained appropriately;
- Property Condition surveys £30,000, to help identify potential issues and risk;
- Increase in protective clothing budget £19,000, following Health & Safety recommendations;
- Maintenance of new pavilion at Magenta Way £15,000, following asset transfer;
- Temporary accommodation properties repairs & maintenance £24,000, due to expanding portfolio;
- Cleaning of new Changing Places Toilets at King George V park £11,000;
- Repairs to flooring at Ponds Hills Community Centre £5,700.

In addition to the revenue resource development proposals, capital resource development bids (see capital programme report elsewhere on this agenda) also have ongoing revenue implications which have been included in the revenue budget and MTFP.

(b) Inclusion of the Councils Digital Data & Technology Strategy and Senior Leadership Restructure

Gedling's Digital, Data and Technology Strategy is central to the Council's transformation efforts and a critical enabler of more customer-centric, efficient ways of working. It sets the direction for how we will deliver better services for customers and how we will organise ourselves more efficiently, enabled by Council wide standards and approaches to service design, underpinned by joined up data and technology solutions.

The purpose of this strategy is to provide a clear vision and direction for Digital, Data and Technology within Gedling over the next three years. It sets out our ambitions for improving our ways of working by making better use of technology, with the aim of helping us to become more efficient and customer focused in how we deliver our services.

The strategy is a significant investment which will enable the Council to deliver long term financial efficiencies which are expected to start to be realised in 2025/26 and will increase over the next few years as the strategy and associated roadmap progresses. The initial costs of implementation will be a mixture of both revenue and capital costs, with on-going costs being revenue.

The revenue costs of the project are expected to be financed by a contribution from earmarked reserves each year, the use of these reserves will reduce as efficiencies are delivered as part of the Roadmap.

The costs of the road map have been included in the revenue & capital budgets, but approval of expenditure will be subject to a Full Business Case being presented to Cabinet (at a later date) which sets out a viable financial model including efficiencies that will be delivered as part of the project.

The costs of a Senior Leadership Team restructure has been included in the revenue budget and is subject to a separate decision and consultation. Proposals have been put forward to modernise and improve the council's working practices, and further senior management capacity is needed to bring about that organisational change, development and improvement. Costs of £37,500 have been built into the estimates for 2024/25 with an expectation that it will be self-financing through efficiencies in future years.

The revenue costs of the Digital Data & Technology Strategy and the Senior Management Restructure and associated financing per year are set out in the table below:

<b>Revenue</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>
Digital Strategy	163,200	561,100	675,100	675,100	675,100
Management Restructure	37,500	0	0	0	0
<b>Total Revenue</b>	<b>200,700</b>	<b>561,100</b>	<b>675,100</b>	<b>675,100</b>	<b>675,100</b>
Funded by:					
Earmarked Reserves	(200,700)	(461,100)	(475,100)	(375,100)	(175,100)
Future Efficiencies	0	(100,000)	(200,000)	(300,000)	(500,000)
<b>Total Net Revenue Impact</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**(c) General Fund Ongoing Revenue Implications of the Proposed Capital Development and Asset Replacement Proposals (excluding borrowing costs)**

Description	Capital Budget – For Information	Revenue Costs 2024/25 and ongoing
	£	£
Temporary Accommodation	£2,200,000	65,000

**2.4.5 Discretionary Income Inflation**

The Medium Term Financial Plan includes income inflation on discretionary income at 5% for 2023/24 and 2024/25, and 3% for 2025/26, 2026/27 and 2027/28 (excluding leisure DNA memberships, garden waste, trade waste, building control, town centre car parking, taxi licencing), which equates to £159,100, and the increase per Portfolio is shown in the table below. Each additional 1% increase will raise a further £31,800. The 5% increase for 2023/24 and 2024/25 is 2% higher than originally anticipated due to the increased cost of service provision being experienced.

It is suggested that the Portfolio Holder agrees individual charges with the relevant Corporate Director, with discretion to vary the percentage increase if the overall cash amount for that Portfolio is raised or exceeded.

Portfolio	Discretionary Income	1% increase	5% increase
	£	£	£
Lifestyles, Health and Wellbeing	(2,260,200)	(22,600)	(113,000)
Public Protection	(77,300)	(800)	(3,900)
Life Chances and Vulnerability	(4,800)	(0)	(200)
Environmental Services	(592,300)	(5,900)	(29,600)
Climate Change and Natural Habitat	(109,300)	(1,100)	(5,500)
Corporate Resources and Performance	(137,400)	(1,400)	(6,900)
<b>Total</b>	<b>(3,181,300)</b>	<b>(31,800)</b>	<b>(159,100)</b>

Some of the services operated by the Council are not included in the general fee inflation increase due either to: the sensitivity of demand to price changes e.g. Leisure DNA memberships, or, being operated on a commercial basis and therefore required to breakeven e.g. Building Control. The levels of fees which are set in these areas are considered separately and the base budget amended

to ensure appropriate fees are set.

Some fees for statutory services e.g. development control, are determined by central government and any changes are reflected in the base budget.

#### **2.4.6 Review of Balance Sheet Reserves**

The *Local Government Act 2003* requires authorities to consider the level of reserves when calculating their budget requirements. Professional guidance is set out to assist in this deliberation.

Earmarked reserves on the balance sheet have been reviewed to ensure appropriate levels of funds are retained for specific future purposes and risks. The estimated movement on reserves for 2023/24 and 2024/25 are detailed at Appendix 2 and show expected balances of £4.65m as at 31 March 2025. Whilst the majority is set aside to cover specific risk issues e.g. insurance risks; to support approved capital projects; to support ongoing service provision; including ring-fenced partner funds and grants; they may be diverted to support general expenditure should the need arise.

There is currently no reclassification of earmarked reserves proposed for the 2024/25 budget however, the classification of earmarked reserves will be kept under review and considered in the light of the outturn position for 2023/24 and recommendations made for reclassification at that time if required.

The Council's minimum General Fund Balance level is set at £1m or 7.5% of the Council's net operating expenditure, whichever is greater. For 2024/25 the required minimum General Fund balance at 31 March 2025 is £1,120,000 compared to the current projected closing balance of £3,637,600.

This level of General Fund Balance indicates the increasing and immediate level of financial risk the Council is now facing as a result of the long history of government grant funding reductions, which are no longer related to the Relative Needs together with the substantial inflationary pressures, significant increase in Homelessness and demand for other services, and high pay awards.

The medium term projection on the General Fund Balance is detailed in the Medium Term Financial Plan summary at paragraph 3 below which demonstrates that substantial budget reductions must be achieved in the future to maintain the minimum level of General Fund Balance and achieve a sustainable financial position in the absence of additional government funding.



#### 2.4.7 Financing of the Capital Programme

As detailed in the Capital Programme report elsewhere on this agenda it is currently forecast that external PWLB borrowing will not be required to finance the capital programme in 2024/25 through to 2028/29, however some internal borrowing from cash reserves may still be required. Borrowing has an impact on the revenue budget in terms of interest costs and principal repayment. This is reflected in the Medium Term Financial Plan.

#### 2.4.8 Collection Fund

##### Council Tax

On 15 January each year, the Council is statutorily obliged to prepare an estimate of its Collection Fund transactions for Council Tax, and its expected position at 31 March. This estimate enables Gedling and the three major precepting authorities to take account of any anticipated surplus or deficit on the Fund when they set their own authority budgets.

As detailed in Appendix 3, a deficit of £285,200 was declared on 15 January 2024 for the estimated position at 31 March 2024. The deficit of £285,200 will be shared by the preceptors with the sum of **£25,600** being charged to the General Fund in 2024/25.

##### Business Rates

The estimated Business Rates Collection Fund surplus at 31 March 2024 of £1.755m was declared in January 2024, of which Gedling's share is £0.702m (40%) and will be received by the General Fund in 2024/25.

#### 2.4.9 Business Ratepayers Consultation

There is a statutory requirement to consult with business ratepayers on the budget proposal. The consultation has commenced and any responses will be reported at the meeting.

### 3. **MEDIUM TERM FINANCIAL PLAN**

- 3.1 The implementation of the *Local Government Act 2003*, which introduced a requirement for the Council's Chief Financial Officer to comment on the robustness of the Council's estimates, and the need to look at the medium term (3 years) in order to produce the required indicators as detailed in the Prudential Code, means greater emphasis needs to be placed on the Council's medium term financial planning. Although an absolute requirement to look over three years is required, it is considered good practice to look over as long a period as is reasonable. This Council has a history of producing a Medium Term Financial Plan (MTFP) over a 5 year horizon and this is still considered the appropriate period for this authority.

3.2 The MTFP 2024/25 to 2028/29 is presented against a backdrop of major and unprecedented economic uncertainty, the impact of the war in Ukraine, rapidly rising inflation, energy prices and problems in the global supply chain, significant increase in homelessness and shortage of available housing along with the recent upward movement in interest rates which have resulted in difficulties in forecasting both funding and spending pressures beyond next year. Other factors contributing to uncertainty associated with the MTFP include:

- The latest one-year Local Government Finance Settlement for 2024/25;
- Likely continued upward pressure on pay awards in response to rising inflation, wage comparability and skills shortages in key areas;
- Continued inflationary pressures for supplies and services, including energy prices, the future movement of which remains potentially volatile;
- The lack of a confirmed timescale for the Fair Funding Review and Business Rate system reset;
- The one-off nature of some government grant funding, for example the Funding Guarantee and New Homes Bonus.

3.3 The following table identifies the impact of all the proposals and assumptions that are contained in this report:

- Planned budget reductions and efficiency savings (paragraph 2.4.3);
- The incremental increase in base revenue expenditure from 2024/25 and budget growth items (paragraph 2.4.4);
- Pay Award of 5% for 2024/25, 3% for 2025/26 and 2% per annum from 2026/27 onwards. The April 2023 pay award was settled with an average 7% impact on the Council's pay bill compared to the estimated 5%. Whilst the April 2024 pay award for local government staff will not be known for some time, it is not currently anticipated to be lower than that awarded in 2023/24. This level of pay claim presents a downside risk to the current MTFP projections, as do potential market adjustments that may be required to address skill shortages in key service areas;
- Fees and charges to be increased by an average 5% in 2024/25 and onwards (paragraph 2.4.5);
- Anticipated cost of borrowing to finance the capital programme for 2024-2029;
- A 2.988% Band D Council Tax increase (45p per month for a Band D property and 30p per month for a Band A property) has been assumed for 2024/25. Beyond that a 2.988% Council Tax increase has been assumed for each year of the MTFP to maintain increases without triggering a referendum. However, future council tax increases will be dependent upon future spending decisions, total local government funding and the achievement of efficiency savings;
- Based on the current information available, and in the absence of funding increases, in order to achieve a balanced MTFP and ensure the Council's balances do not fall below the minimum level required, additional ongoing

budget reductions of **£2,225,200** will be required in the following profile, and are included in the MTFP:

Year	Adjusted Efficiency Target (£)	Identified Efficiencies (para 2.4.3) (£)	Digital Transformation Efficiencies (£)	New Efficiency Target (£)
2024/25	406,200	(406,200)	0	0
2025/26	407,700	(307,700)	(100,000)	0
2026/27	901,000	(119,800)	(100,000)	<b>681,200</b>
2027/28	1,844,000	0	(100,000)	<b>1,744,000</b>
2028/29	0	0	(200,000)	<b>(200,000)</b>
<b>Total</b>	<b>3,558,900</b>	<b>(833,700)</b>	<b>(500,000)</b>	<b>2,225,200</b>

Any new demand pressures arising will require an increase in these budget reduction/savings projections to maintain a balanced budget.

Of the efficiencies above £833,700 has already been identified and built into base budgets. A further £500,000 of efficiencies are required to be delivered as part of the Digital, Data & Transformation Strategy. The remaining £2,225,200 has been partially identified and is in the early stages of development and will be presented in more detail at a later date. Although efficiencies have been partially identified the Council will not be complacent and will consider options for further budget reductions during 2024/25 which can be implemented from 2025/26 onward in the event that additional funding is not available in the next or future Local Government Finance Settlement(s).

The following table demonstrates a balanced Medium Term Financial Plan with a small projected surplus on balances at the end of year 5 (2028/29) subject to securing budget reductions. The current budget makes a small contribution to the General Fund Reserve in 2024/25, but relies on a significant contribution from reserves in 2025/26 and 2026/27 in order to maintain service delivery at current operational levels. From 1 April 2027 onwards the budget forecasts the General Fund will be operating at minimum levels with no further capacity to address funding gaps, indicating the increasing risk presented to the Council's financial sustainability arising from increased costs and uncertain funding levels, which is affecting many local authorities at this time.

## MEDIUM TERM FINANCIAL PLAN 2024/25 TO 2028/29 - HIGH LEVEL SUMMARY

	2024/25 £	2025/26 £	2026/27 £	2027/28 £	2028/29 £
Net Council Budget	14,937,900	14,839,200	14,628,600	13,429,800	13,651,100
<b>Financed by</b>					
SFA Business Rates Baseline	(3,321,100)	(3,387,500)	(3,455,300)	(3,524,400)	(3,594,900)
SFA – Revenue Support Grant	(125,300)	(125,300)	(125,300)	(125,300)	(125,300)
Funding Guarantee Grant	(225,700)	(120,000)	(120,000)	(120,000)	(120,000)
Services Grant	(21,500)	(21,500)	(21,500)	(21,500)	(21,500)
New Homes Bonus	(709,900)	(300,000)	(300,000)	(300,000)	(300,000)
Council Tax Collection Fund Deficit	25,600	0	0	0	0
NNDR Growth/ Collection Fund (Surplus)/Deficit/ S31 Grant	(2,516,000)	(1,069,300)	(1,069,300)	(1,069,300)	(1,069,300)
NNDR Surplus Reliefs 2023/24	(701,800)	0	0	0	0
Less: Amount (from)/to Balances Core Budget	16,200	(2,165,000)	(1,583,500)	(1,200)	174,000
Council Tax Requirement	7,358,400	7,650,600	7,953,700	8,268,100	8,594,100
Council Tax increase	2.98%	2.98%	2.98%	2.98%	2.98%
Tax Base	38,963	39,338	39,713	40,088	40,463

The MTFP above assumes that a 2.988% increase will be applied between 2024/25 and 2028/29 but the actual increase will be determined on an annual basis by Council.

Expected balances at year end	4,757,600	2,592,600	1,009,100	1,007,900	1,181,900
Required balance	1,120,000	1,113,000	1,008,900	1,007,000	1,037,000
<b>(Surplus)/Deficit on required balances</b>	<b>(3,637,600)</b>	<b>(1,479,600)</b>	<b>(200)</b>	<b>(900)</b>	<b>(144,900)</b>

#### 4. **COUNCIL TAX**

- 4.1 The Council Taxpayer must meet the difference between the planned expenditure and the Government grant receivable after the use of any balances are taken into account. It is this difference that is used to calculate individual Council Tax bills for 2024/25.

- 4.2 Gedling’s share of the council tax for a band D property for 2023/24 is £183.38. The level of council tax for 2024/25 depends on the extent of service reductions/developments and financial risk issues (see paragraph 5 below) that the Council decides to provide for in the budget for next year. For illustration, an increase in council tax by 1% provides additional funding of £71,450. In the above MTFP a 2.988% (equivalent to £5.48) increase has been assumed for 2024/25. **The MTFP at paragraph 3.2 assumes that a 2.988% increase will be applied for the whole period of the plan but the actual increase will be determined on an annual basis by Council.** The Council Tax referendum limit for a shire district at which an increase is considered excessive is 3% or more and £5 whichever is greater. To illustrate the impact of the proposed 2.988% increase, the overall position in terms of the increase for the year ahead on each Council Tax Band would be as follows:

	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
Year	£3.64	£4.25	£4.85	£5.48	£6.67	£7.89	£9.10	£10.92
Week	7p	8p	9p	11p	13p	15p	18p	21p

- 4.3 At its meeting on 24 January 2024, the Council maintained its commitment to continuing the Council Tax Reduction Scheme unchanged, enabling a maximum award entitlement of up to 100% discount. This continues to mitigate the impact of council tax increases, including those levied by preceptors, for Gedling’s most financially vulnerable households.

## 5. **ROBUSTNESS OF ESTIMATES**

- 5.1 *Sections 25 and 26 of the Local Government Act 2003* place a personal duty on the Chief Finance Officer to make a report to Council when considering its budget and Council Tax. The report must deal with the robustness of the estimates and the adequacy of reserves.

The Act requires Members to “*have due regard to the report in making their decisions*”. Where this advice is not accepted, it should be formally recorded within the minutes of the Council Meeting.

Under *Section 25 of the Local Government Act 2003* the Section 151 Officer is required to provide a commentary assessing the robustness of the estimates when Cabinet and Council are considering the budget proposals.

The key strategic risks in considering the 2024/25 revenue budget proposals and Capital Programme in the context of the Medium Term Financial Plan are detailed in paragraphs 5.2 to 5.8 below.

### 5.2 **Financial Settlement/Funding Streams**

The 2021 Comprehensive Spending Review outlined the Government’s spending plans for the period 2022/23 to 2024/25 and set budgets for each central government department. This included an average increase in Core

Spending Power for local government of 3% in real terms over the three-year Spending Review period. However, a substantial part of the additional grant funding to this department was primarily to meet social care pressures which is an upper tier function, presenting a risk that district and borough councils will not receive the full 3% increase in real terms across the 3 year period.

In the Autumn Statement 2023 the Chancellor maintained the Government commitment to the departmental expenditure limits set out in the Comprehensive Spending Review 2021, however this has not translated into a multi-year settlement for local government, with another one year settlement being made for 2024/25. The Government confirmed that the long-awaited local government finance reforms i.e. Fair Funding Review and Business Rates Retention reset which were initially due for implementation in 2020 will not now be implemented until 2025/26 at the earliest.

This means that Councils still have no clarity or certainty of how services will be funded beyond next year which presents incredible challenges, inhibiting meaningful financial planning and the development of a sustainable Medium Term Financial Plan. This is further exacerbated by the uncertainties resulting from the economic downturn in terms of ongoing demand and inflationary pressures and how they will be financed.

- **Business rates retention/Fair Funding Review:** The extension of the business rates retention scheme reset and implementation of the Fair Funding Review was originally planned for 2020/21 but this has been delayed for five years so far, with the earliest implementation expected to coincide with the next Comprehensive Spending Review period and the 2025/26 Local Government Finance Settlement. In the absence of a review of the local government funding, pilots for the 100% business rates retention are continuing in 2024/25 but the Secretary of State for Levelling Up, Housing and Communities announced that the Government would abandon moves towards 75% Business Rates Retention as they considered that it conflicted with their levelling up agenda. Instead the Government plan to progress the Fair Funding Review and examine the mechanism for redistributing funding to the local authorities most in need.

Any retention of business rates will still require a mechanism to ensure funding is distributed in respect of need which will create winners and losers which will be determined by the Fair Funding Review. With an obvious emphasis already included in the Spending Review, and in the recent Autumn Budget 2023, to support upper tier authorities in respect of their funding for social care, there is a real risk that district councils could lose further under any new allocation process. The original intention of the business rates retention scheme was for it to be fiscally neutral and in order to achieve this, additional responsibilities would need to be transferred to Local Government in a move to 100% retention. In this scenario care will be needed to ensure that any new transferred responsibilities are capable of being fully funded in both the short and

long term although the risk of this materialising is now reduced if the retention level stays at the current 50%.

The current retention of business rates has shown the volatility of this funding in respect of the appeals process, the prediction of future growth, and the potential for significant local impact where a large business relocates/closes. These changes may require local authorities to hold higher levels of reserves in the future depending on the outcome of the review of the local government finance system.

- **New Homes Bonus**: the main body of the report at paragraph 2.3.3, identifies the significant impact that changes to this funding stream has had for Gedling Borough Council due to the introduction of a 0.4% growth baseline resulting in significantly reduced awards since 2016/17.

In line with the one year only local government finance settlement, the NHB award has continued on a one year only basis for 2024/25. Previously the government has stated that it is no longer clear that the NHB in its current form is focussed on incentivising homes where they are needed most. A consultation on the future of the NHB was held in the spring of 2021 but there is, as yet, no firm indication as to how the Government will wish to proceed with amendments to the scheme.

Whilst there may still be an opportunity to receive NHB in the future it is considered that there is a downside risk to this arising, and whilst it may not have seemed prudent to include this funding stream to support the revenue budget previously, the government have indicated that they will continue to support a minimum growth of 4% in Core Spending Power, therefore a reduced sum of NHB or equivalent funding has been included in the MTFP.

- **Council Tax**: The Government's Core Spending Power figures are based on the assumption that Council Tax will be increased by the maximum amount in accordance with the referendum principles and that growth in the tax base will be created through additional hereditaments. This rise is equivalent to the maximum possible without requiring a referendum and leaves no room for local discretion to set a higher Council Tax in order to plug any funding gaps. The MTFP contained in this report assumes that a 2.988% increase will be applied between 2024/25 and 2028/29 but the actual increase will be determined on an annual basis by Council. In the absence of additional ongoing funding in the local government finance settlement, any Council Tax increase below the 2.988% will require an increase in the efficiency/budget reduction targets to ensure that a balanced MTFP is secured.
- **Economic Growth/Inflation**: Both Brexit and Covid-19 and more recently the war in Ukraine have had a major adverse impact on the economy and ongoing uncertainty continues to create major challenges for economic forecasting. Overall the balance of risk to economic growth

in the UK is now to the downside, with significant risks related to: labour supply shortages proving more enduring and depressing economic activity; inflationary pressures not being effectively controlled by monetary policy interventions; UK/EU trade agreements being effective. Without a multi-year settlement or an understanding of what the Fair Funding Review or business rates retention reset will bring, the demand and inflationary pressures arising from the economic downturn need to be managed within local resources i.e. from further budget reductions or efficiencies.

Inflation assumptions have been incorporated in the MTFP, including pay award of 5% for 2024/25, 3% for 2025/26 and 2% per annum from 2026/27 onwards.

An increase in contract prices for utilities is included in the 2024/25 budget. This aspect of the budget is likely to continue to be volatile and there is a downside risk that the full year effect of expected price increases will be higher than those currently projected. However, there is also an upside risk that energy prices will drop back and utility contract prices and budgets will fall back to some degree in the medium term.

- 5.3 A minimum balance of £1m on the General Fund, or 7.5% of net operating expenditure whichever is greater, is recommended by the Chief Financial Officer to be a prudent amount given the scale of the business conducted by the Council. The external auditor regards this level of balance on the General Fund to be satisfactory, and it is also appropriate to reflect uncertainties in the financial position in the medium term. Given the substantial inflationary pressures being experienced and the scale of the future budget reductions likely to be required in the absence of funding increases, the level of minimum balances will be kept under review and may need to increase to reflect the increasing level of risk in the MTFP.
- 5.4 The (surplus)/deficit on balances in the MTFP table in 3.3 shows amounts (above)/below the recommended minimum General Fund balance in any one year. Current spending plans show a surplus of £3,637,600 in 2024/25 declining to £144,900 by the end of 2028/29. Achievement of this position is reliant upon efficiency plans being progressed and delivered during the period of the MTFP or additional funding being made available via the local government finance reforms. Underlying this is an annual deficit between the amounts of income expected and anticipated expenditure which needs to be managed beyond the five-year horizon but this is significantly reduced to manageable levels with the inclusion of the efficiency/savings programmes. However this still does not leave significant capacity to manage future budget and inflation pressures that may arise which will have to be managed by further budget reductions.

The Council has a substantial programme of budget reductions planned for delivery, as detailed in paragraph 2.4.3. Whilst risk provisions and transformation funds have previously been approved (which mitigate the risk of non-delivery) and in the main the delivery of the programme has gone well,



more recently difficulties have been experienced particularly with regards to projects that require more innovative and transformation approaches with inherent uncertainties which presents an increasing downside risk to successful delivery. Programmes are regularly monitored and progress reported to Cabinet to manage this risk and as detailed in paragraph 2.4.3 new efficiency proposals recommended to ensure this downside risk is effectively managed.

The challenges that lie ahead are increasing compared to those in previous years, due to inflationary pressures but whilst recognising the significant challenges ahead, this plan is considered robust. Gedling is not alone in facing this challenge - it is a national problem – but with the Council’s long track record in delivering successful efficiency programmes, it is well placed to react and to develop strategies to meet the set efficiency targets.

5.5 Initiatives introduced to manage within reduced resources bring increased risks both financially and in terms of service delivery. For example:

- Reduced maintenance budgets – can be accommodated in the medium term but may bring pressures in the longer term as major capital investment plans may need to be accelerated as assets deteriorate faster. Increased public building maintenance budgets have been included in the capital budget proposals to mitigate this risk;
- Earmarked reserves for specific purposes/risk management have been reviewed and will be managed at minimum requirement levels providing less scope for managing emerging risks.

5.6 The Authority continues with activities undertaken in association with a variety of partners. This requires reliance on partnership funding and/or the delivery of integrated programmes and is an approach which is integral to the Council’s efficiency programme. However, a significant number of the Council’s partners are public sector organisations which are also facing significant budget pressures and changing roles. This places increasing risk on the Council both directly, in respect of possible withdrawal of partnership funding, and indirectly, with the Council potentially facing additional burdens resulting from budget cuts in other organisations. This is especially true in respect of the most vulnerable in society which could therefore have a direct impact on families, homelessness and those with specialist housing need.

5.7 There is an increased risk arising from these assumptions and the level of minimum balances will be kept under review. As the Council is responding to the challenges through efficiency measures and service reductions it is considered that the annual and medium term budgets are robust, but given the above risk assessment the achievement of the estimated Medium Term Financial Plan will be a significant challenge to deliver.

5.8 Given the Council’s excellent track record for budget management, careful budget monitoring and financial planning, which will continue, the structural deficit that remains in the Medium Term Financial Plan is now significant, and it should be expected that there may need to be some contraction of service delivery/performance if existing efficiency plans do not proceed in line with

expectations or there are funding reductions following the implementation of the Fair Funding Review.

## 6. Risk Assessment

Gedling needs to review its Financial Strategy and Medium Term Financial Plan annually to ensure its projected expenditure is balanced with the income it receives, and where it does not, or is projected not to, corrective action needs to be identified and put in hand.

Risk	Impact	Comments
Time	Medium	<p>Gedling has always aimed to be at least one year ahead of the budget reductions it needs to make, so that any changes required are as trouble free as possible.</p> <p>The General Fund Balance is now forecast to be at minimum levels from 1 April 2027 and efficiency plans to meet the approved targets will continue to be implemented and developed over the next 4 years to help balance the MTFP.</p>
Viability	High	<p>The continuing one year local government finance settlements, the lack of a clear timeframe for the Fair Funding Review, uncertainty regarding the future of the New Homes Bonus and the rapidly increasing levels of inflation as well as the upward movement in interest rates increases the risks to the finances of the Council; reserves to cushion the impact, are quickly reducing and delivery of the approved efficiency programmes and the development of new efficiency programmes will be essential.</p>
Finance	High	<p>With the continued removal of central government support, the Council will increasingly rely on income generated by local fees and charges, and council tax, and these will need to be consistently increased year on year to offset the momentum of continual reductions in available budgets. The cost of living crisis presents an additional risk to income levels for discretionary services.</p>

Profile	High	The achievement of a balanced and sustainable MTFP is reliant upon the effective delivery of the efficiency programme, with £0.834m planned for delivery between 2024-27. In the absence of additional funding in the next local government finance settlement, or reduced inflationary pressures, further budget reductions of £2.725m over 2024-29 will be required.
Adaptability	High	Working with partners will be essential to successfully respond to the challenges that face the Council. The joint work with the DWP has provided a positive model of partnership working and Gedling is working more closely with the Police and the local Integrated Care Partnership to work laterally across the sector.

## 7. **Equality Issues**

The Council has a duty under the *Equality Act 2010* to have due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations between protected groups (such as disabled people or ethnic minority groups) when considering proposed new or changing policies, services or functions, including decisions on funding for services.

Heads of Service have been asked to assess the equalities impact of the proposals for service changes contained in this report. It is not anticipated that there will be any significant cumulative impact on any protected group arising from these budget proposals.

Where appropriate, individual Equality Impact Assessments will be carried out in relation to specific proposals identified in this report. Any equality issues arising will be brought to the attention of the decision maker when the decisions on those proposals are made.

## 8. **Key Decision Thresholds**

In accordance with the Council's Constitution, full Council will in each year determine the financial thresholds for each service or function above which expenditure or saving is regarded to be significant and should therefore be regarded as a Key Decision. Traditionally the threshold has operated at above £0.5m and it is proposed that this value be continued for 2024/25.

## 9. **Alternative Options**

Cabinet could consider recommending an alternative budget and service plan. Recommending an alternative budget may alter the level of recommended Council Tax for 2024/25. If Cabinet chose not to recommend a budget to Council this would be in contravention of the Council's Constitution and would not be in compliance with the *Local Government Finance Act 1992*.

## 10. **Financial Implications**

As detailed in the report.

## 11. **Legal Implications**

It is a statutory requirement under the *Local Government Finance Act 1992* that the budget is presented to Council for approval. The budget has been prepared taking into account the Council's Gedling Plan 2024-27 priorities and Council objectives for the coming year, as well as with regard to statutory requirements.

## 12. **Carbon Reduction/Environmental Sustainability Implications**

The Council has committed through the Gedling Plan 2024-27 to promote a sustainable environment, recognising the responsibility it has to safeguard the local environment by reducing its own Carbon Footprint, and working with the local community to reduce global warming. This commitment impacts on the budget in terms of investments and expenditure required to deliver such changes, and in considering the risk of climate change to the Council in terms of impact on its residents and delivery of services.

## 13. **Appendices**

- Appendix 1 - Detailed Portfolio Holder Budgets 2024/25
- Appendix 2 - Movement in Earmarked Reserves
- Appendix 3 - Council Tax Collection Fund Estimate 2024/25
- Appendix 4 - Summary of Budget Reduction Proposals 2024/25 – 2027/28

## 14. **Background Papers**

- Central Government Report – Local Government Finance Report 2024/25
- Prudential and Treasury Indicators and Treasury Management Strategy Statement 2024/25
- Capital Programme and Capital Investment Strategy 2024/25 to 2028/29
- Gedling Plan 2023-27

**15. Reasons for Recommendations**

To obtain approval of the General Fund Revenue Budget 2024/25 for referral to Council.

**Statutory Officer approval:**

**Approved by:** Chief Financial Officer

**Date:** 9 February 2024

**Approved by:** Monitoring Officer

**Date:** 9 February 2024